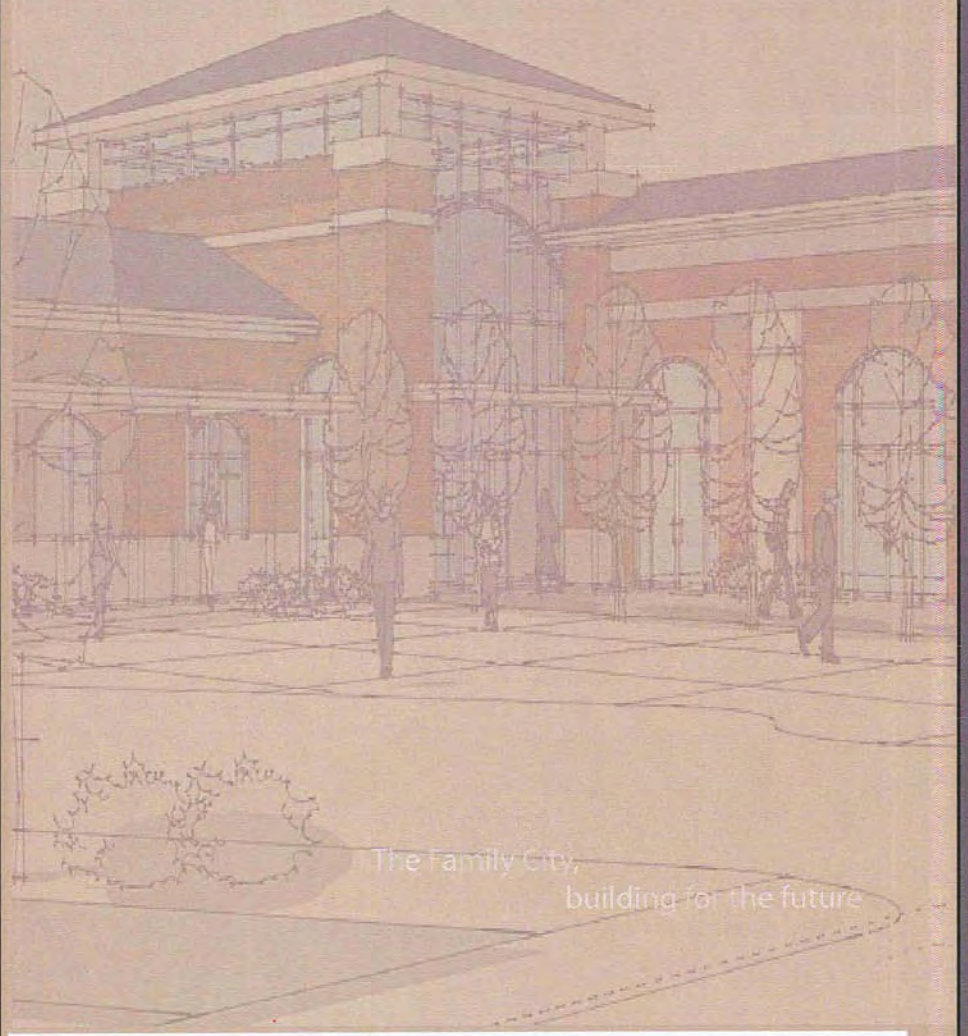
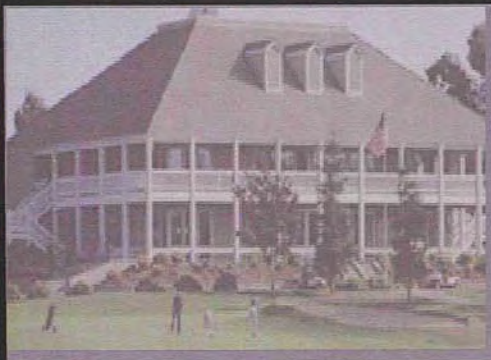


# City of Manteca

California



***Comprehensive Annual Financial Report***  
**Fiscal Year Ended June 30, 2012**

**CITY OF MANTECA, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Prepared by**  
**FINANCE DEPARTMENT**

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**CITY OF MANTECA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2012**

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# CITY OF MANTECA

FINANCE DEPARTMENT

December 28, 2012

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, 2012 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.

## **Major Changes in Reporting**

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 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.

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 Successor Agency Housing 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.



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 assets information for the Private-Purpose Trust Fund can be found in the Fiduciary Financial Statements section.

### **Reporting Entities**

The financial statements included in this CAFR present the City (the primary government) with the City funds and the Manteca Redevelopment Agency (through January 31, 2012) and the Manteca Financing Authority as component units. These component units are separate legal entities; however, the City Council sits as the Board of Commissioners for both entities, and both are dependent upon the City of Manteca for record keeping and financial report preparation activities.

### **Government Profile**

The City of Manteca is located seventy-six (76) miles due east of San Francisco in San Joaquin County adjacent to Interstate 5, Highway 99 and Highway 120. The city has an area of approximately 20.61 square miles of level terrain and 69,815 residents as of January 1, 2012. Manteca's strategic location provides easy commuting to the San Francisco Bay Area as well as encouragement for future growth in this area through the location and/or relocation of manufacturing, retailing, wholesaling, and service industries.

Located in the central portion of the San Joaquin Valley, Manteca is adjacent to extensive green areas and agricultural lands. Although agriculturally-oriented business activities are still an important part of Manteca's local economy, the area has many other large employers including packaging and distribution plants, a manufacturer of modular buildings, electronic firms, and two local hospitals. 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 and other areas.

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 Redevelopment Agency and the Manteca Financing Authority.

### **Economic Conditions and Outlook**

The national foreclosure and credit crisis that triggered the Great Recession in 2008 combined with the State's budget deficit have had an unprecedented impact on California's economy. The local region continues to be among the hardest hit in the nation during these economically challenging times. Unemployment in the San Joaquin Valley continues to average 15%, with the City of Manteca averaging 13% as of June 2012. While recovery has been slow, signs of resurgence are beginning to emerge. Unemployment rates have continued to decline and consumer spending is showing slight increases. Through strong economic development, current information indicates that sales tax is 6% higher than revenues for the same period last year.

In spite of a weakened housing market in the San Joaquin Valley region, residential home construction in Manteca has continued. In 2011-12, the Building Safety division issued 287 permits for new residential construction compared to 317 permits in 2010-11.

In addition to residential construction, commercial and industrial construction has continued. The CenterPoint industrial project featuring 190 acres of development with an intermodal center, light industrial, warehouse, office, and commercial uses was officially annexed in February 2012. On July 3, 2012 the City Council approved amendments to the Development Agreement that will facilitate completion of the project.

Phase 3 of the Stadium Center shopping center continues for the undeveloped pad sites. Once final revisions are approved, sites will be provided to accommodate two new fast-food restaurants and possibly a drug store.

Both the new residential and commercial growth have helped mitigate the impact to assessed valuation for the City. While the City experienced a 5% decline in property tax assessments as of January 1, 2011, a slight gain was experienced as of January 1, 2012. The County Assessor's Office is indicating that no further declines in assessed valuation should occur as the housing market begins to stabilize.

#### **LONG TERM FINANCIAL PLANNING:**

After nearly a decade of strong economic growth, the extraordinary and severe economic downturn in recent years has led the City of Manteca to face unprecedented fiscal challenges. To ensure continued financial stability for the City, the City Council holds annual strategy and goal setting sessions. Through the 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. Beginning in July 2011, the City adopted its first 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 address the rising costs of employee benefits and to stem structural budget deficits resulting from declining revenues, in spring of 2011 City leaders began negotiations with all employee bargaining units to address increasing personnel expenditures. During the first six months of Fiscal Year ended June 30, 2012, new Memoranda of Understanding (MOU) were negotiated with all of the City's bargaining units. Key areas addressed included the increasing cost of retirement benefits, including retiree health. Additionally, second tier retirement formulas with CalPERS were implemented for both public safety and miscellaneous units. All MOUs are in effect through June 30, 2015.

#### **Major Initiatives**

Infrastructure projects continue to play a key role in the City's vision for economic recovery. 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 and construction include the Atherton Drive Gap Closure project and the Union Road/Highway 120 Interchange Improvements project. The Woodward Avenue Utilities and Street Improvements project will provide needed sewer and storm drainage pipelines from Main Street to Galleria Drive.

In addition to infrastructure projects, work continues on expanding and upgrading City facilities. As part of a multi-phased Corporation Yard Expansion project, the construction of a new Animal Control Facility and a new Vehicle Maintenance Shop has been completed. Work continues on a new Multimodal Station with anticipated completion in May 2013 and on a new fire station in the Northwest area of Manteca set to open September 2013.

Beginning in January 2012, the City began the implementation of new Enterprise Resource Planning (ERP) software that will support all aspects of public administration including financial management, human resources, community development and utility management.

In the void left by the dissolution of Redevelopment, the City continues to collaborate with interested parties to develop new and innovative solutions to encourage economic growth within the community. Work continues on key projects such as the Austin Road Business and Industrial Park and Residential Community and the Family Entertainment Zone (FEZ).

## **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 department level for the General Fund and at the fund level for all other funds. 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, 2012 amounted to \$276,061,865 encompassing governmental and business type activities, including restricted cash and investments. During fiscal year 2011-2012 investments consisted primarily of Federal Agencies (22%), U.S. Treasuries (15%) corporate notes (11%) and the Local Agency Investment Fund (LAIF) managed by the State Treasurer (6%). \$64,254,000 or 23% of the portfolio is related to bond reserves and unspent bond proceeds held by trustees in Money Market Mutual Funds.

### ***Single Audit***

The City is subject to an annual single audit in compliance with provisions of the Single Audit Act as amended in 1996 and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non profit Organizations*. 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, 2011. This was the twenty-third year the City has received this prestigious award.

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

### ***Acknowledgments***

The preparation of the Comprehensive Annual Financial Report, in a timely manner, was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Appreciation is also expressed to the very knowledgeable and supportive staff of Maze and Associates who made this presentation possible.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Suzanne Mallory". The signature is written in black ink and is positioned above the printed name and title.

Suzanne Mallory  
Director of Finance

# CITY OF MANTECA CITY COUNCIL



**Debby Moorhead**  
Councilwoman



**John Harris**  
Councilman



**Willie Weatherford**  
Mayor



**Steve DeBrum**  
Councilman



**Vincent Hernandez**  
Councilman

## ADMINISTRATIVE PERSONNEL

City Manager / City Treasurer  
City Attorney  
City Clerk  
Administrative Services Director  
Finance Director  
Interim Community Development Director  
Public Works Director  
Fire Chief  
Chief of Police

Karen L. McLaughlin  
John Brinton  
Joann Tilton  
Joe Kriskovich  
Suzanne Mallory  
Frederic Clark  
Mark Houghton  
Kirk Waters  
Nicolas Obligation





Voters of Manteca, California

**City Council**  
Mayor - Willie W. Weatherford  
Mayor Pro-Tempore - John W. Harris  
Councilman - Stephen DeBrum    Councilman - Vincent Hernandez    Councilwoman - Debby Moorhead

City Attorney

Commissions

City Manager  
Karen McLaughlin

City Manager

Public Works  
Mark Houghton

Finance Services  
Suzanne Mallory

Parks and Recreation  
Mark Hall

Information Technology

Fire  
Kirk Waters

Administrative Services  
Joe Kriskovich

City Clerk  
Joann Tilton

Community Development  
Frederic Clark

Police  
Nicolas Obligacion

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director



## INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. 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 for 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 includes examining, on a test, basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 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 conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Manteca Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Manteca Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 16, but the effect of that review cannot be determined as of June 30, 2012.

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. The City has not received the results of the State Controller's asset transfer review and the amount, if any, of assets to be returned is not determinable at this time.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. 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 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.



January 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis provides an overview of the City of Manteca's financial performance for the fiscal year ended June 30, 2012. 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.

### **FISCAL 2011-12 FINANCIAL HIGHLIGHTS**

#### *Government-Wide Highlights*

- Total assets of the City were \$734.7 million and total liabilities were \$142.1 at June 30, 2012. Of this amount, \$168 million was restricted for specific purposes such as capital projects (\$120.5 million), redevelopment projects (\$24.3 million), and public safety (\$11.7 million). \$45.8 million was unrestricted.
- For the year ended June 30, 2012, total net assets increased by \$96.8 million. Total revenues from all sources including extraordinary items were \$184.7 million and total expenses for all functions/programs were \$88 million.
- Of total revenues, program revenues were \$65.3 million and general revenues were \$35.7 million exclusive of assets/liabilities assumed by the Successor Agency of the Manteca Redevelopment Agency totaling \$83.7 million. Program revenues are broken into three categories: Charges for Services, \$48.5 million; Operating Contributions and Grants, \$6.0 million; and Capital Contributions and Grants, \$10.7 million.
- Expenses for Governmental Activities were \$51.1 million for a decrease of \$7.9 million from June 30, 2011. Expenses for Business-type Activities were \$36.7 million.

#### *Fund Highlights*

- General Fund expenditures decreased to \$25.8 million, down \$1.8 million from fiscal year 2011 expenditures of \$27.6.
- General Fund revenues were \$26.6 million a decrease of \$.8 million from fiscal year 2011 revenues of \$27.4 million.
- The General Fund ending fund balance increased by \$.8 million to \$13.3 million.

### **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 Assets* – This statement provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The difference between the City's assets and liabilities is presented as “net assets”. Over time, this statement may serve as an indicator of the City's general health and whether the City's overall financial position is improving or deteriorating.

*Statement of Activities* – This statement provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

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.

The City's governmental activities include not only the City of Manteca (known as the primary government) but also the activities of two separate legal entities: the Manteca Redevelopment Agency and the Manteca Financing Authority. The City Council serves as the governing body of each of these component units and the City is financially accountable for the Agency and the Authority.

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 Government-wide Financial Statements for fiscal year 2011-12 include the activities of the Agency for the seven months ended January 31, 2012 and report the assets transferred to the Successor Agency as extraordinary items. The activities of the Successor Agency to the Manteca Redevelopment Agency from February 1 through June 30, 2012 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.

## ***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 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 26 governmental funds of which 9 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 pool, vehicle pool, information systems, self-insurance, and payroll tax benefits. Financial statements for proprietary funds are prepared on the full accrual basis and include all their assets and liabilities, 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, along with any residual net assets of the Internal Service Funds.

- 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 Statement 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 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

The following analysis focuses on the net assets and changes in net assets of the City's Governmental Activities and Business-Type Activities presented in the City-wide Statement of Net Assets and Statement of Activities. As previously noted, a government's net asset position over time may serve as a useful indicator of a government's financial position.

### Summary of Net Assets at June 30, 2012 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$166,719	\$200,851	\$95,654	\$93,598	\$262,373	\$294,449
Non-Current Assets	21,624	29,248	1,131	1,182	22,755	30,430
Capital Assets	261,308	263,361	188,224	186,070	449,532	449,431
Total Assets	<u>449,651</u>	<u>493,460</u>	<u>285,009</u>	<u>280,850</u>	<u>734,660</u>	<u>774,310</u>
Current Liabilities	18,242	29,766	16,904	16,789	35,146	46,555
Non-Current Liabilities	18,302	141,877	88,642	90,113	106,944	231,990
Total Liabilities	<u>36,544</u>	<u>171,643</u>	<u>105,546</u>	<u>106,902</u>	<u>142,090</u>	<u>278,545</u>
Investment in Capital Assets Net of Related Debt	254,331	188,293	124,506	121,851	378,837	310,144
Restricted	144,104	160,477	23,863	24,791	167,967	185,268
Unrestricted	14,672	(26,953)	31,094	27,306	45,766	353
Total Net Assets	<u><b>\$413,107</b></u>	<u><b>\$321,817</b></u>	<u><b>\$179,463</b></u>	<u><b>\$173,948</b></u>	<u><b>\$592,570</b></u>	<u><b>\$495,765</b></u>

The City of Manteca's net assets from governmental activities increased 28.3% from \$322 million in 2011 to \$413 million in 2012. Of the \$91 million change in net assets \$84 million can be attributed to the net liabilities transferred to the Successor Agency. The transfer of net liabilities to the Successor Agency is also reflected in the change in the composition of net assets. \$254 million or 62% of net assets are invested in capital assets (net of related debt); land, buildings, infrastructure, machinery, and equipment and are being used to provide services to its citizens. Of net assets that are available for future spending, \$144.1 million are restricted in how they may be used.

The net assets of business-type activities were \$179.5 million in fiscal 2012. This was a \$5.5 million or 3.2% increase over the beginning balance of net assets. This increase was largely due to increased cash and investments of \$2.4 million and increased capital assets of \$2.1 million. \$124.5 million or 69% of net assets are invested in capital assets. \$31.1 million or 17% are unrestricted and available for the operations of the proprietary funds.

The Change in Net Assets as expressed as the change in revenues and expenditures through June 30, 2012 is further reflected in the Statement of Changes in Net Assets.

**Statement of Changes in Net Assets**  
**Fiscal Year Ended June 30, 2012**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$8,541	\$8,260	\$39,950	\$41,482	\$48,491	\$49,742
Operating Grants and Contributions	5,968	6,561	55		6,023	6,561
Capital Grants and Contributions	10,372	20,104	411	2,306	10,783	22,410
<b>Total Program Revenues</b>	<b>24,881</b>	<b>34,925</b>	<b>40,416</b>	<b>43,788</b>	<b>65,297</b>	<b>78,713</b>
<i>General Revenues:</i>						
<i>Taxes:</i>						
Property Taxes	16,866	23,067			16,866	23,067
Sales Taxes	10,623	10,068			10,623	10,068
Other Taxes	4,195	4,172			4,195	4,172
Motor Vehicle in Lieu		237				237
Interest income	1,608	1,382	1,321	1,155	2,929	2,537
Gain on Sale of Capital Assets		193		10		203
Development Agreements, Unrestricted	62	60			62	60
Other Revenue	522	314	496	933	1,018	1,247
Transfers		439		(439)		0
<b>Total General Revenues</b>	<b>33,876</b>	<b>39,932</b>	<b>1,817</b>	<b>1,659</b>	<b>35,693</b>	<b>41,591</b>
<b>Total Revenues</b>	<b>58,757</b>	<b>74,857</b>	<b>42,233</b>	<b>45,447</b>	<b>100,990</b>	<b>120,304</b>
<b>Expenses</b>						
General Government	3,073	3,174			3,073	3,174
Community Development	5,246	7,746			5,246	7,746
Public Safety	22,876	24,280			22,876	24,280
Library	86	110			86	110
Public Works	3,765	4,940			3,765	4,940
Parks and Recreation	6,457	6,482			6,457	6,482
Streets and Highways	6,248	5,883			6,248	5,883
Interest and Fiscal Charges	3,380	6,346			3,380	6,346
Water			13,328	12,992	13,328	12,992
Sewer			13,185	13,104	13,185	13,104
Solid Waste			9,106	8,797	9,106	8,797
Golf			1,099	1,156	1,099	1,156
<b>Total Expenses</b>	<b>51,131</b>	<b>58,961</b>	<b>36,718</b>	<b>36,049</b>	<b>87,849</b>	<b>95,010</b>
Change in Net Assets Before Extraordinary Item	7,626	15,896	5,515	9,398	13,141	25,294
<i>Extraordinary item - Net Liabilities</i>						
Transferred to Successor Agency	83,664				83,664	
<b>Net Assets, Beginning of Year</b>	<b>321,817</b>	<b>305,921</b>	<b>173,948</b>	<b>164,550</b>	<b>495,765</b>	<b>470,471</b>
<b>Net Assets, End of Year</b>	<b>\$413,107</b>	<b>\$321,817</b>	<b>\$179,463</b>	<b>\$173,948</b>	<b>\$592,570</b>	<b>\$495,765</b>

## Revenues

Total governmental activity revenues decreased in fiscal year 2012 by \$16.1 million. Of this, \$9.7 million is related to decreases in Capital Grants and Contributions. In December 2010, the City Council approved the construction of a 153 unit affordable housing project. Permits for this project were processed in March 2011 which caused a one-time increase in Capital Grants and Contributions. In fiscal year 2012 Capital Grants and Contributions returned to the norm associated with on-going single family residential construction. The second largest decrease of \$6.2 million is related to property taxes. This decrease is due in part to the dissolution of redevelopment. Prior to dissolution redevelopment agencies were funded via property tax. With the passage of ABX1 26, property tax collected in association with the former redevelopment areas is placed in a Redevelopment Property Tax Trust Fund maintained by the County Auditor-Controller's office. For the year ended June 30, 2012 only those property tax receipts received in January 2012 (approximately 53% of the annual distribution) are considered as property taxes received by the former Manteca Redevelopment Agency and accounted for as a governmental activity. In addition to the reallocation of property tax, overall property tax receipts were down approximately 5% from prior year as a result of further declines in property tax valuation.

Total program revenues for business-type activities showed a decrease of \$3.4 million. \$1.5 million of the decrease is associated with declines in charges for services in the Sewer Fund due to the final billing in fiscal year 2011 to the City of Lathrop for its share of the cost of the expansion of the plant and for the collection of development fees assessed to residential construction related to the plant expansion. Capital Grants and Contributions decreased by \$1.9 million. The majority of subdivisions currently under construction have completed all infrastructure requirements. As such, the City recorded few donations of infrastructure that would normally be categorized as Capital Grants and Contributions.

## Expenses

Expenses for the City totaled \$87.8 million and \$95 million for the years ended June 30, 2012 and 2011, respectively. Governmental activities incurred \$51.1 million of expenses while business-type activities incurred \$36.7 million. Notable decreases in expenses associated with Community Development and Interest and Fiscal Charges are a result of the dissolution of redevelopment activity and associated debt service. Decreases in other programs are attributable to reductions in personnel expenditures resulting from employee contracts that were renegotiated and in effect as of July 1, 2011.

## **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, 2012**  
(in thousands of dollars)

Program	Net Revenue/(Expense)	
	From Services	
	2012	2011
General Government	(\$78)	(\$271)
Community Development	(2,463)	(3,340)
Public Safety	(20,539)	(21,879)
Library	(86)	(110)
Public Works	1,323	7,909
Parks and Recreation	(3,583)	(3,755)
Streets and Highways	2,557	3,755
Interest and Fiscal Charges	(3,380)	(6,346)
<b>Total Net Revenue/(Expense)</b>	<b>(\$26,249)</b>	<b>(\$24,037)</b>

Net revenues/expenses for general government, public safety and parks and recreation have increased from 2011 by \$1.7 million as a result of decreases in personnel expenditures. Effective July 1, 2011 the City implemented renegotiated Memoranda of Understanding (MOU) with all employees to address projected declines in revenues. Fiscal year 2012 was the first year that the full savings from the new MOU's was realized. Net revenues for Public Works decreased by \$6.5 million. As previously discussed this decline was a result of one-time revenues received in fiscal year 2011 related to a large multi-family dwelling project that began construction in March 2011. Net expenses related to Interest and Fiscal Charges decreased by \$2.9 million as a result of debt service previously associated with the Manteca Redevelopment Agency becoming the responsibility of the Successor Agency to the Manteca Redevelopment Agency.

**Business-Type Activities**

**Changes in Business-Type Activities by Program**  
**Fiscal Year Ended June 30, 2012**  
(in thousands of dollars)

	Business-type Activities	
	2012	2011
<b>Net Revenue (Expense) from Business-type Activities</b>		
Water	\$25	\$1,450
Sewer	4,495	6,629
Solid Waste	(844)	(298)
Golf	22	(42)
<b>Total Business-type Activities</b>	<b>\$3,698</b>	<b>\$7,739</b>



Net revenues of Business-type Activities decreased \$4 million primarily as a result of decreases in the Sewer program's charges for services and decreased Capital Grants and Contributions for both the Water and Sewer programs. Program expenditures showed slight increases in operational expenditures.

### *The City's Fund Financial Statements*

#### **Governmental Funds**

At June 30, 2012, the City's governmental funds reported combined fund balances of \$136.1 million, which is a decrease of \$33.6 million or 20% compared with the prior year. This decrease is attributable to the transfer of the assets from the dissolved Manteca Redevelopment Agency to the Successor Agency to the Manteca Redevelopment Agency. Further information regarding this extraordinary item can be found in Note 16 in the Notes to the Basic Financial Statements. Governmental fund revenues were \$57.9 million this year. The General Fund accounted for 46% of this total. Expenses were \$61.7 million this year. Of this total, \$25.8 million was in the General Fund, \$15.8 million was in major funds and \$20.1 million was in non-major funds.

#### **Proprietary Funds**

Proprietary Fund net assets totaled \$179.5 million at June 30, 2012. Proprietary operating revenues were \$40.4 million and operating expenses were \$32.2 million in fiscal 2012.

### *Analyses of Major Governmental Funds*

#### **General Fund**

General Fund revenues decreased by \$.8 million, or 3% as compared to fiscal year end 2011. Property taxes declined by 3.26% due to region-wide reassessments of property values resulting from the downturn in the housing market. Sales tax revenue rose by 4.1%. Charges for current services decreased by 14% or \$.8 million. The decrease is related to adjustments made to cost recovery fees to reflect decreases in personnel expenditures which resulted from newly negotiated Memoranda of Understanding with all employees.

General Fund expenditures decreased by \$1.8 million to \$25.8 million in fiscal year 2012 primarily as a result of reductions in expenditures associate with personnel expenditures.

At June 30, 2012, the General Fund balance was comprised of \$1.8 million in nonspendable balances and \$11.4 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.

#### **OTHER MAJOR GOVERNMENTAL FUNDS**

##### **Development Mitigation Fund**

This fund accounts for the collection and use of fees collected as part of negotiated development agreements. Fund balance in the fund decreased by \$288,176 as total expenditures including \$382,632 of capital improvements exceeded current year revenues. The fund's fiscal year end fund balance of \$9.1 million is restricted, which means it is available only to fund future projects related to the fees collected.

### **Redevelopment Funds (Debt Service, Capital, Economic Development, Low and Moderate Housing) and Low and Moderate Income Housing Assets Funds**

The Redevelopment Funds accounted for the property tax increment collected in designated project areas. Funds were used under California law for low and moderate income housing expenditures, elimination of blight, and economic development. 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 Government Fund statement contains only seven months of activities for the funds associated with the former Manteca Redevelopment 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 January 31, 2012, \$2,763,568 in net assets was transferred to the Housing Successor. As of June 30, 2012, the net assets of the Low and Moderate Income Housing Assets Special Revenue Funds were comprised of \$137,460 in cash and investments and \$2,629,231 in restricted cash.

The Redevelopment Agency Low and Moderate Income Housing fund transferred \$684,908 of its remaining fund balance to the Successor Agency as of February 1.

The Redevelopment Agency Debt Service fund, which was reported as a Special Revenue fund, transferred its fund balance of \$17,500,707 as of February 1 to the Successor Agency.

The Redevelopment Agency Capital Projects fund transferred its fund balance of \$(1,487,829) as of February 1 to the Successor Agency.

The Redevelopment Agency Economic transferred its fund balance of \$(49,164) as of February 1 to the Successor Agency.

The February through June 2012 activities for the funds transferred to the Successor Agency can be found in the Fiduciary Fund section of the Financial Statements.

Further information regarding the dissolution of the former Manteca Redevelopment Agency can be found in Note 16 in the Notes to the Basic Financial Statements.

### **Public Facilities Implementation Plan**

The fund balance in this fund shows a decrease of \$2.7 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. Improvements totaling \$3.9 million were constructed in Fiscal Year 2012. The Public Facilities Implementation Plan is currently being updated to appropriately plan for future growth in accordance with the updated General Plan. New fees are anticipated to be adopted in Fiscal Year 2013.

### **Special Apportionment Streets**

This fund accounts for the construction and maintenance of the street systems in Manteca through funding from local transportation funds and State and Federal grants. The fund balance decreased by \$14.2 million. Included in this decrease are transfers totaling \$14.8 million to the Successor Agency to the Manteca Redevelopment Agency related to funds that had previously been transferred from the Manteca

Redevelopment Agency to the City to construct road projects. With the dissolution of redevelopment these funds were required to be transferred back to the Successor Agency. Of the fund's ending fund balance of \$47.7 million, \$38 million is restricted, which means it is available to only fund future projects related to the funds and grants received. Another \$9.6 million has been assigned to various capital projects related to transportation and street improvements.

### **Non-Major Governmental Funds**

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

### ***Analysis of Proprietary Funds***

#### **Water**

Net assets of the Water Funds are \$67.2 million in the current year. This total comprised \$13.3 million in Operating Revenues for the current year plus \$.8 million in non-operating revenues.

Approximately \$30 million of the Fund's Net Assets was unrestricted at the fiscal year end with \$31.9 million invested in capital assets net of related debt.

Charges for services remained consistent with prior year revenues as the City took action in December 2011 to forgo scheduled rate increases. It was determined at that time that there were sufficient unrestricted net assets to cover anticipated expenses and capital investments without the need to increase user rates.

Operating expenditures increased from \$11.0 million in 2011 to \$11.4 million in 2012, or by 3.5%.

#### **Sewer**

Net assets of the Sewer Funds are \$104.2 million for the current year. Operating revenues for fiscal year 2012 were \$17.5 million, a decrease of 8% due to final reimbursement for the City of Lathrop's shared portion of the Wastewater Control Facility expansion being received in fiscal year 2011. Operating expenditures increased by \$.14 million or 1.3% from fiscal year 2011. A total of \$88.1 million of the \$104.2 million in this fund's net assets is invested in capital assets, net of related debt.

#### **Solid Waste**

Operating revenues of \$8.5 remained consistent with those of fiscal year 2011 as there are no scheduled rate increases for this fund. Operating expenses were \$9.1 million, an increase of 3.1% primarily associated with increased vehicle maintenance costs. A total of \$4.9 million in Net Assets were unrestricted at year-end.

#### **Golf**

The operating revenue for this fund totaled \$1.1 million as of June 30, 2012. This is consistent with operating revenue for fiscal year 2011. Operating expenses were reduced by 5.2% due to reductions in personnel expenditures and decreased contractual services. The net result was a slight increase in Net Assets with overall Net Assets increasing to \$.84 million. The General Fund continues to contribute to the Golf Fund to compensate for the reduced rate for youth and senior programs. In fiscal year 2012 this contribution was \$155,000.

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.

## CAPITAL ASSETS

At the end of fiscal 2012 the City had \$450 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below. During the fiscal year \$8.95 million of net capital assets was transferred to Successor Agency to the Manteca Redevelopment Agency. Further detail may be found in Note 7 in the Notes to the Basic Financial Statements.

### Capital Assets Fiscal Year Ended June 30, 2012 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable Assets						
Land	\$28,073	\$33,584	\$7,485	\$4,060	\$35,558	\$37,644
Construction in Progress	34,765	45,521	5,271	2,571	40,036	48,092
Total	62,838	79,105	12,756	6,631	75,594	85,736
Depreciable assets						
Buildings and Improvements	14,035	15,587	7,582	7,583	21,617	23,170
Machinery and Equipment	14,561	14,626	14,884	16,730	29,445	31,356
Storm Drain	39,386	39,209			39,386	39,209
Streets	148,957	125,794			148,957	125,794
Parks	54,945	54,192			54,945	54,192
Sewer Lines and Improvements			43,393	43,001	43,393	43,001
Sewer Plant Expansion			90,206	90,132	90,206	90,132
Water Wells and Pipelines			95,964	95,117	95,964	95,117
Infrastructure			49	48	49	48
Less Accumulated Depreciation	(73,414)	(65,152)	(76,610)	(73,172)	(150,024)	(138,324)
Total	198,470	184,256	175,468	179,439	373,938	363,695
Total Capital Assets	<b>\$261,308</b>	<b>\$263,361</b>	<b>\$188,224</b>	<b>\$186,070</b>	<b>\$449,532</b>	<b>\$449,431</b>

## **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 \$3.3 million in debt associated with Governmental Activities and \$87.6 million in debt associated with Business-Type Activities. In fiscal year 2011-12, the City transferred \$125 million in long-term debt to the Successor Agency to the former Redevelopment Agency. Please see more detailed information regarding Successor Agency in Note 16 D of the basic Financial Statements.

### **Outstanding Debt Fiscal Year Ended June 30, 2012 (in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Tax Allocation Bonds	\$0	\$127,555			\$0	\$127,555
Capital Lease	1,633	2,186	102	165	1,735	2,351
Loan Payable	1,700	0			1,700	0
Revenue Bonds			87,480	88,845	87,480	88,845
Total	<b>\$3,333</b>	<b>\$129,741</b>	<b>\$87,582</b>	<b>\$89,010</b>	<b>\$90,915</b>	<b>\$218,751</b>

## **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.

**CITY OF MANTECA**

**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets 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 assets. 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, 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 Assets is computed and reconciled with the Statement of Net Assets.

Both of these Statements include the financial activities of the City, the former Manteca Redevelopment Agency, and Manteca Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

**CITY OF MANTECA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$97,728,801	\$76,124,520	\$173,853,321
Restricted cash and investments (Note 3)	47,527,489	23,863,553	71,391,042
Accounts receivables, net	9,818,616	5,635,606	15,454,222
Taxes receivable	623,287		623,287
Interest receivable	343,007	150,408	493,415
Internal balances (Note 4D)	10,120,380	(10,120,380)	
Prepaid items and deposits	557,745		557,745
Long-term notes receivable (Note 5)	21,520,102		21,520,102
Employee notes receivable (Note 6)	103,853		103,853
Bond issue costs, net of amortization		1,131,400	1,131,400
Capital assets, not being depreciated (Note 7)	62,838,064	12,755,639	75,593,703
Capital assets, being depreciated (net) (Note 7)	198,470,272	175,468,070	373,938,342
	<u>449,651,616</u>	<u>285,008,816</u>	<u>734,660,432</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable	3,977,621	2,269,209	6,246,830
Contracts payable	4,651,723	10,002,651	14,654,374
Refundable deposits	4,980,557	1,830,723	6,811,280
Accrued liabilities	2,005,375	1,155,260	3,160,635
Unearned revenue	1,689,464	9,755	1,699,219
Compensated absences (Note 1G):			
Due within one year	113,253		113,253
Due in more than one year	4,105,008		4,105,008
Estimated claims liability (Note 13):			
Due within one year	245,773		245,773
Due in more than one year	2,806,470		2,806,470
Long-term debt (Note 8):			
Due within one year	578,302	1,636,879	2,215,181
Due in more than one year	2,754,670	85,944,771	88,699,441
OPEB liability (Note 11):			
Due in more than one year	8,636,164	2,696,824	11,332,988
	<u>36,544,380</u>	<u>105,546,072</u>	<u>142,090,452</u>
Total Liabilities			
<b>NET ASSETS (Note 9):</b>			
Invested in capital assets, net of related debt	254,330,807	124,505,612	378,836,419
Restricted for:			
Capital projects	96,597,301	23,863,553	120,460,854
Redevelopment projects	24,286,793		24,286,793
Special revenue projects:			
Development mitigation	9,116,528		9,116,528
Landscaping and lighting	1,250,125		1,250,125
Public safety	11,666,445		11,666,445
Other special revenue projects	1,186,556		1,186,556
	<u>144,103,748</u>	<u>23,863,553</u>	<u>167,967,301</u>
Total Restricted Net Assets			
Unrestricted	14,672,681	31,093,579	45,766,260
	<u>14,672,681</u>	<u>31,093,579</u>	<u>45,766,260</u>
Total Net Assets	<u>\$413,107,236</u>	<u>\$179,462,744</u>	<u>\$592,569,980</u>

See accompanying notes to basic financial statements

CITY OF MANTECA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Current:							
General government	\$3,072,865	\$2,994,366			(\$78,499)		(\$78,499)
Community development	5,245,747	2,307,275	\$475,477		(2,462,995)		(2,462,995)
Public safety	22,875,613	1,078,717	1,001,411	\$256,670	(20,538,815)		(20,538,815)
Library	85,762				(85,762)		(85,762)
Public works	3,765,228	62,029	790,275	4,235,925	1,323,001		1,323,001
Parks and recreation	6,456,949	2,098,940	17,715	757,729	(3,582,565)		(3,582,565)
Streets and highways	6,248,464		3,683,270	5,122,002	2,556,808		2,556,808
Interest and fiscal charges	3,380,281				(3,380,281)		(3,380,281)
<b>Total Governmental Activities</b>	<b>51,130,909</b>	<b>8,541,327</b>	<b>5,968,148</b>	<b>10,372,326</b>	<b>(26,249,108)</b>		<b>(26,249,108)</b>
<b>Business-type Activities:</b>							
Water	13,328,494	13,143,709		209,707		\$24,922	24,922
Sewer	13,184,836	17,478,380		201,670		4,495,214	4,495,214
Solid waste	9,105,662	8,206,348	55,131			(844,183)	(844,183)
Golf	1,098,871	1,121,220				22,349	22,349
<b>Total Business-type Activities</b>	<b>36,717,863</b>	<b>39,949,657</b>	<b>55,131</b>	<b>411,377</b>		<b>3,698,302</b>	<b>3,698,302</b>
<b>Total</b>	<b>\$87,848,772</b>	<b>\$48,490,984</b>	<b>\$6,023,279</b>	<b>\$10,783,703</b>	<b>(26,249,108)</b>	<b>3,698,302</b>	<b>(22,550,806)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes					16,866,055		16,866,055
Sales taxes					10,622,542		10,622,542
Other taxes					4,195,411		4,195,411
Interest income					1,607,554	1,320,576	2,928,130
Development agreements, unrestricted					61,962		61,962
Other revenue					522,320	496,009	1,018,329
Extraordinary item (Note 16)							
Assets transferred to/liabilities assumed by Successor Agency					83,664,129		83,664,129
<b>Total general revenues and extraordinary item</b>					<b>117,539,973</b>	<b>1,816,585</b>	<b>119,356,558</b>
Change in Net Assets					91,290,865	5,514,887	96,805,752
Net Assets-Beginning					321,816,371	173,947,857	495,764,228
Net Assets-Ending					<b>\$413,107,236</b>	<b>\$179,462,744</b>	<b>\$592,569,980</b>

See accompanying notes to basic financial statements



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<b>FUND FINANCIAL STATEMENTS</b>
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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the City in fiscal 2012. 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.

***DEVELOPMENT MITIGATION FUND***

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

***REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND***

Established by the City of Manteca Redevelopment Agency to account for tax increment allocations set aside for the purpose of increasing or improving the City's supply of low or moderate-income housing.

***REDEVELOPMENT DEBT SERVICE FUND***

Established to accumulate funds for payment of Tax Increment Bonds and other Redevelopment debts. Debt service is primarily financed via property tax increment revenues.

***REDEVELOPMENT CAPITAL IMPROVEMENT FUND***

Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the tax-exempt proceeds from the issuance of long-term debt.

***REDEVELOPMENT ECONOMIC DEVELOPMENT FUND***

Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the taxable proceeds from the issuance of long-term debt, and excess tax increment revenue.

***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.

<b>MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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***SPECIAL APPORTIONMENT STREETS FUND***

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.

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CITY OF MANTECA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
<b>ASSETS</b>					
Cash and investments (Note 3)	\$11,813,033	\$9,105,962			
Restricted cash and investments (Note 3)					
Accounts receivables (net of allowance for estimated uncollectible accounts)	592,831	276			
Taxes receivable	451,982				
Interest receivable	175,676	18,496			
Due from other funds (Note 4B)	57,808				
Advances to other funds (Note 4C)	1,412,425				
Prepaid items	360,793				
Long-term notes receivable (Note 5)					
Total Assets	<u>\$14,864,548</u>	<u>\$9,124,734</u>			
<b>LIABILITIES</b>					
Accounts payable	\$797,750	\$8,206			
Contracts payable					
Refundable deposits	798,014				
Accrued liabilities	2,599				
Due to other funds (Note 4B)					
Advances from other funds (Note 4C)					
Deferred revenue (Note 5)					
Total Liabilities	<u>1,598,363</u>	<u>8,206</u>			
<b>FUND BALANCES</b>					
Fund balance (Note 9):					
Nonspendable	1,773,218				
Restricted		9,116,528			
Committed					
Assigned	134,186				
Unassigned	11,358,781				
Total Fund Balances	<u>13,266,185</u>	<u>9,116,528</u>			
Total Liabilities and Fund Balances	<u>\$14,864,548</u>	<u>\$9,124,734</u>			

See accompanying notes to basic financial statements

<u>Redevelopment Economic Development</u>	<u>Low and Moderate Income Housing Assets</u>	<u>Public Facilities Implementation Plan</u>	<u>Special Apportionment Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$137,460	\$19,261,022	\$1,927,336	\$36,605,321	\$78,850,134
	2,629,231		43,670,206	1,179,090	47,478,527
		3,393,151	2,405,784	3,364,529	9,756,571
		40,690	26,731	171,305	623,287
		9,119,841		53,287	314,880
				141,879	199,687
				28,000	10,560,266
				121,865	482,658
	<u>23,863,521</u>				<u>23,863,521</u>
	<u>\$26,630,212</u>	<u>\$31,814,704</u>	<u>\$48,030,057</u>	<u>\$41,665,276</u>	<u>\$172,129,531</u>
		\$996,325	\$286,018	\$1,789,564	\$3,877,863
		929,793	26,192	2,219	958,204
		3,392,861	562	789,120	4,980,557
					2,599
		439,886		199,687	199,687
	<u>\$23,863,521</u>			<u>1,689,464</u>	<u>439,886</u>
	<u>23,863,521</u>	<u>5,758,865</u>	<u>312,772</u>	<u>4,470,054</u>	<u>36,011,781</u>
				121,865	1,895,083
	2,766,691	26,055,839	38,021,028	36,805,438	112,765,524
				267,919	267,919
			9,696,257		9,830,443
					11,358,781
	<u>2,766,691</u>	<u>26,055,839</u>	<u>47,717,285</u>	<u>37,195,222</u>	<u>136,117,750</u>
	<u>\$26,630,212</u>	<u>\$31,814,704</u>	<u>\$48,030,057</u>	<u>\$41,665,276</u>	<u>\$172,129,531</u>

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CITY OF MANTECA  
 Reconciliation of the  
 GOVERNMENTAL FUNDS-- BALANCE SHEET  
 with the  
 GOVERNMENTAL ACTIVITIES NET ASSETS  
 JUNE 30, 2012

Total fund balances reported on the Governmental Funds Balance Sheet \$136,117,750

Amounts reported for Governmental Activities in the Statement of Net Assets 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.

260,033,711

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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 Assets.

Cash and investments	18,878,667
Restricted cash and investments	48,962
Accounts receivable	62,045
Interest receivable	28,127
Prepaid items	75,087
Employee notes receivable	103,853
Capital assets, not being depreciated	153,562
Capital assets (net of accumulated depreciation)	1,121,063
Contracts and accounts payable	(99,758)
Accrued liabilities	(2,002,776)
Compensated absences	(4,218,261)
Long-term debt	(180,327)
Estimated claims liability	(3,052,243)
Net OPEB liability	(100,563)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

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

23,863,521

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	(3,152,645)
Net OPEB liability	(8,535,601)
Contracts payable	(3,693,519)
Amortization of conditional grants	(2,343,419)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$413,107,236

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, 2012

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
<b>REVENUES</b>					
Property taxes	\$8,901,066			\$7,964,989	
Sales taxes	6,413,927				
Other taxes	4,701,935				
Licenses and permits	653,339				
Fines and forfeitures	322,653				
Use of money and property	233,448	\$140,409	\$31,961	202,128	\$2,673
Revenue from other agencies	411,098				
Charges for current services	4,779,368				
Other revenue	176,855	61,962			
<b>Total Revenues</b>	<b>26,593,689</b>	<b>202,371</b>	<b>31,961</b>	<b>8,167,117</b>	<b>2,673</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,388,310				
Community development		8,941	953,150	976,738	
Public safety	16,281,501				
Library	83,174	3,984			
Public works	1,801,315	73,490			
Parks and recreation	2,874,610				
Streets and highways					
Nondepartmental	2,276,198				
Capital outlay		382,632			143,344
Debt service:					
Principal	43,990		156,080	2,383,920	
Interest and fiscal charges	5,490		147,216	3,098,542	
<b>Total Expenditures</b>	<b>25,754,588</b>	<b>469,047</b>	<b>1,256,446</b>	<b>6,459,200</b>	<b>143,344</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>839,101</b>	<b>(266,676)</b>	<b>(1,224,485)</b>	<b>1,707,917</b>	<b>(140,671)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from the sale of property	500				
Transfers in (Note 4A)					
Transfers (out) (Note 4A)	(60,846)	(21,500)			(1,542,577)
<b>Total Other Financing Sources (Uses)</b>	<b>(60,346)</b>	<b>(21,500)</b>			<b>(1,542,577)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS</b>	<b>778,755</b>	<b>(288,176)</b>	<b>(1,224,485)</b>	<b>1,707,917</b>	<b>(1,683,248)</b>
<b>EXTRAORDINARY ITEMS (Note 16)</b>					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency			(3,448,476)	(17,500,707)	1,487,829
<b>NET CHANGE IN FUND BALANCES</b>	<b>778,755</b>	<b>(288,176)</b>	<b>(4,672,961)</b>	<b>(15,792,790)</b>	<b>(195,419)</b>
<b>BEGINNING FUND BALANCES</b>	<b>12,487,430</b>	<b>9,404,704</b>	<b>4,672,961</b>	<b>15,792,790</b>	<b>195,419</b>
<b>ENDING FUND BALANCES</b>	<b>\$13,266,185</b>	<b>\$9,116,528</b>			

See accompanying notes to basic financial statements

Redevelopment Economic Development	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan	Special Apportionment Streets	Other Governmental Funds	Total Governmental Funds
					\$16,866,055
				\$4,208,615	10,622,542
				2,317,058	4,701,935
					2,970,397
					322,653
\$459	\$3,295	\$479,715	\$242,648	670,351	2,007,087
			3,640,307	6,621,003	10,672,408
		1,008,462		3,665,455	9,453,285
		2,831	21,165	58,429	321,242
<u>459</u>	<u>3,295</u>	<u>1,491,008</u>	<u>3,904,120</u>	<u>17,540,911</u>	<u>57,937,604</u>
					2,388,310
97,686	172			2,231,456	4,268,143
				5,654,264	21,935,765
					87,158
		216,327		851,579	2,942,711
			774,227	1,999,643	4,874,253
				1,221,498	1,995,725
		3,854,889	2,416,735	7,742,093	2,276,198
					14,539,693
			51,731	364,529	3,000,250
		86,667	6,456	70,629	3,415,000
<u>97,686</u>	<u>172</u>	<u>4,157,883</u>	<u>3,249,149</u>	<u>20,135,691</u>	<u>61,723,206</u>
<u>(97,227)</u>	<u>3,123</u>	<u>(2,666,875)</u>	<u>654,971</u>	<u>(2,594,780)</u>	<u>(3,785,602)</u>
					500
				1,603,423	1,603,423
					(1,624,923)
				1,603,423	(21,000)
<u>(97,227)</u>	<u>3,123</u>	<u>(2,666,875)</u>	<u>654,971</u>	<u>(991,357)</u>	<u>(3,806,602)</u>
	2,763,568				2,763,568
49,164			(14,829,795)	1,700,000	(32,541,985)
(48,063)	2,766,691	(2,666,875)	(14,174,824)	708,643	(33,585,019)
48,063		28,722,714	61,892,109	36,486,579	169,702,769
	<u>\$2,766,691</u>	<u>\$26,055,839</u>	<u>\$47,717,285</u>	<u>\$37,195,222</u>	<u>\$136,117,750</u>

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CITY OF MANTECA  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS  
 with the  
 CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

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 Assets 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 (\$33,585,019)

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.

The capital outlay and other capitalized expenditures are therefore added back to fund balance.	14,034,603
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$681,361 which has already been allocated to serviced funds).	(8,591,789)
Retirements are deducted from the fund balance	(84,787)
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.	1,979,132
Capital assets transferred to the Successor Agency	(8,952,866)

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 Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	3,000,250
Long-term debt assumed by the Successor Agency	125,015,000
Interfund advance converted to a note payable to the Successor Agency is deducted from fund balance	(1,700,000)

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):

Deferred revenue	(1,072,145)
Contracts and accounts payable	407,221
Interest payable	940,608
Allowance for conditional grants	(55,111)
Net OPEB liability	(434,816)

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 Assets - All Internal Service Funds	390,584
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$91,290,865

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$8,730,000	\$8,730,000	\$8,901,066	\$171,066
Sales taxes	6,285,000	6,285,000	6,413,927	128,927
Other taxes	4,542,000	4,542,000	4,701,935	159,935
Licenses and permits	728,000	728,000	653,339	(74,661)
Fines and forfeitures	154,000	154,000	322,653	168,653
Use of money and property	185,000	185,000	233,448	48,448
Revenue from other agencies	375,400	375,400	411,098	35,698
Charges for current services	4,787,650	4,787,650	4,779,368	(8,282)
Other revenue	86,000	85,000	176,855	91,855
<b>Total Revenues</b>	<b>25,873,050</b>	<b>25,872,050</b>	<b>26,593,689</b>	<b>721,639</b>
<b>EXPENDITURES:</b>				
Current:				
General government				
Legislative	606,610	606,610	577,971	28,639
City Attorney	164,260	164,260	148,014	16,246
Administration	445,625	490,675	465,183	25,492
Administrative services	391,745	405,745	405,257	488
Financial services	813,090	814,695	791,885	22,810
<b>Total general government</b>	<b>2,421,330</b>	<b>2,481,985</b>	<b>2,388,310</b>	<b>93,675</b>
Public safety				
Police	11,351,275	11,372,711	10,865,690	507,021
Fire	5,604,130	5,606,630	5,145,021	461,609
Animal control	359,830	359,330	270,790	88,540
<b>Total public safety</b>	<b>17,315,235</b>	<b>17,338,671</b>	<b>16,281,501</b>	<b>1,057,170</b>
Library				
	91,185	91,185	83,174	8,011
Public works				
Engineering	705,010	704,710	685,588	19,122
Street maintenance	131,080	131,080	117,665	13,415
Storm drain maintenance and operation	247,345	256,455	193,951	62,504
Vehicle maintenance	349,095	348,795	305,251	43,544
Building maintenance	505,875	506,475	498,860	7,615
<b>Total public works</b>	<b>1,938,405</b>	<b>1,947,515</b>	<b>1,801,315</b>	<b>146,200</b>
Parks and recreation				
Park facility maintenance	2,757,141	2,757,839	2,656,867	100,972
Senior center	212,525	218,575	217,743	832
<b>Total parks and recreation</b>	<b>2,969,666</b>	<b>2,976,414</b>	<b>2,874,610</b>	<b>101,804</b>
Nondepartmental charges				
	2,231,920	2,280,150	2,276,198	3,952

(Continued)

CITY OF MANTECA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	11,000	39,000		39,000
Debt service:				
Principal	43,990	43,990	43,990	
Interest and fiscal charges	5,490	5,490	5,490	
Total Expenditures	<u>27,028,221</u>	<u>27,204,400</u>	<u>25,754,588</u>	<u>1,449,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,155,171)</u>	<u>(1,332,350)</u>	<u>839,101</u>	<u>2,171,451</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property		1,000	500	(500)
Transfers (out)	(46,525)	(46,525)	(60,846)	(14,321)
Total Other Financing Sources (Uses)	<u>(46,525)</u>	<u>(45,525)</u>	<u>(60,346)</u>	<u>(14,821)</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,201,696)</u>	<u>(\$1,377,875)</u>	778,755	<u>\$2,156,630</u>
BEGINNING FUND BALANCE			<u>12,487,430</u>	
ENDING FUND BALANCE			<u>\$13,266,185</u>	

See accompanying notes to basic financial statements

CITY OF MANTECA  
DEVELOPMENT MITIGATION FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$114,500	\$114,500	\$140,409	\$25,909
Other revenue	61,965	61,965	61,962	(3)
Total Revenues	<u>176,465</u>	<u>176,465</u>	<u>202,371</u>	<u>25,906</u>
EXPENDITURES:				
Current:				
General government		40,425		40,425
Community development		291,105	8,941	282,164
Library	13,000	17,000	3,984	13,016
Public works	2,150	221,680	73,490	148,190
Capital outlay		<u>1,176,535</u>	<u>382,632</u>	<u>793,903</u>
Total Expenditures	<u>15,150</u>	<u>1,746,745</u>	<u>469,047</u>	<u>1,277,698</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>161,315</u>	<u>(1,570,280)</u>	<u>(266,676)</u>	<u>1,303,604</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(21,500)</u>	<u>(21,500)</u>	<u>(21,500)</u>	
Total Other Financing Sources (Uses)	<u>(21,500)</u>	<u>(21,500)</u>	<u>(21,500)</u>	
NET CHANGE IN FUND BALANCE	<u>\$139,815</u>	<u>(\$1,591,780)</u>	(288,176)	<u>\$1,303,604</u>
BEGINNING FUND BALANCE			<u>9,404,704</u>	
ENDING FUND BALANCE			<u>\$9,116,528</u>	

See accompanying notes to basic financial statements

CITY OF MANTECA  
REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE PERIOD FROM JULY 1, 2011 TO JANUARY 31, 2012

	<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	<u>\$18,000</u>	<u>\$18,000</u>	<u>\$31,961</u>	<u>\$13,961</u>
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>31,961</u>	<u>13,961</u>
EXPENDITURES:				
Current:				
Community development	95,000	1,252,195	953,150	299,045
Debt service:				
Principal	156,080	156,080	156,080	
Interest and fiscal charges	<u>288,975</u>	<u>288,975</u>	<u>147,216</u>	<u>141,759</u>
Total Expenditures	<u>540,055</u>	<u>1,697,250</u>	<u>1,256,446</u>	<u>440,804</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	<u>(522,055)</u>	<u>(1,679,250)</u>	<u>(1,224,485)</u>	<u>\$454,765</u>
EXTRAORDINARY ITEM				
Assets transferred to Successor Agency/Housing Successor			<u>(3,448,476)</u>	<u>(3,448,476)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$522,055)</u></u>	<u><u>(\$1,679,250)</u></u>	<u>(\$4,672,961)</u>	<u><u>(\$2,993,711)</u></u>
BEGINNING FUND BALANCE			<u>4,672,961</u>	
ENDING FUND BALANCE			<u><u>                    </u></u>	

See accompanying notes to basic financial statements



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<b>MAJOR PROPRIETARY FUNDS</b>
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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 2012, 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 ASSETS  
 JUNE 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
<b>ASSETS</b>						
Current assets						
Cash and investments (Note 3)	\$42,297,324	\$28,151,999	\$5,257,268	\$417,929	\$76,124,520	\$18,878,667
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,901,108	2,825,629	887,906	20,963	5,635,606	62,045
Interest receivable	86,301	52,451	11,656		150,408	28,127
Prepaid items						75,087
<b>Total current assets</b>	<b>44,284,733</b>	<b>31,030,079</b>	<b>6,156,830</b>	<b>438,892</b>	<b>81,910,534</b>	<b>19,043,926</b>
Non-current assets						
Restricted cash and investments (Note 3)	5,305,089	18,558,464			23,863,553	48,962
Advances to other funds (Note 4C)	281,082	647,487			928,569	
Employee notes receivable (Note 6)						103,853
Bond issue costs/premium, net	54,068	1,077,332			1,131,400	
Capital assets not being depreciated (Note 7)	541,995	11,191,241		1,022,403	12,755,639	153,562
Capital assets (net of accumulated depreciation) (Note 7)	67,717,530	104,309,964	2,384,167	1,056,409	175,468,070	1,121,063
<b>Total non-current assets</b>	<b>73,899,764</b>	<b>135,784,488</b>	<b>2,384,167</b>	<b>2,078,812</b>	<b>214,147,231</b>	<b>1,427,440</b>
<b>Total Assets</b>	<b>118,184,497</b>	<b>166,814,567</b>	<b>8,540,997</b>	<b>2,517,704</b>	<b>296,057,765</b>	<b>20,471,366</b>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	771,547	1,130,589	289,312	77,761	2,269,209	99,758
Contracts payable	3,422,764	6,579,887			10,002,651	
Accrued liabilities						2,002,776
Refundable deposits	1,033,456	797,267			1,830,723	
Interest payable	958,332	196,928			1,155,260	
Unearned revenue		9,755			9,755	
Compensated absences (Note 1G)						113,253
Estimated claims liability (Note 13)						245,773
Revenue bonds (Note 8)	750,000	820,000			1,570,000	
Capital lease obligations (Note 8)	27,552	39,327			66,879	96,685
<b>Total current liabilities</b>	<b>6,963,651</b>	<b>9,573,753</b>	<b>289,312</b>	<b>77,761</b>	<b>16,904,477</b>	<b>2,558,245</b>
Long-term liabilities						
Advances from other funds (Note 4C)	2,423,769	7,184,755		1,440,425	11,048,949	
Compensated absences (Note 1G)						4,105,008
Estimated claims liability (Note 13)						2,806,470
Revenue bonds (Note 8)	40,875,000	45,035,000			85,910,000	
Capital lease obligations (Note 8)	14,327	20,444			34,771	83,642
OPEB liability (Note 11)	700,727	825,244	1,012,899	157,954	2,696,824	100,563
<b>Total long-term liabilities</b>	<b>44,013,823</b>	<b>53,065,443</b>	<b>1,012,899</b>	<b>1,598,379</b>	<b>99,690,544</b>	<b>7,095,683</b>
<b>Total Liabilities</b>	<b>50,977,474</b>	<b>62,639,196</b>	<b>1,302,211</b>	<b>1,676,140</b>	<b>116,595,021</b>	<b>9,653,928</b>
<b>NET ASSETS (Note 9):</b>						
Invested in capital assets, net of related debt	31,897,735	88,144,898	2,384,167	2,078,812	124,505,612	1,143,260
Restricted for capital projects	5,305,089	18,558,464			23,863,553	
Unrestricted	30,004,199	(2,527,991)	4,854,619	(1,237,248)	31,093,579	9,674,178
<b>Total Net Assets</b>	<b>\$67,207,023</b>	<b>\$104,175,371</b>	<b>\$7,238,786</b>	<b>\$841,564</b>	<b>\$179,462,744</b>	<b>\$10,817,438</b>

See accompanying notes to basic financial statements

CITY OF MANTECA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
<b>OPERATING REVENUES</b>						
Charges for services	\$13,143,709	\$17,478,380	\$8,206,348	\$1,121,220	\$39,949,657	\$2,283,498
Insurance premium contribution from other funds						1,854,978
Miscellaneous	141,535	28,423	304,532	21,519	496,009	91,250
<b>Total Operating Revenues</b>	<b>13,285,244</b>	<b>17,506,803</b>	<b>8,510,880</b>	<b>1,142,739</b>	<b>40,445,666</b>	<b>4,229,726</b>
<b>OPERATING EXPENSES</b>						
Personnel services	2,995,405	3,598,599	4,132,209	590,110	11,316,323	1,897,499
Contractual services	221,171	598,403	1,973,546	95,248	2,888,368	289,169
Supplies	3,065,787	513,746	297,117	49,936	3,926,586	30,781
Utilities	529,424	1,080,615	13,099	82,488	1,705,626	10,560
Repairs and maintenance	28,007	256,808	8,433	18,714	311,962	535,410
Vehicle maintenance and operations	53,611	55,925	923,208	48,890	1,081,634	3,789
Interdepartmental	1,029,600	1,389,435	944,360	19,830	3,383,225	11,800
Insurance	155,960	224,662	164,111	8,704	553,437	325,558
Claims						245,914
Depreciation	3,261,725	2,782,527	599,963	128,777	6,772,992	681,361
Miscellaneous	54,710	138,246	13,969	1,944	208,869	23,568
<b>Total Operating Expenses</b>	<b>11,395,400</b>	<b>10,638,966</b>	<b>9,070,015</b>	<b>1,044,641</b>	<b>32,149,022</b>	<b>4,055,409</b>
<b>Operating Income (Loss)</b>	<b>1,889,844</b>	<b>6,867,837</b>	<b>(559,135)</b>	<b>98,098</b>	<b>8,296,644</b>	<b>174,317</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	768,226	470,845	81,505		1,320,576	196,887
Gain (loss) from retirement of capital assets	(197)		(35,647)		(35,844)	7,042
Interest (expense)	(1,932,897)	(2,545,870)		(2,230)	(4,480,997)	(9,162)
Intergovernmental grants			55,131		55,131	
Lease (expenses)				(52,000)	(52,000)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(1,164,868)</b>	<b>(2,075,025)</b>	<b>100,989</b>	<b>(54,230)</b>	<b>(3,193,134)</b>	<b>194,767</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>724,976</b>	<b>4,792,812</b>	<b>(458,146)</b>	<b>43,868</b>	<b>5,103,510</b>	<b>369,084</b>
Transfers in						21,500
Contributions	209,707	201,670			411,377	
<b>Net Contributions and Transfers</b>	<b>209,707</b>	<b>201,670</b>			<b>411,377</b>	<b>21,500</b>
<b>Change in net assets</b>	<b>934,683</b>	<b>4,994,482</b>	<b>(458,146)</b>	<b>43,868</b>	<b>5,514,887</b>	<b>390,584</b>
<b>BEGINNING NET ASSETS</b>	<b>66,272,340</b>	<b>99,180,889</b>	<b>7,696,932</b>	<b>797,696</b>	<b>173,947,857</b>	<b>10,426,854</b>
<b>ENDING NET ASSETS</b>	<b>\$67,207,023</b>	<b>\$104,175,371</b>	<b>\$7,238,786</b>	<b>\$841,564</b>	<b>\$179,462,744</b>	<b>\$10,817,438</b>

See accompanying notes to basic financial statements

CITY OF MANTECA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$13,411,992	\$17,237,512	\$8,777,324	\$1,147,531	\$40,574,359	\$4,214,748
Payments to suppliers	(4,276,179)	(2,522,841)	(3,646,585)	(243,513)	(10,689,118)	(1,269,709)
Payments to employees	(2,949,423)	(3,546,245)	(4,072,445)	(583,085)	(11,151,198)	(1,739,077)
Internal activity - payments to other funds	(1,029,600)	(1,389,435)	(944,360)	(19,830)	(3,383,225)	(11,800)
Receipts on employee notes receivable						5,031
Claims paid						(245,914)
<b>Cash Flows from Operating Activities</b>	<b>5,156,790</b>	<b>9,778,991</b>	<b>113,934</b>	<b>301,103</b>	<b>15,350,818</b>	<b>953,279</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Noncapital grants			55,131		55,131	
Interfund receipts and payments, net	(1,854)	110,187			108,333	21,500
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(1,854)</b>	<b>110,187</b>	<b>55,131</b>		<b>163,464</b>	<b>21,500</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets, net	(1,014,196)	(7,446,131)	(15,705)	(74,762)	(8,550,794)	(244,206)
Proceeds from sale of capital assets						7,048
Long-term debt payment - principal	(636,149)	(792,320)			(1,428,469)	
Long-term debt payment - interest	(1,939,094)	(2,500,968)		(2,230)	(4,442,292)	(9,162)
Lease payments				(52,000)	(52,000)	(92,798)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(3,589,439)</b>	<b>(10,739,419)</b>	<b>(15,705)</b>	<b>(128,992)</b>	<b>(14,473,555)</b>	<b>(339,118)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	799,681	463,436	85,751		1,348,868	207,006
<b>Cash Flows from Investing Activities</b>	<b>799,681</b>	<b>463,436</b>	<b>85,751</b>		<b>1,348,868</b>	<b>207,006</b>
<b>Net Cash Flows</b>	<b>2,365,178</b>	<b>(386,805)</b>	<b>239,111</b>	<b>172,111</b>	<b>2,389,595</b>	<b>842,667</b>
Cash and investments at beginning of period	45,237,235	47,097,268	5,018,157	245,818	97,598,478	18,084,962
Cash and investments at end of period	<u>\$47,602,413</u>	<u>\$46,710,463</u>	<u>\$5,257,268</u>	<u>\$417,929</u>	<u>\$99,988,073</u>	<u>\$18,927,629</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>						
Operating income (loss)	\$1,889,844	\$6,867,837	(\$559,135)	\$98,098	\$8,296,644	\$174,317
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation	3,261,725	2,782,527	599,963	128,777	6,772,992	681,361
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	205,435	(279,046)	266,444	4,792	197,625	(14,978)
Related party notes receivable						5,031
Prepaid items						(75,087)
Accounts payable and other accrued expenses	(80,036)	676,387	(253,102)	62,411	405,660	24,213
Contracts payable	(166,160)	(330,823)			(496,983)	
Accrued liabilities						218,474
Unearned revenue		9,755			9,755	
Compensated absences						(75,509)
OPEB liability	45,982	52,354	59,764	7,025	165,125	15,457
<b>Cash Flows from Operating Activities</b>	<b>\$5,156,790</b>	<b>\$9,778,991</b>	<b>\$113,934</b>	<b>\$301,103</b>	<b>\$15,350,818</b>	<b>\$953,279</b>
<b>NONCASH TRANSACTIONS:</b>						
Contributions of capital assets, net	\$209,707	\$201,670			\$411,377	
Retirement of capital assets, net	(\$197)		(\$35,647)		(\$35,844)	(\$6)

See accompanying notes to basic financial statements

<b>FIDUCIARY FUNDS</b>
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***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.

**Agency Funds** are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF MANTECA  
 FIDUCIARY FUNDS  
 STATEMENTS OF FIDUCIARY NET ASSETS  
 JUNE 30, 2012

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Agency Fund
<b>ASSETS</b>			
Cash and investments (Note 3)		\$20,144,554	\$5,351
Restricted cash and investments (Note 3)	\$425,073	10,242,524	
Long-term notes receivable (Note 16B)		3,525,477	
Deferred outflow (Note 16D)		14,133,160	
Capital assets, not being depreciated (Note 16C)		5,901,124	
Capital assets, being depreciated (net) (Note 16C)		2,997,821	
	425,073	56,944,660	\$5,351
<b>LIABILITIES</b>			
Accounts payable		275,796	
Refundable deposits		5,000	
Unearned revenue	75,087		
Due to stakeholders			\$5,351
Interest payable		905,889	
Derivative instrument (Note 16D)		14,133,160	
Long-term obligations (Note 16D):			
Due in one year		51,510,000	
Due in more than one year		73,505,000	
	75,087	140,334,845	\$5,351
<b>NET ASSETS (DEFICIT)</b>			
Held in trust for OPEB benefits and other purposes	\$349,986	(\$83,390,185)	

See accompanying notes to basic financial statements

CITY OF MANTECA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Retiree Health Savings Plan Trust Fund</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund</u>
<b>ADDITIONS</b>		
Property taxes		\$3,988,935
Contributions	\$870,770	
Net investment income	112	139,849
	<u>870,882</u>	<u>4,128,784</u>
<b>DEDUCTIONS</b>		
Premiums paid	520,896	
Community development		870,574
Depreciation		53,921
Interest and fiscal charges		2,930,345
	<u>520,896</u>	<u>3,854,840</u>
Net change in net assets before extraordinary item	<u>349,986</u>	<u>273,944</u>
<b>EXTRAORDINARY ITEM (Note 16)</b>		
Assets transferred to/liabilities assumed by Successor Agency		<u>(83,664,129)</u>
<b>NET CHANGE IN NET ASSETS</b>	349,986	(83,390,185)
<b>NET ASSETS HELD IN TRUST FOR OPEB BENEFITS AND OTHER PURPOSES</b>		
Beginning of year	<u>                    </u>	<u>                    </u>
End of year	<u>\$349,986</u>	<u>(\$83,390,185)</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, 2012**

**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 Redevelopment Agency and the Manteca Financing Authority, both of which are controlled by and dependent on the City. While these are separate legal entities, City Council serves in separate session as their governing body and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed “blended”) with those of the City in the accompanying financial statements.

The **Manteca Redevelopment Agency** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Low and Moderate Income Housing Fund, Redevelopment Capital Improvement Fund, Redevelopment Debt Service Fund, as well as the City’s Capital Asset and Long-Term Obligations. As discussed in Note 16, the Agency was dissolved effective January 31, 2012.

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 are included in the Golf Enterprise Fund and the Redevelopment Debt Service Fund, as well as the City’s Capital Assets and Long-Term Obligations.

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 2012.

Financial statements for the Manteca Financing Authority component units may be obtained from the City of Manteca at 1001 West Center Street, Manteca, California, 95337. Separate financial statements are not issued for the Manteca Redevelopment Agency or 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Assets 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.

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, liabilities, 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:

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**DEVELOPMENT MITIGATION FUND** – Established to account for the collection and use of fees collected as part of negotiated development agreements. These fees include a Development Agreement Fee, an Economic Development Fee, a Public Facilities Fee, a Development Services Fee and a Recreational Amenities fee.

**REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND** - Established by the City of Manteca Redevelopment Agency to account for tax increment allocations set aside for the purpose of increasing or improving the City's supply of low or moderate-income housing.

**REDEVELOPMENT DEBT SERVICE FUND** - Established to accumulate funds for payment of Tax Increment Bonds and other Redevelopment debts. Debt service is primarily financed via property tax increment revenues.

**REDEVELOPMENT CAPITAL IMPROVEMENT FUND** - Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the tax-exempt proceeds from the issuance of long-term debt.

**REDEVELOPMENT ECONOMIC DEVELOPMENT FUND** - Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the taxable proceeds from the issuance of long-term debt, and excess tax increment revenue.

**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** - 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.

**SPECIAL APPORTIONMENT STREETS FUND** - 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.

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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Agency Fund holds funds for the City of Lathrop for their share of the expansion of the Wastewater Control Facility. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**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*.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 assets 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.

The City follows those Financial Accounting Standard Board Statements issued before November 30, 1989, unless they conflict with Governmental Accounting Standards Board Statements.

**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.

**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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Compensated Absences***

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. 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 Assets. 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	\$4,293,770
Additions	3,892,253
Payments	<u>(3,967,762)</u>
Ending Balance	<u><u>\$4,218,261</u></u>
Current Portion	<u><u>\$113,253</u></u>

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

**H. *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.

**I. *New Funds and Closed Funds***

The Low and Moderate Income Housing Asset Special Revenue Fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Manteca Redevelopment Agency.

The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Manteca Redevelopment Agency.

The Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund, Redevelopment Debt Service Fund, Redevelopment Capital Improvement Fund and Redevelopment Economic Development Capital Projects Fund were closed as of January 31, 2012 as the result of the dissolution of the Redevelopment Agency discussed in Note 16.

The Retiree Health Savings Plan Trust Fund was established to account for the medical benefits for former employees of the City.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**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 Low and Moderate Income Housing Assets Special Revenue Fund and 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.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**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, 2012 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	\$173,853,321
Restricted cash and investments	71,391,042
Total City cash and investments of primary government	245,244,363
Cash and investments in Fiduciary Funds	20,149,905
Restricted cash and investments in Fiduciary Funds	10,667,597
Total cash and investments	\$276,061,865

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$3,575
Deposits with financial institutions	38,573,586
Investments	237,484,704
Total cash and investments	\$276,061,865

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, 2012**

**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, Notes	5 years	None	100%	No Limit
United States Government Agency Obligations	5 years	None	100%	No Limit
Mortgage Pass Through Agency Securities	5 years	None	20%	No Limit
Bankers' Acceptances	180 days	Highest Category	40%	15%
Commercial Paper	270 days	A-1	25%	10%
Negotiable Certificates of Deposit	5 years	A	30%	15%
Repurchase Agreements	90 days	None	100%	15%
Local Agency Investment Fund	n/a	None	\$50 million/account	\$50 million/account
Time Deposits	5 years	None	25%	15%
Medium-Term Corporation Notes	5 years	A	30%	15%
Money Market Funds	n/a	Highest Category	100%	15%

**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
Prefunded 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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**E. Investments Authorized for the Retiree Health Savings Plan Trust**

The authorized investments for the Retiree Health Savings Plan Trust were established pursuant to the Declaration of Trust. The City, as trustee, has elected to only invest the Trust assets in an annuity, the American United Life Annuity.

**F. 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.

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
<b>Held by City:</b>					
U.S. Government Agency Obligations		\$37,840,634	\$21,950,343		\$59,790,977
U.S. Treasury Notes		8,092,350	34,297,416		42,389,766
Corporate Notes					
Non-Callable	\$3,550,400	18,978,618	7,797,042		30,326,060
Certificates of Deposit	6,006,780				6,006,780
California Local Agency Investment Fund	16,746,883				16,746,883
Money Market Mutual Funds (U.S. Securities)	165,599				165,599
<b>Held by Trustees:</b>					
U.S. Government Agency Obligations	996,168				996,168
Certificates of Deposit		484,000	2,461,000	\$484,000	3,429,000
Guaranteed Investment Contracts			2,487,549	9,331,959	11,819,508
California Local Agency Investment Fund	1,134,890				1,134,890
Money Market Mutual Funds (U.S. Securities)	64,254,000				64,254,000
American United Life Annuity	425,073				425,073
Total Investments	<u>\$93,279,793</u>	<u>\$65,395,602</u>	<u>\$68,993,350</u>	<u>\$9,815,959</u>	<u>\$237,484,704</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, 2012, these investments have an average maturity of 268 days.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Money market funds are available for withdrawal on demand and at June 30, 2012, have an average maturity of 45 to 60 days.

**G. 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, 2012 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA/A-1+	AA+	AA-	A+/A	AAAm	Total
<b>Held by City:</b>						
U.S. Government Agency Obligations		\$59,790,977				\$59,790,977
Corporate Notes						
Non-Callable	\$3,000,000	6,593,922	\$9,761,397	\$10,970,741		30,326,060
Certificates of Deposit	6,006,780					6,006,780
Money Market Mutual Funds (U.S. Securities)					\$165,599	165,599
<b>Held by Trustees:</b>						
U.S. Government Agency Obligations		996,168				996,168
Money Market Mutual Funds (U.S. Securities)					64,254,000	64,254,000
<b>Totals</b>	<u>\$9,006,780</u>	<u>\$67,381,067</u>	<u>\$9,761,397</u>	<u>\$10,970,741</u>	<u>\$64,419,599</u>	161,539,584
<b>Not rated:</b>						
Guaranteed Investment Contracts						11,819,508
Certificates of Deposit						3,429,000
California Local Agency Investment Fund						17,881,773
American United Life Annuity						425,073
<b>Exempt from credit rating disclosure:</b>						
U.S. Treasury Notes						42,389,766
<b>Total Investments</b>						<u>\$237,484,704</u>

**H. Concentration Risk**

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
<b>Entity Wide:</b>			
	Federal National Mortgage Association	United States Government Agency Obligations	\$22,284,101
	Federal Home Loan Bank	United States Government Agency Obligations	21,393,488
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	17,091,995
<b>Major Funds:</b>			
Low and Moderate Income			
Housing Assets Special Revenue Fund	IXIS Fund Corporation	Guaranteed Investment Contract	356,635
Water Enterprise Fund	MBIA	Guaranteed Investment Contract	3,472,588
Sewer Enterprise Fund	MBIA	Guaranteed Investment Contract	3,326,250
<b>Fiduciary Fund:</b>			
Successor Agency to the			
Redevelopment Agency			
Private Purpose Trust Fund	IXIS Fund Corporation	Guaranteed Investment Contract	4,664,035
	Federal Home Loan Bank	United States Government Agency Obligations	978,608

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. During the fiscal year ended June 30, 2012 the transfers were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
Non-Major Governmental Funds	General Fund	\$60,846 A
	Redevelopment Capital Improvement Fund	1,542,577 B
Internal Service Funds	Development Mitigation Special Revenue Fund	<u>21,500 C</u>
		<u>\$1,624,923</u>

A Transfer to fund costs not covered by COPS Hiring and Recovery Program (CHRP) Grant.

B To fund capital projects.

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, 2012, interfund balances were as follows:

<u>Due To Funds</u>	<u>Due From Funds</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$57,808
Non-Major Governmental Funds	Non-Major Governmental Funds	<u>141,879</u>
	Total Current Interfund Balances	<u>\$199,687</u>

**C. Long-Term Interfund Advances**

At June 30, 2012 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 and golf fees.

<u>(Asset) Fund Making Advance</u>	<u>(Liability) Fund Receiving Advance</u>	<u>Amount of Advance</u>
General Fund	Golf Enterprise Fund	\$1,412,425
Public Facilities Implementation Plan Fund	Water Enterprise Fund	2,035,888
	Sewer Enterprise Fund	7,083,953
Water Enterprise Fund	Public Facilities Implementation Plan Fund	180,280
	Sewer Enterprise Fund	100,802
Sewer Enterprise Fund	Public Facilities Implementation Plan Fund	259,606
	Water Enterprise Fund	387,881
Non-Major Governmental Funds	Golf Enterprise Fund	<u>28,000</u>
	Total Advances	<u>\$11,488,835</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

*Golf Advances*

Advances above in the amount of \$1,440,425 have been made from the General Fund and Parks Capital Improvement Fund, to assist with the continued operations of the City's Municipal Golf Course. The advances are to be repaid at the time that the golf course is able to generate sufficient revenues to maintain a positive cash fund balance while meeting the operational and capital requirements of the golf course.

*Public Facilities Implementation Plan*

Advances above in the amount of \$10,048,410 have been made between the Public Facilities Improvement Plan, 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%.

*Development Services*

During fiscal year 2010 the Redevelopment Debt Service Fund made an advance of \$1,700,000 to the Development Services Special Revenue Fund to establish the fund. The advance is to be repaid when funds become available. The balance of the advance as of January 31, 2012 was \$1,700,000. With the dissolution of the Redevelopment Agency effective February 1, 2012, the Successor Agency assumed the assets of the former Redevelopment Agency and the advance is now recorded as a note payable to the Successor Agency as discussed in Notes 8 and 16.

**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, NOTES RECEIVABLE AND DEFERRED REVENUE**

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 and a Successor Agency assumed the loans receivable of the Redevelopment Agency's Capital Improvement and Economic Development Funds as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2012 are set forth below:

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE**  
**(Continued)**

**A. Summary of Notes Receivable and Deferred Revenue**

The City has deferred the recognition of revenues from the proceeds of the Notes or reserved the portion of fund balance represented by these Notes. At June 30, 2012, these Notes totaled:

HOPE Shelter	\$1,435,194
Habitat for Humanity	10,000
Down Payment Assistance Program	1,809,045
Residential Rehabilitation	179,700
First-Time Homebuyer Program	90,000
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	64,908
Manteca Atherton Associates - Juniper Apartments	12,750,000
Total notes receivable	23,863,521
Less: Allowance for conditional grants	2,343,419
Net long-term notes receivable	\$21,520,102

Deferred revenue at June 30, 2012 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 is June 1, 2013.

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.

As of June 30, 2012, HOPE had drawn down \$1,435,194 of the loans and the remaining balance to be drawn down was \$161,838.

**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 Agency will forgive the loan.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE**  
**(Continued)**

***D. 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. At January 31, 2012, the total outstanding balance on this loan was \$1,433,357. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Capital Improvement Fund, including the Owner Participation Agreement, were transferred to a Successor Agency as discussed in Note 16.

***E. 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, 2012, loans related to this Program in the amount of \$1,809,045 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.

***F. 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, 2012, loans receivable under this program totaled \$152,973.

During fiscal year 2004, the Agency made loans to real property owners in the Redevelopment Area for the purpose of making property improvements that are forgivable after seven years based on program provisions. The loans bear five percent interest due from date of closing, applicable only in case of default. At June 30, 2012, loans receivable under this program totaled \$26,727.

***G. 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, 2012 was \$90,000.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE**  
**(Continued)**

**H. 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 January 31, 2012, 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. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Capital Improvement Fund, including the AKF loan, were transferred to a Successor Agency as discussed in Note 16.

**I. 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.

**J. 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.

**K. 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, 2012, Eden Housing had drawn down the loan in the amount of \$1,680,932.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE**  
**(Continued)**

**L. 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 January 31, 2012, the principal balance outstanding was \$338,040. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Economic Development Fund, including the Cabral Western Motors loan, were transferred to a Successor Agency as discussed in Note 16.

**M. 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 Agency fifty percent of the receipts. At June 30, 2012, \$750,000 has been drawn down from the loan and remains outstanding, and \$2,000,000 of the grant has been drawn down.

**N. 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, 2012, loans receivable under this program totaled \$64,908.

**O. 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, 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 draws the funds as eligible costs are incurred. The balance of the escrow account was \$3,918,287 at June 30, 2012, but the Agency had recorded the entire loan disbursement as an expenditure during fiscal year 2011 and the balance of the loan receivable as of June 30, 2012 is \$12,750,000.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE**  
**(Continued)**

*P. 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 City Manager. 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, 2012, 101 employees had notes totaling \$103,853 due to the City.

**NOTE 7 - CAPITAL ASSETS**

All 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.

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, 2012**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets activities for the year ended June 30, 2012 were as follows:

<i>Governmental activities</i>	Balance at June 30, 2011	Additions	Retirements	Transfers	Transfers to Successor Agency	Balance at June 30, 2012
Capital assets not being depreciated:						
Land and improvements	\$33,584,562	\$389,777			(\$5,901,124)	\$28,073,215
Construction in progress	45,520,892	13,327,464	(\$32,098)	(24,051,409)		34,764,849
Total capital assets not being depreciated	<u>79,105,454</u>	<u>13,717,241</u>	<u>(32,098)</u>	<u>(24,051,409)</u>	<u>(5,901,124)</u>	<u>62,838,064</u>
Capital assets being depreciated:						
Buildings and improvements	15,586,810	31,024	(32,587)	2,238,157	(3,788,211)	14,035,193
Machinery and equipment	14,626,269	229,614	(294,625)			14,561,258
Storm drain	39,209,292	176,437				39,385,729
Streets	125,793,815	1,657,575		21,505,900		148,957,290
Parks	54,191,639	446,050		307,352		54,945,041
Total capital assets being depreciated	<u>249,407,825</u>	<u>2,540,700</u>	<u>(327,212)</u>	<u>24,051,409</u>	<u>(3,788,211)</u>	<u>271,884,511</u>
Less accumulated depreciation for:						
Buildings and improvements	(6,703,055)	(558,882)	32,587		736,469	(6,492,881)
Machinery and equipment	(9,171,007)	(1,460,334)	241,930			(10,389,411)
Storm drain	(6,726,241)	(783,853)				(7,510,094)
Streets	(33,740,035)	(4,731,091)				(38,471,126)
Parks	(8,811,737)	(1,738,990)				(10,550,727)
Total accumulated depreciation	<u>(65,152,075)</u>	<u>(9,273,150)</u>	<u>274,517</u>		<u>736,469</u>	<u>(73,414,239)</u>
Net capital assets being depreciated	<u>184,255,750</u>	<u>(6,732,450)</u>	<u>(52,695)</u>	<u>24,051,409</u>	<u>(3,051,742)</u>	<u>198,470,272</u>
Governmental activity capital assets, net	<u>\$263,361,204</u>	<u>\$6,984,791</u>	<u>(\$84,793)</u>		<u>(\$8,952,866)</u>	<u>\$261,308,336</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 7 - CAPITAL ASSETS (Continued)**

With the dissolution of the Redevelopment Agency as discussed in Note 16, a Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

<i>Business-type activities</i>	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Capital assets not being depreciated:					
Land and improvements	\$4,059,848	\$3,425,417			\$7,485,265
Construction in progress	2,571,483	3,036,407		(\$337,516)	5,270,374
Total capital assets not being depreciated	<u>6,631,331</u>	<u>6,461,824</u>		<u>(337,516)</u>	<u>12,755,639</u>
Capital assets being depreciated:					
Sewer lines and improvements	43,001,178	201,670		190,203	43,393,051
Water wells, pipelines and water rights	95,116,668	1,009,658	(\$309,175)	146,828	95,963,979
Buildings and improvements	7,583,207		(822)		7,582,385
Machinery and equipment	16,730,210	1,214,472	(3,061,008)		14,883,674
Infrastructure	48,211			485	48,696
Sewer plant expansion	90,131,409	74,547			90,205,956
	<u>252,610,883</u>	<u>2,500,347</u>	<u>(3,371,005)</u>	<u>337,516</u>	<u>252,077,741</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(12,852,438)	(847,869)			(13,700,307)
Water wells, pipelines and water rights	(27,877,014)	(2,957,718)	309,175		(30,525,557)
Buildings and improvements	(3,299,206)	(256,912)	625		(3,555,493)
Machinery and equipment	(10,831,138)	(1,106,487)	3,025,361		(8,912,264)
Infrastructure	(13,569)	(1,638)			(15,207)
Sewer plant expansion	(18,298,475)	(1,602,368)			(19,900,843)
	<u>(73,171,840)</u>	<u>(6,772,992)</u>	<u>3,335,161</u>		<u>(76,609,671)</u>
Net capital assets being depreciated	<u>179,439,043</u>	<u>(4,272,645)</u>	<u>(35,844)</u>	<u>337,516</u>	<u>175,468,070</u>
Total Business-type activity capital assets, net	<u>\$186,070,374</u>	<u>\$2,189,179</u>	<u>(\$35,844)</u>		<u>\$188,223,709</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.

<b>CITY OF MANTECA</b> <b>Notes to Basic Financial Statements</b> <b>For the Year Ended June 30, 2012</b>
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<b>NOTE 7 - CAPITAL ASSETS (Continued)</b>
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**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 were as follows:

<b>Governmental Activities</b>	
General government	\$710,228
Community development	51,927
Public safety	713,701
Public works	776,975
Parks and recreation	1,898,467
Streets and highways	4,440,491
Internal service Funds	681,361
<b>Total Governmental Activities</b>	<b>\$9,273,150</b>
 <b>Business-Type Activities</b>	
Water	\$3,261,725
Sewer	2,782,527
Solid waste	599,963
Golf	128,777
<b>Total Business-Type Activities</b>	<b>\$6,772,992</b>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**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, 2011	Adjustment (Note 8 E)	Retirements	Transferred to (Assumed by) Successor Agency	Balance June 30, 2012	Current Portion
<b>Governmental Activity Debt:</b>							
<b>Redevelopment Agency Tax</b>							
<b>Allocation Bonds -</b>							
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$30,765,000	\$26,325,000		\$820,000	\$25,505,000		
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0% Subordinated	25,925,000	23,925,000		705,000	23,220,000		
Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	5,310,000	4,965,000		120,000	4,845,000		
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	50,760,000	50,050,000		490,000	49,560,000		
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	22,675,000	22,290,000		405,000	21,885,000		
<b>Capital Leases -</b>							
Viron Project, 5.3%	947,049	249,026		95,721		\$153,305	\$100,861
Fire Engine, 4.60%	1,055,000	569,394		153,545		415,849	160,689
Telephone System, 4.025% (Internal Service)	460,462	273,125		92,798		180,327	96,685
Boom Truck, 4.48%	164,949	125,115		32,924		92,191	34,430
New World Accounting Software, 4.25%	969,360	969,360		178,060		791,300	185,637
<b>Loans Payable -</b>							
Loan Payable to Successor Agency, 0%	1,700,000		\$1,700,000			1,700,000	
<b>Total Governmental Activity Debt</b>	<u>\$140,731,820</u>	<u>\$129,741,020</u>	<u>\$1,700,000</u>	<u>\$3,093,048</u>	<u>\$125,015,000</u>	<u>\$3,332,972</u>	<u>\$578,302</u>
<b>Business-type Activity Debt:</b>							
<b>Sewer Revenue Bonds</b>							
Series 2003-A Bonds, 2.35-4.50%	\$18,155,000	\$16,595,000		\$755,000		\$15,840,000	\$820,000
Series 2003-B Bonds, 5.00%	25,665,000	11,015,000				11,015,000	
Series 2009 Bonds, 4.875-5.75%	19,000,000	19,000,000				19,000,000	
<b>2003 Water Revenue Bonds, 2.00-5.00%</b>	43,325,000	42,235,000		610,000		41,625,000	750,000
<b>Capital Lease, 5.3%</b>	627,951	165,119		63,469		101,650	66,879
<b>Total Business - Type Activity Debt</b>	<u>\$106,772,951</u>	<u>\$89,010,119</u>		<u>\$1,428,469</u>		<u>\$87,581,650</u>	<u>\$1,636,879</u>

With the dissolution of the Redevelopment Agency as discussed in Note 16, a Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012, including the Swap agreement associated with the 2005 Bonds, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities. For a detailed discussion of each of the Redevelopment Agency Tax Allocation Bonds above, see Note 16 D below.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 8 - LONG TERM DEBT (Continued)**

**B. Sewer Revenue Bonds**

On December 11, 2003 the Manteca Financing Authority issued 2003 Sewer Revenue Bonds Series 2003A in the amount of \$18,155,000 and Series 2003B in the amount of \$25,665,000 to refund and redeem the remaining outstanding balance of the 1989 Refunding Revenue Bonds and to finance the City's expansion and upgrade of its wastewater control facility. The 2003 Revenue Bonds are secured by installment payments payable by the City of Manteca under the Installment Sales Agreement dated December 1, 2003. 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. Interest payments are due on June 1, and December 1 of each year through 2033. The Series 2003B bonds are subject to extraordinary mandatory prepayment by the City on any interest payment date from net connection fee revenues, as defined in the Installment Sale Agreement. The balance of net connection fee revenues available for prepayment on the next interest payment date was \$2,087,187 at June 30, 2012.

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.

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2003 and 2009 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 \$82,737,835. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,086,779 and \$10,065,230, respectively.

**C. Water Revenue Bonds**

On July 2, 2003 the Manteca Financing Authority issued 2003 Water Revenue Bond Series 2003A in the amount of \$43,325,000 to finance the City's share of the cost of a \$149 million surface water plant. The 2003 Revenue Bonds are secured by installment payments payable by the City of Manteca under the Installment Sales Agreement dated July 1, 2003. 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 water system. Interest payments are due on January 1, and July 1 of each year through 2033.

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 percent of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$67,724,724. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,530,336 and \$5,965,777 respectively.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 8 - LONG TERM DEBT (Continued)**

**D. Capital Lease Obligations**

On September 4, 2001, the City entered into a \$1,575,000 lease agreement with Lasalle Bank National Association for the purchase of energy savings equipment for the implementation of energy conservation projects throughout the City. The lease interest and principal payments are due on March 21 and September 21 with a final payment on September 4, 2013. The loans are payable from general government and enterprise fund resources generated from the savings on the City's electric bills.

On August 15, 2007, the City entered into a lease agreement in the amount of \$1,055,000 with Lasalle Bank National Association for the purchase of a fire engine. The lease interest and principal payments are due on February 16 and August 16 with a final payment on August 16, 2014.

On April 14, 2009, the City entered into a lease agreement in the amount of \$460,462 with Westamerica Bank for the purchase of a telephone system. The lease interest and principal payments are due on the 9<sup>th</sup> of each month with the final payment on April 9, 2014.

On June 29, 2009, the City entered into a lease agreement in the amount of \$164,949 with Westamerica Bank for the purchase of a boom truck. The lease interest and principal payments begin on February 15, 2010, and are due the 15<sup>th</sup> of each month with the final payment on January 15, 2015.

On January 4, 2011, the City entered into a lease agreement in the amount of \$969,360 with Leasource Financial Services, Inc. for the purchase of a new general ledger accounting system. The lease interest and principal payments are due every December 22, with the final payment on December 22, 2015.

**E. Loan Payable to Successor Agency**

During fiscal year 2010 the Redevelopment Debt Service Fund made an advance of \$1,700,000 to the Development Services Special Revenue Fund to establish the fund. Due to the dissolution of the Redevelopment Agency as discussed in Note 16, the advance became a loan payable to the Successor Agency and is now recorded as a long-term liability of the City. The loan is to be repaid when funds become available.

**F. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt except for the loan payable to the Successor Agency:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$578,302	\$66,701	\$1,636,879	\$4,208,308
2014	533,797	40,247	1,829,771	4,146,304
2015	310,517	19,864	1,930,000	4,101,935
2016	210,356	8,952	2,165,000	3,987,845
2017			2,335,000	3,884,894
2018-2022			14,535,000	17,575,021
2023-2027			18,225,000	13,723,178
2028-2032			23,665,000	8,757,978
2033-2037			21,260,000	2,602,532
Total	<u>\$1,632,972</u>	<u>\$135,764</u>	<u>\$87,581,650</u>	<u>\$62,987,995</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 9 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

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

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets 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 Assets 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 Assets 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. 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 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, 2012**

**NOTE 9 – NET ASSETS AND FUND BALANCE (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, 2012, are below:

Fund Balance Classifications	General Fund	Special Revenue		Capital Projects		Other Governmental Funds	Total
		Development Mitigation	Low/Moderate Income Housing Assets	Public Facilities Implementation Plan	Special Apportionment Streets		
<b>Nonspendable:</b>							
Items not in spendable form:							
Prepaid Expenses	\$360,793					\$121,865	\$482,658
Advances	1,412,425						1,412,425
<b>Total Nonspendable Fund Balances</b>	<b>1,773,218</b>					<b>121,865</b>	<b>1,895,083</b>
<b>Restricted for:</b>							
Projects, Programs and Debt Service					\$38,021,028		38,021,028
Low and Moderate Income Housing Transportation			\$2,766,691			14,255,639	14,255,639
Development Services		\$9,116,528				808,747	9,925,275
Public Safety						11,666,445	11,666,445
Parks						3,818,080	3,818,080
Major Equipment Purchases						830,638	830,638
Landscaping and Lighting						1,250,125	1,250,125
City and Public Facilities Projects				\$26,055,839		4,104,754	30,160,593
Community Facilities District Projects and Maintenance						71,010	71,010
<b>Total Restricted Fund Balances</b>		<b>9,116,528</b>	<b>2,766,691</b>	<b>26,055,839</b>	<b>38,021,028</b>	<b>36,805,438</b>	<b>112,765,524</b>
<b>Committed to:</b>							
Recreation Programs						267,919	267,919
<b>Total Committed Fund Balances</b>						<b>267,919</b>	<b>267,919</b>
<b>Assigned to:</b>							
Capital Projects					9,696,257		9,696,257
Other Projects	134,186						134,186
<b>Total Assigned Fund Balances</b>	<b>134,186</b>				<b>9,696,257</b>		<b>9,830,443</b>
<b>Unassigned:</b>							
General Fund	11,358,781						11,358,781
<b>Total Unassigned Fund Balances</b>	<b>11,358,781</b>						<b>11,358,781</b>
<b>Total Fund Balances</b>	<b>\$13,266,185</b>	<b>\$9,116,528</b>	<b>\$2,766,691</b>	<b>\$26,055,839</b>	<b>\$47,717,285</b>	<b>\$37,195,222</b>	<b>\$136,117,750</b>

**C. Deficit Fund Balances and Accumulated Deficits**

At June 30, 2012, the Successor Agency to the Redevelopment Agency Fund had deficit net assets in the amount of \$83,390,185, which will be eliminated by future revenues.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 10 - PENSION PLAN**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2012, are summarized as follows:

	Safety					
	Police		Fire		Miscellaneous	
	Prior to April 3, 2012	After April 3, 2012	Prior to /After April 3, 2012	Prior to April 3, 2012	After April 3, 2012	
Hire date	Prior to April 3, 2012	After April 3, 2012	Prior to /After April 3, 2012	Prior to April 3, 2012	After April 3, 2012	
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service	5 years of service	
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life	
Retirement age	50	55	55	55	60	
Monthly benefits, as a % of annual salary	3%	3%	2.4% - 3.0%	2.0% - 2.7%	2%	
Required employee contribution rates	9%	9%	9%	8%	8%	
Required employer contribution rates	30.631%	30.631%	30.631%	20.849%	20.849%	

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full-time employment. Effective July 1, 2011, the City amended its labor contracts for a period of four years, during which time the employees belonging to the following bargaining units will contribute a percentage of the employer's required contribution: Executive Management, Fire, Mid Managers, Police Employees, and Police Officers. This does not apply to employees belonging to the General Services and Technical Support bargaining units. These benefit provisions and all other requirements are established by state statute and City Ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 10 – PENSION PLAN (Continued)**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2010	\$2,901,637	100%	\$0
June 30, 2011	2,907,760	100%	0
June 30, 2012	3,310,673	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$2,691,417	100%	\$0
June 30, 2011	2,714,098	100%	0
June 30, 2012	3,047,114	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over 30 years. The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

*Safety Plan:*

Actuarial						Unfunded (Overfunded) Liability as % of Payroll
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	
2008	\$78,289,428	\$62,358,428	\$15,931,000	79.7%	\$10,483,971	152.0%
2009	89,377,397	66,988,177	22,389,220	74.9%	11,850,469	188.9%
2010	96,461,548	72,355,964	24,105,584	75.0%	10,791,977	223.4%

*Miscellaneous Plan:*

Actuarial						Unfunded (Overfunded) Liability as % of Payroll
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	
2008	\$80,318,428	\$65,966,962	\$14,351,466	82.1%	\$16,598,703	86.5%
2009	93,070,625	70,818,338	22,252,287	76.1%	16,607,668	134.0%
2010	100,599,505	76,256,659	24,342,846	75.8%	16,282,267	149.5%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately seventeen months after the end of its June 30 fiscal year.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 10 – PENSION PLAN (Continued)**

**B. Supplemental Retirement Program**

The City sponsors a supplemental retirement plan created in accordance with Internal Revenue Code (IRC) Section 401(a). Contributions made to the Plan are subject to early withdrawal penalties. Once an employee opts to participate in the Plan, they must stay in the plan and participate at the level designated for their unit. If an employee separates employment from the City they may choose to allow their unit assets to remain in the Plan, rollover their assets as allowed by the IRC, or withdraw their assets and pay the resulting taxes and penalties.

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.

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. Eligible employees must (1) be designated by the City; (2) be at least fifty-four years of age; and (3) have completed at least five (5) years of full-time continuous employment with the City on or after October 1, 2001. All eligible employees covered by this plan are fully vested.

Additionally, 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.

At June 30, 2012, four employees and four retirees were participating in these plans and the City's required contribution of \$202,397 was made.

**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, 2012 there were 148 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 the fiscal year ended June 30, 2012 the MEC was \$112. 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:

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

	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			Retirement under CALPERS			
Supplemental						
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	\$655 for single \$1,140 for two \$1,340 for family	\$695 for single \$1,202 for two party \$1,561 for family	\$675 for single \$1,165 for two \$1,535 for family	\$683 for single \$1,321 for two party \$1,761 for family
City Contribution Cap per Month (Basic) retirement after 12/31/2011	\$112	\$112	\$112	\$112	\$112	\$112

The City elected to establish an irrevocable trust to provide a funding mechanism for the postemployment benefits (OPEB) during fiscal year 2012. The activities of the Trust are accounted for in the Retiree Health Savings Plan Trust Fund.

***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, 2010 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 9.4% 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Funding Progress and Funded Status*

In accordance with the City's budget, the annual required contribution (ARC) to the Plan for fiscal year 2012 is based on pay-as-you-go financing, as the City did not begin to prefund benefits until mid-fiscal year 2012. Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. Contributions to the City's Trust began on December 6, 2011, thus these assets were excluded from the June 30, 2010 actuarial study. During the fiscal year ended June 30, 2012, the City contributed \$1,010,602 to the Plan, representing both pay-as-you-go premiums and contributions to the Trust. The City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC and contributions, as presented below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$5,560,610	\$598,957	11%	\$9,981,238
6/30/2011	1,558,000	821,648	53%	10,717,590
6/30/2012	1,626,000	1,010,602	62%	11,332,988

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

Annual required contribution (ARC)	\$1,622,000
Interest on net OPEB obligation	429,000
Adjustment to annual required contribution	<u>(425,000)</u>
Annual OPEB cost	1,626,000
Contributions made:	
Contributions made to OPEB Trust	(870,770)
City portion of current year premiums paid	<u>(139,832)</u>
Total contributions	<u>(1,010,602)</u>
Change in net OPEB obligation	615,398
Net OPEB Obligation at June 30, 2011	<u>10,717,590</u>
<b>Net OPEB Obligation at June 30, 2012</b>	<u><u>\$11,332,988</u></u>



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress 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]
6/30/2008	\$0	\$43,225,000	(\$43,225,000)	0.00%	\$24,936,000	-173%
6/30/2010	0	18,320,000	(18,320,000)	0.00%	26,368,000	-69%

**NOTE 12 - DEFERRED COMPENSATION PLAN**

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

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**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 (\$5,000)	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
Workers' Compensation (no deductible)	Statutory Limit

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

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

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

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 13 - RISK MANAGEMENT (Continued)**

**B. Liability for Uninsured Claims**

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

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

	Workers' Compensation Claims	General Liability Claims	Total
Balance June 30, 2010	\$1,571,267	\$1,480,976	\$3,052,243
Net change in:			
Liability for current fiscal year claims		49,647	49,647
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	139,053	9,204	148,257
Claims paid	(139,053)	(58,851)	(197,904)
Balance June 30, 2011	1,571,267	1,480,976	3,052,243
Net change in:			
Liability for current fiscal year claims		28,037	28,037
Liability for prior years' claims and claims incurred but not reported (IBNR)	89,781	127,955	217,736
Claims paid	(89,781)	(155,992)	(245,773)
Balance June 30, 2012	<u>\$1,571,267</u>	<u>\$1,480,976</u>	<u>\$3,052,243</u>
Claims liability, due within one year	<u>\$89,781</u>	<u>\$155,992</u>	<u>\$245,773</u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

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.

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 Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

**A. *Pass-Through Agreements***

The Redevelopment Agency Project Area #1 executed an Agreement in December 1986 with the County of San Joaquin, under which the Agency agreed to pass through to the County incremental tax revenues attributable to the County resulting from “inflationary adjustments” to the base year property valuations within Agency boundaries. In addition, the Agency passes through a portion of property tax increments in excess of \$250,000 annually. The Agreement limits the Redevelopment Agency Project Area #1 to a total of \$12,000,000 in cumulative incremental tax revenue collections attributable to the County.

The Redevelopment Agency Project Area #2 has property tax pass-through agreements executed December 1993 with the County of San Joaquin, San Joaquin County Superintendent of Schools, San Joaquin Delta Community College District, and Manteca Unified School District, the taxing agencies in existence when the Project Area was formed. Under these agreements, the Agency passes through to these taxing agencies a portion of the property tax increments it would otherwise have received.

These taxing agencies have questioned the County’s calculations used to determine the amount of Redevelopment Agency tax increment passed through to them from Area #1. The Agency and the County have reviewed prior year calculations to determine the Agency’s additional liability, if any. No further action has been taken by the taxing agencies.

The County retained the applicable property taxes and paid the pass-through obligations on behalf of the Agency during fiscal year 2012. With the dissolution of the Redevelopment Agency, as discussed in Note 16, pass-through obligations are paid by the County beginning February 1, 2012.

**B. *Public Facilities Implementation Plan***

The City of Manteca 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, 2012, the City had outstanding reimbursement commitments totaling \$13,472,905.

**C. *Government Building Facilities Fee***

Effective January 1, 2007 the City adjusted the rates associated with the Government Building Facilities Fee. Subsequently the rates were challenged. Settlement agreements have been reached with all but one of the litigants. The Court of Appeal ruled in favor of the City’s position in August 2009. One litigant continued to pursue legal action. A final settlement was entered by the Trial Court in April 2012 in favor of the City’s position, but at a reduced rate.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

**D. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding by fund as of June 30, 2012 were as follows: General Fund \$134,186, Development Mitigation Fund \$2,760, Public Facilities Implementation Plan Fund \$1,103 and NonMajor Governmental Funds \$507,120.

**E. Orchard Valley Shopping Center Parking Lease Agreement**

In fiscal 2007, the City entered into a lease agreement with the 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 2012, payments made to the developer under the agreement totaled \$298,843.

**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, 2012, the City had issued a bond in the amount of \$43,325,000; \$21,675,000 remained authorized but unissued.

At October 18, 2004, the City authorized the issuance of Subordinated Tax Allocation Bonds, Series 2004 in the amount of \$36,500,000 and Tax Allocation (Housing Set-Aside) Bonds, Series 2004 in the amount of \$5,650,000 to fund the costs of redevelopment improvements and certain related activities. As of June 30, 2012, the City had issued bonds in the amount of \$25,925,000 and \$5,310,000 respectively; \$10,575,000 and \$340,000 of these bonds remain 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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

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. In May 2012 and August 2012, the City approved the return of cash and investments totaling \$14,829,795 to the Successor Agency, which was recorded in the financial statements as of June 30, 2012. 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. The State Controller's Office has not yet completed its asset transfer review and the amount of assets, if any, to be returned is not determinable at this time.

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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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

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.

A summary of the Redevelopment Agency’s assets distributed to and liabilities assumed by the Successor Agency and Housing Successor as of January 31, 2012, reported as an Extraordinary Item, is presented below:

	Assets and Liabilities (Prior to transfer)	Transfer to Successor Agency	Transfer to Housing Successor	Other Adjustments	Ending Balance January 31, 2012
<b>ASSETS</b>					
Cash and investments	\$3,771,202	\$3,842,578	(\$71,376)		
Restricted cash and investments	14,010,749	11,381,517	2,629,232		
Notes receivable, net of allowance	25,735,280	1,825,477	23,909,803		
Advance to other fund	1,700,000	1,700,000			
Deferred outflow of resources	13,537,024	13,537,024			
Capital assets:					
Land	7,595,053	5,901,124	1,693,929		
Buildings, net of accumulated depreciation	3,051,742	3,051,742			
Total Assets	<u>69,401,050</u>	<u>41,239,462</u>	<u>28,161,588</u>		
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	69,761	69,761			
Deferred revenue	25,735,280		23,909,803	\$1,825,477 (A)	
Interest payable	905,889	905,889			
Derivative instrument	13,537,024	13,537,024			
Long-term debt:					
Due in one year	51,510,000	51,510,000			
Due in more than one year	73,505,000	73,505,000			
Total Liabilities	<u>165,262,954</u>	<u>139,527,674</u>	<u>23,909,803</u>	<u>1,825,477</u>	
<b>NET ASSETS (DEFICIT)</b>	<u>(\$95,861,904)</u>	<u>(\$98,288,212)</u>	<u>\$4,251,785</u>	<u>(\$1,825,477)</u>	

(A) The Successor Agency uses full-accrual accounting, therefore deferred revenue is eliminated

Below is a reconciliation of the net liabilities assumed by the Successor Agency with the Extraordinary Item reported on the Statement of Activities:

Net Liabilities Assumed by the Successor Agency	\$98,288,212
Cash transferred to the Successor Agency after January 31, 2012	(14,829,795)
Cash transferred from the Successor Agency to the Housing Successor after January 31, 2012, per the results of a Meet and Confer with the Department of Finance	<u>205,712</u>
Extraordinary Item Reported on the Statement of Activities	<u>\$83,664,129</u>

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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

**B. *Redevelopment and 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, 2012 are set forth below:

B.S. Family Partnership	\$1,433,357
AKF Development, LLC	54,080
Cabral Western Motors	338,040
City of Manteca	<u>1,700,000</u>
 Net long-term notes receivable	 <u><u>\$3,525,477</u></u>

During fiscal year 2010 the Agency approved an interfund advance of \$1,700,000 from the Redevelopment Debt Service Fund to the City's Development Services Special Revenue Fund to establish the fund. The loan does not bear interest and is repayable when funds become available. The balance of the loan at June 30, 2012 was \$1,700,000. With the dissolution of the Agency effective February 1, 2012, the above advance was transferred to the Successor Agency as discussed in Note 8E above.

**C. *Capital Assets***

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

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

Capital Asset Recorded June 30, Comprise:

	Transferred from Redevelopment Agency <u>February 1, 2012</u>	<u>Additions</u>	Balance at <u>June 30, 2012</u>
Capital assets not being depreciated:			
Land	<u>\$5,901,124</u>	<u>                    </u>	<u>\$5,901,124</u>
Capital assets being depreciated:			
Buildings and improvements	3,788,211		3,788,211
Less accumulated depreciation	<u>(736,469)</u>	<u>(\$53,921)</u>	<u>(790,390)</u>
Net capital assets being depreciated	<u>3,051,742</u>	<u>(53,921)</u>	<u>2,997,821</u>
Governmental activity capital assets, net	<u><u>\$8,952,866</u></u>	<u><u>(\$53,921)</u></u>	<u><u>\$8,898,945</u></u>



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**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:

	Transferred from Redevelopment Agency February 1, 2012	Balance June 30, 2012	Current Portion
<b>Redevelopment Agency Tax Allocation Bonds -</b>			
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$25,505,000	\$25,505,000	\$670,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	23,220,000	23,220,000	735,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	4,845,000	4,845,000	125,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	49,560,000	49,560,000	49,560,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	21,885,000	21,885,000	420,000
<b>Total Successor Agency Debt</b>	<u>\$125,015,000</u>	<u>\$125,015,000</u>	<u>\$51,510,000</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 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, 2012**

**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.

The Agency has pledged all future tax increment revenues, required to be set aside in the Low Income Housing Fund for the repayment of the 2004 Housing Set-Aside Tax Allocation Bonds and a portion of the 2002 Subordinated Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues ends upon repayment of \$9,838,140 remaining debt service on the Bonds, which is scheduled to occur in 2035. Projected housing set-aside tax increment revenues are expected to provide coverage over debt service of 100% over the life of the Bonds.

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 16D3 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, 2013. The Agency is required to pay Street Bank and Trust Company an annual Letter of Credit Fee equal to 1.75% of the outstanding principal amount 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.

Although the Agency anticipates renewing the letter of credit prior to its expiration on May 13, 2013, the 2005 Subordinated Tax Allocation Bonds are subject to mandatory tender for purchase upon termination or expiration of the letter of credit, therefore the entire outstanding principal balance of these Bonds has been reported as due in one year.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
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**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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 a 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.

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set-aside in the Low Income Housing Fund, 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 \$202,408,258 on 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. Using both property taxes received by the Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution, total collections were \$11,953,924 which represented coverage of 161% of the \$7,391,117 of debt service.

**3. Interest Rate Swap Agreement Derivative Instrument**

The 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 3.333%. 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, 2012, are included below. The Agency's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Credit Ratings (Moody's/S&P)	Issuer Pays	Issuer Receives	Maturity/ Termination Date
Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005	\$49,560,000	12/13/2005	Piper Jaffray Financial Products Inc, with credit guarantee by Morgan Stanley	A2/A+	3.636%	63% of one month LIBOR plus 30 basis points	10/1/2042

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
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**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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.

*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, 2012, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$14,133,160), a decrease of \$7,641,997 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 City has accounted for the change in fair value of the swap as a deferred outflow.

*Credit risk.* As of June 30, 2012, the Agency was not exposed to credit risk on its outstanding swap because the swap had a positive 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 A2/A+ 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, 2012**

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

*Swap payments and associated debt.* Using rates as of June 30, 2012, 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		
2013	\$49,560,000	\$74,340	\$1,560,141	\$51,194,481
2014			1,537,305	1,537,305
2015			1,513,729	1,513,729
2016			1,487,893	1,487,893
2017			1,448,353	1,448,353
2018-2022			6,579,164	6,579,164
2023-2027			5,398,364	5,398,364
2028-2032			4,404,271	4,404,271
2033-2037			3,519,012	3,519,012
2038-2042			1,658,932	1,658,932
2043			23,365	23,365
<b>Totals</b>	<b>\$49,560,000</b>	<b>\$74,340</b>	<b>\$29,130,529</b>	<b>\$78,764,869</b>

**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	Governmental Activities	
	Principal	Interest
2013	\$51,510,000	\$5,179,087
2014	2,025,000	4,993,812
2015	2,130,000	4,874,952
2016	2,170,000	4,753,376
2017	1,780,000	4,623,105
2018-2022	10,010,000	21,083,921
2023-2027	9,950,000	17,576,626
2028-2032	18,965,000	13,161,393
2033-2037	21,445,000	7,276,301
2038-2042	4,075,000	2,352,045
2043	955,000	44,853
<b>Total</b>	<b>\$125,015,000</b>	<b>\$85,919,471</b>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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

**F. 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 will be conducting 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 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 17 – SUBSEQUENT EVENTS**

**2012 Water Revenue Refunding 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 City's outstanding 2003A Manteca Financing Authority Water Revenue Bonds. 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.

**2012 Sewer Revenue Refunding Bonds**

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 City's outstanding 2003A and 2003B Manteca Financing Authority Sewer Revenue Bonds. 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.

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<b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b>
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**REDEVELOPMENT DEBT SERVICE FUND**

Established to accumulate funds for payment of Tax Increment Bonds and other Redevelopment debts. Debt service is primarily financed via property tax increment revenues.

**REDEVELOPMENT CAPITAL IMPROVEMENT FUND**

Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the tax-exempt proceeds from the issuance of long-term debt.

**REDEVELOPMENT ECONOMIC DEVELOPMENT FUND**

Established to account for the financing and construction activities in the redevelopment project areas of Manteca as financed by the Manteca Redevelopment Agency. This fund accounts for those activities funded with the taxable proceeds from the issuance of long-term debt, and excess tax increment revenue.

**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

**SPECIAL APPORTIONMENT STREETS FUND**

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  
REDEVELOPMENT DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE PERIOD JULY 1, 2011 TO JANUARY 31, 2012

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$12,791,500	\$7,964,989	(\$4,826,511)
Use of money and property	335,000	202,128	(132,872)
Total Revenues	13,126,500	8,167,117	(4,959,383)
<b>EXPENDITURES</b>			
Current:			
Community development	1,804,965	976,738	828,227
Nondepartmental	365,000		365,000
Debt service:			
Principal	2,383,920	2,383,920	
Interest and fiscal charges	6,318,655	3,098,542	3,220,113
Total Expenditures	10,872,540	6,459,200	4,413,340
<b>NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM</b>	<b>2,253,960</b>	<b>1,707,917</b>	<b>(546,043)</b>
<b>EXTRAORDINARY ITEM</b>			
Assets transferred to/liabilities assumed by Successor Agency		(17,500,707)	(17,500,707)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$2,253,960</b>	<b>(15,792,790)</b>	<b>(\$18,046,750)</b>
<b>BEGINNING FUND BALANCE</b>		<b>15,792,790</b>	
<b>ENDING FUND BALANCE</b>			

CITY OF MANTECA  
REDEVELOPMENT CAPITAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE PERIOD JULY 1, 2011 TO JANUARY 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	<u>\$1,500</u>	<u>\$2,673</u>	<u>\$1,173</u>
Total Revenues	<u>1,500</u>	<u>2,673</u>	<u>1,173</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>1,715,846</u>	<u>143,344</u>	<u>1,572,502</u>
Total Expenditures	<u>1,715,846</u>	<u>143,344</u>	<u>1,572,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,714,346)</u>	<u>(140,671)</u>	<u>1,573,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)		<u>(1,542,577)</u>	<u>(1,542,577)</u>
Total Other Financing Sources (Uses)		<u>(1,542,577)</u>	<u>(1,542,577)</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	<u>(1,714,346)</u>	<u>(1,683,248)</u>	<u>\$31,098</u>
<b>EXTRAORDINARY ITEM</b>			
Assets transferred to/liabilities assumed by Successor Agency		<u>1,487,829</u>	<u>1,487,829</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,714,346)</u>	<u>(195,419)</u>	<u>\$1,518,927</u>
BEGINNING FUND BALANCE		<u>195,419</u>	
ENDING FUND BALANCE		<u><u>195,419</u></u>	

CITY OF MANTECA  
REDEVELOPMENT ECONOMIC DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE PERIOD JULY 1, 2011 TO JANUARY 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	<u>\$450</u>	<u>\$459</u>	<u>\$9</u>
Total Revenues	<u>450</u>	<u>459</u>	<u>9</u>
<b>EXPENDITURES</b>			
Current:			
Community development	90,670	97,686	(7,016)
Capital outlay	<u>752,595</u>	<u>                    </u>	<u>752,595</u>
Total Expenditures	<u>843,265</u>	<u>97,686</u>	<u>745,579</u>
<b>NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM</b>	<u>(842,815)</u>	<u>(97,227)</u>	<u>\$745,588</u>
<b>EXTRAORDINARY ITEM</b>			
Assets transferred to/liabilities assumed by Successor Agency	<u>                    </u>	<u>49,164</u>	<u>49,164</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$842,815)</u></u>	<u>(48,063)</u>	<u><u>\$794,752</u></u>
<b>BEGINNING FUND BALANCE</b>		<u>48,063</u>	
<b>ENDING FUND BALANCE</b>		<u><u>                    </u></u>	

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	\$184,000	\$479,715	\$295,715
Charges for current services	867,500	1,008,462	140,962
Other revenue		2,831	2,831
	<u>1,051,500</u>	<u>1,491,008</u>	<u>439,508</u>
<b>EXPENDITURES</b>			
Current:			
Public works	669,970	216,327	453,643
Capital outlay	8,492,975	3,854,889	4,638,086
Debt service:			
Interest and fiscal charges		86,667	(86,667)
	<u>9,162,945</u>	<u>4,157,883</u>	<u>5,005,062</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$8,111,445)</u></u>	<u><u>(2,666,875)</u></u>	<u><u>\$5,444,570</u></u>
<b>BEGINNING FUND BALANCE</b>		<u>28,722,714</u>	
<b>ENDING FUND BALANCE</b>		<u><u>\$26,055,839</u></u>	

CITY OF MANTECA  
SPECIAL APPORTIONMENT STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Use of money and property	\$30,500	\$242,648	\$212,148
Revenue from other agencies	3,778,235	3,640,307	(137,928)
Other revenue		21,165	21,165
	<u>3,808,735</u>	<u>3,904,120</u>	<u>95,385</u>
<b>EXPENDITURES</b>			
Current:			
Streets and highways	1,092,470	774,227	318,243
Capital outlay	69,985,120	2,416,735	67,568,385
Debt service:			
Principal	51,735	51,731	4
Interest and fiscal charges	6,460	6,456	4
	<u>71,135,785</u>	<u>3,249,149</u>	<u>67,886,636</u>
<b>NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM</b>	<u>(67,327,050)</u>	<u>654,971</u>	<u>67,982,021</u>
<b>EXTRAORDINARY ITEM</b>			
Assets transferred to/liabilities assumed by Successor Agency		(14,829,795)	(14,829,795)
		<u>(14,829,795)</u>	<u>(14,829,795)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$67,327,050)</u>	<u>(14,174,824)</u>	<u>\$53,152,226</u>
<b>BEGINNING FUND BALANCE</b>		<u>61,892,109</u>	
<b>ENDING FUND BALANCE</b>		<u>\$47,717,285</u>	

<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**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.

**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.

**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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**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 fifteen approved districts.

**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.

**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.

**DEVELOPMENT SERVICES**

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

**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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**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.

**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.

**COMMUNITY FACILITIES DISTRICT FUND**

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



CITY OF MANTECA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
<b>ASSETS</b>					
Cash and investments		\$1,486	\$119,118	\$345,835	\$360,849
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$84,695	140,393	25,000	1,899,437	19,294
Taxes receivable				105	
Interest receivable			35		
Due from other funds					
Advances to other funds					
Prepaid items					
Total Assets	\$84,695	\$141,879	\$144,153	\$2,245,377	\$380,143
<b>LIABILITIES</b>					
Accounts payable	\$26,887		\$13,307	\$242,777	\$12,875
Contracts payable					
Refundable deposits					99,349
Due to other funds	57,808	\$141,879			
Deferred revenue				1,689,464	
Total Liabilities	84,695	141,879	13,307	1,932,241	112,224
<b>Net Assets</b>					
Fund balance:					
Nonspendable					
Restricted			130,846	313,136	
Committed					267,919
Total Fund Balances (Deficit)			130,846	313,136	267,919
Total Liabilities and Fund Balances	\$84,695	\$141,879	\$144,153	\$2,245,377	\$380,143

SPECIAL REVENUE FUNDS						CAPITAL IMPROVEMENT FUNDS	
Street Improvements	Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Sales Tax	Public Safety Endowment Fee	Development Services	State Gasoline Tax	Regional Transportation Impact Fees
\$64,677	\$785,950 43,398	\$1,375,870	\$3,522,011	\$7,679,172	\$801,618	\$1,937,632	\$7,493,928
	28,737		171,200		24,886	10,510	347,797
	1,396		7,677	15,843 141,879	663	977	9,352
<u>\$64,677</u>	<u>\$859,481</u>	<u>\$1,375,870</u>	<u>\$3,700,888</u>	<u>\$7,836,894</u>	<u>\$827,167</u>	<u>\$1,949,119</u>	<u>\$7,851,077</u>
\$4	\$106	\$125,745	\$996	\$1,187	\$18,420	\$48,627	\$107,807
	28,737						347,797
<u>4</u>	<u>28,843</u>	<u>125,745</u>	<u>996</u>	<u>1,187</u>	<u>18,420</u>	<u>48,627</u>	<u>455,604</u>
64,673	830,638	1,250,125	3,699,892	7,835,707	808,747	1,900,492	7,395,473
<u>64,673</u>	<u>830,638</u>	<u>1,250,125</u>	<u>3,699,892</u>	<u>7,835,707</u>	<u>808,747</u>	<u>1,900,492</u>	<u>7,395,473</u>
<u>\$64,677</u>	<u>\$859,481</u>	<u>\$1,375,870</u>	<u>\$3,700,888</u>	<u>\$7,836,894</u>	<u>\$827,167</u>	<u>\$1,949,119</u>	<u>\$7,851,077</u>

(Continued)

CITY OF MANTECA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

<u>CAPITAL IMPROVEMENT FUNDS</u>					
	<u>Measure K</u>	<u>Parks</u>	<u>Government Building Facilities</u>	<u>Community Facilities District</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$4,109,999	\$4,272,040	\$3,664,126	\$71,010	\$36,605,321
Restricted cash and investments			1,135,692		1,179,090
Accounts receivables (net of allowance for estimated uncollectible accounts)	470,543		313,237		3,364,529
Taxes receivable					171,305
Interest receivable	1,989	6,526	8,829		53,287
Due from other funds					141,879
Advances to other funds		28,000			28,000
Prepaid items			121,865		121,865
Total Assets	<u>\$4,582,531</u>	<u>\$4,306,566</u>	<u>\$5,243,749</u>	<u>\$71,010</u>	<u>\$41,665,276</u>
<b>LIABILITIES</b>					
Accounts payable	\$666	\$486,267	\$703,893		\$1,789,564
Contracts payable		2,219			2,219
Refundable deposits			313,237		789,120
Due to other funds					199,687
Deferred revenue					1,689,464
Total Liabilities	<u>666</u>	<u>488,486</u>	<u>1,017,130</u>		<u>4,470,054</u>
<b>Fund Balance</b>					
Fund balance:					
Nonspendable			121,865		121,865
Restricted	4,581,865	3,818,080	4,104,754	\$71,010	36,805,438
Committed					267,919
Total Fund Balances (Deficit)	<u>4,581,865</u>	<u>3,818,080</u>	<u>4,226,619</u>	<u>71,010</u>	<u>37,195,222</u>
Total Liabilities and Fund Balances	<u>\$4,582,531</u>	<u>\$4,306,566</u>	<u>\$5,243,749</u>	<u>\$71,010</u>	<u>\$41,665,276</u>

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CITY OF MANTECA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
<b>REVENUES</b>					
Sales tax					
Licenses and permits					
Use of money and property			\$167	\$775	
Revenue from other agencies	\$528,604	\$619,175	100,000	1,782,541	
Charges for current services				62,029	\$818,686
Other revenue					12,847
<b>Total Revenues</b>	<b>528,604</b>	<b>619,175</b>	<b>100,167</b>	<b>1,845,345</b>	<b>831,533</b>
<b>EXPENDITURES</b>					
Current:					
General government					
Community development	137,079				
Public safety		678,471			
Public works				839,137	
Parks and recreation	7,081				947,582
Streets and highways					
Capital outlay	384,444	1,550	51,191	1,054,826	
Debt service:					
Principal					
Interest and fiscal charges					
<b>Total Expenditures</b>	<b>528,604</b>	<b>680,021</b>	<b>51,191</b>	<b>1,893,963</b>	<b>947,582</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<b>(60,846)</b>	<b>48,976</b>	<b>(48,618)</b>	<b>(116,049)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		60,846			
<b>Total Other Financing Sources (Uses)</b>		<b>60,846</b>			
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS</b>			<b>48,976</b>	<b>(48,618)</b>	<b>(116,049)</b>
<b>EXTRAORDINARY ITEM</b>					
Assets transferred to/liabilities assumed by Successor Agency					
<b>NET CHANGE IN FUND BALANCES</b>			<b>48,976</b>	<b>(48,618)</b>	<b>(116,049)</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>			<b>81,870</b>	<b>361,754</b>	<b>383,968</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>			<b>\$130,846</b>	<b>\$313,136</b>	<b>\$267,919</b>

SPECIAL REVENUE FUNDS						CAPITAL IMPROVEMENT FUNDS	
Street Improvements	Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Sales Tax	Public Safety Endowment Fee	Development Services	State Gasoline Tax	Regional Transportation Impact Fees
			\$4,208,615		\$1,042,251		
\$310	\$9,880	\$13,644	56,607	\$114,153	4,678	\$6,773	\$78,511
	109,399	923,541	18,630		24,886	1,924,230	
14,807	5,149				1,109,679		642,121
					1,715	10,872	
15,117	124,428	937,185	4,283,852	114,153	2,183,209	1,941,875	720,632
					2,094,377		
			4,574,748	401,045			
		820,895				1,221,498	
	370,173						73,367
	210,984						
	46,183						
	627,340	820,895	4,574,748	401,045	2,094,377	1,221,498	73,367
15,117	(502,912)	116,290	(290,896)	(286,892)	88,832	720,377	647,265
15,117	(502,912)	116,290	(290,896)	(286,892)	88,832	720,377	647,265
					1,700,000		
15,117	(502,912)	116,290	(290,896)	(286,892)	1,788,832	720,377	647,265
49,556	1,333,550	1,133,835	3,990,788	8,122,599	(980,085)	1,180,115	6,748,208
\$64,673	\$830,638	\$1,250,125	\$3,699,892	\$7,835,707	\$808,747	\$1,900,492	\$7,395,473

(Continued)

CITY OF MANTECA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL IMPROVEMENT FUNDS				Total Nonmajor Governmental Funds
	Measure K	Parks	Government Building Facilities	Community Facilities District	
<b>REVENUES</b>					
Sales tax					\$4,208,615
Licenses and permits			\$1,274,807		2,317,058
Use of money and property	\$13,871	\$302,772	67,351	\$859	670,351
Revenue from other agencies	871,708	751,229			6,621,003
Charges for current services					3,665,455
Other revenue	11,965		1,074		58,429
<b>Total Revenues</b>	<b>897,544</b>	<b>1,054,001</b>	<b>1,343,232</b>	<b>859</b>	<b>17,540,911</b>
<b>EXPENDITURES</b>					
Current:					
General government					2,231,456
Community development					5,654,264
Public safety					851,579
Public works			12,442		1,999,643
Parks and recreation		224,085			1,221,498
Streets and highways					7,742,093
Capital outlay	120,154	1,054,565	4,631,823		364,529
Debt service:					70,629
Principal			153,545		
Interest and fiscal charges			24,446		
<b>Total Expenditures</b>	<b>120,154</b>	<b>1,278,650</b>	<b>4,822,256</b>		<b>20,135,691</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>777,390</b>	<b>(224,649)</b>	<b>(3,479,024)</b>	<b>859</b>	<b>(2,594,780)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in			1,542,577		1,603,423
<b>Total Other Financing Sources (Uses)</b>			<b>1,542,577</b>		<b>1,603,423</b>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS</b>	<b>777,390</b>	<b>(224,649)</b>	<b>(1,936,447)</b>	<b>859</b>	<b>(991,357)</b>
<b>EXTRAORDINARY ITEM</b>					
Assets transferred to/liabilities assumed by Successor Agency					1,700,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>777,390</b>	<b>(224,649)</b>	<b>(1,936,447)</b>	<b>859</b>	<b>708,643</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>3,804,475</b>	<b>4,042,729</b>	<b>6,163,066</b>	<b>70,151</b>	<b>36,486,579</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$4,581,865</b>	<b>\$3,818,080</b>	<b>\$4,226,619</b>	<b>\$71,010</b>	<b>\$37,195,222</b>

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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, 2012

	COMMUNITY DEVELOPMENT BLOCK GRANT			POLICE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property						
Revenue from other agencies	\$1,028,430	\$528,604	(\$499,826)	\$696,190	\$619,175	(\$77,015)
Charges for current services						
Other revenue						
<b>Total Revenues</b>	<u>1,028,430</u>	<u>528,604</u>	<u>(499,826)</u>	<u>696,190</u>	<u>619,175</u>	<u>(77,015)</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Community development	199,967	137,079	62,888			
Public safety				708,100	678,471	29,629
Public works						
Parks and recreation	7,123	7,081	42			
Streets and highways						
Capital outlay	821,340	384,444	436,896	43,802	1,550	42,252
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>1,028,430</u>	<u>528,604</u>	<u>499,826</u>	<u>751,902</u>	<u>680,021</u>	<u>71,881</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				<u>(55,712)</u>	<u>(60,846)</u>	<u>(5,134)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				46,525	60,846	14,321
<b>Total Other Financing Sources (Uses)</b>				<u>46,525</u>	<u>60,846</u>	<u>14,321</u>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM</b>				<u>(9,187)</u>		<u>9,187</u>
<b>EXTRAORDINARY ITEM</b>						
Assets transferred to/liabilities assumed by Successor Agency						
<b>NET CHANGE IN FUND BALANCES</b>				<u>(\$9,187)</u>		<u>\$9,187</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>						
<b>ENDING FUND BALANCES (DEFICITS)</b>						

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			FEDERAL TRANSIT MANAGEMENT			RECREATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$167 100,000	\$167	\$4,388,703 48,450	\$775 1,782,541 62,029	\$775 (2,606,162) 13,579	\$766,350 10,000	\$818,686 12,847	\$52,336 2,847
<u>100,000</u>	<u>100,167</u>	<u>167</u>	<u>4,437,153</u>	<u>1,845,345</u>	<u>(2,591,808)</u>	<u>776,350</u>	<u>831,533</u>	<u>55,183</u>
			1,040,109	839,137	200,972			
\$181,865	51,191	130,674	7,849,407	1,054,826	6,794,581	1,003,405	947,582	55,823
<u>181,865</u>	<u>51,191</u>	<u>130,674</u>	<u>8,889,516</u>	<u>1,893,963</u>	<u>6,995,553</u>	<u>1,003,405</u>	<u>947,582</u>	<u>55,823</u>
<u>(81,865)</u>	<u>48,976</u>	<u>130,841</u>	<u>(4,452,363)</u>	<u>(48,618)</u>	<u>4,403,745</u>	<u>(227,055)</u>	<u>(116,049)</u>	<u>111,006</u>
(81,865)	48,976	130,841	(4,452,363)	(48,618)	4,403,745	(227,055)	(116,049)	111,006
<u>(81,865)</u>	<u>48,976</u>	<u>\$130,841</u>	<u>(\$4,452,363)</u>	<u>(48,618)</u>	<u>\$4,403,745</u>	<u>(\$227,055)</u>	<u>(116,049)</u>	<u>\$111,006</u>
	<u>81,870</u>			<u>361,754</u>			<u>383,968</u>	
	<u>\$130,846</u>			<u>\$313,136</u>			<u>\$267,919</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, 2012

	MAJOR EQUIPMENT PURCHASE FEE			LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property	\$7,350	\$9,880	\$2,530	\$12,900	\$13,644	\$744
Revenue from other agencies						
Charges for current services	105,000	109,399	4,399	988,090	923,541	(64,549)
Other revenue		5,149	5,149			
<b>Total Revenues</b>	<u>112,350</u>	<u>124,428</u>	<u>12,078</u>	<u>1,000,990</u>	<u>937,185</u>	<u>(63,805)</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation				1,076,526	820,895	255,631
Streets and highways						
Capital outlay	415,880	370,173	45,707			
Debt service:						
Principal	210,985	210,984	1			
Interest and fiscal charges	46,185	46,183	2			
<b>Total Expenditures</b>	<u>673,050</u>	<u>627,340</u>	<u>45,710</u>	<u>1,076,526</u>	<u>820,895</u>	<u>255,631</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(560,700)</u>	<u>(502,912)</u>	<u>57,788</u>	<u>(75,536)</u>	<u>116,290</u>	<u>191,826</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM</b>	<u>(560,700)</u>	<u>(502,912)</u>	<u>57,788</u>	<u>(75,536)</u>	<u>116,290</u>	<u>191,826</u>
<b>EXTRAORDINARY ITEM</b>						
Assets transferred to/liabilities assumed by Successor Agency						
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$560,700)</u></u>	<u><u>(502,912)</u></u>	<u><u>\$57,788</u></u>	<u><u>(\$75,536)</u></u>	<u><u>116,290</u></u>	<u><u>\$191,826</u></u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>1,333,550</u>			<u>1,133,835</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u><u>\$830,638</u></u>			<u><u>\$1,250,125</u></u>	

PUBLIC SAFETY SALES TAX			PUBLIC SAFETY ENDOWMENT FEE			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,149,000	\$4,208,615	\$59,615				\$1,100,000	\$1,042,251	(\$57,749)
45,800	56,607	10,807	\$92,400	\$114,153	\$21,753	5,500	4,678	(822)
18,630	18,630					200,000	24,886	(175,114)
						1,049,730	1,109,679	59,949
							1,715	1,715
<u>4,213,430</u>	<u>4,283,852</u>	<u>70,422</u>	<u>92,400</u>	<u>114,153</u>	<u>21,753</u>	<u>2,355,230</u>	<u>2,183,209</u>	<u>(172,021)</u>
4,582,330	4,574,748	7,582	402,520	401,045	1,475	2,449,285	2,094,377	354,908
<u>4,582,330</u>	<u>4,574,748</u>	<u>7,582</u>	<u>402,520</u>	<u>401,045</u>	<u>1,475</u>	<u>2,449,285</u>	<u>2,094,377</u>	<u>354,908</u>
<u>(368,900)</u>	<u>(290,896)</u>	<u>78,004</u>	<u>(310,120)</u>	<u>(286,892)</u>	<u>23,228</u>	<u>(94,055)</u>	<u>88,832</u>	<u>182,887</u>
<u>(368,900)</u>	<u>(290,896)</u>	<u>78,004</u>	<u>(310,120)</u>	<u>(286,892)</u>	<u>23,228</u>	<u>(94,055)</u>	<u>88,832</u>	<u>182,887</u>
							<u>1,700,000</u>	<u>1,700,000</u>
<u>(\$368,900)</u>	<u>(290,896)</u>	<u>\$78,004</u>	<u>(\$310,120)</u>	<u>(286,892)</u>	<u>\$23,228</u>	<u>(\$94,055)</u>	<u>1,788,832</u>	<u>\$1,882,887</u>
	<u>3,990,788</u>			<u>8,122,599</u>			<u>(980,085)</u>	
	<u>\$3,699,892</u>			<u>\$7,835,707</u>			<u>\$808,747</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, 2012

	<u>STATE GASOLINE TAX</u>			<u>REGIONAL TRANSPORTATION IMPACT FEES</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property	\$4,500	\$6,773	\$2,273	\$55,500	\$78,511	\$23,011
Revenue from other agencies	1,768,000	1,924,230	156,230			
Charges for current services				610,000	642,121	32,121
Other revenue		<u>10,872</u>	<u>10,872</u>			
Total Revenues	<u>1,772,500</u>	<u>1,941,875</u>	<u>169,375</u>	<u>665,500</u>	<u>720,632</u>	<u>55,132</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation						
Streets and highways	1,310,581	1,221,498	89,083	15,000		15,000
Capital outlay				719,895	73,367	646,528
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,310,581</u>	<u>1,221,498</u>	<u>89,083</u>	<u>734,895</u>	<u>73,367</u>	<u>661,528</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>461,919</u>	<u>720,377</u>	<u>258,458</u>	<u>(69,395)</u>	<u>647,265</u>	<u>716,660</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Total Other Financing Sources (Uses)						
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM</b>	461,919	720,377	258,458	(69,395)	647,265	716,660
<b>EXTRAORDINARY ITEM</b>						
Assets transferred to/liabilities assumed by Successor Agency						
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$461,919</u>	<u>720,377</u>	<u>\$258,458</u>	<u>(\$69,395)</u>	<u>647,265</u>	<u>\$716,660</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>1,180,115</u>			<u>6,748,208</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>\$1,900,492</u>			<u>\$7,395,473</u>	

MEASURE K			PARKS			GOVERNMENT BUILDING FACILITIES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$9,200	\$13,871	\$4,671	\$292,330	\$302,772	\$10,442	\$1,428,000	\$1,274,807	(\$153,193)
870,000	871,708	1,708	754,000	751,229	(2,771)	46,000	67,351	21,351
	11,965	11,965				1,543,000	1,074	(1,541,926)
879,200	897,544	18,344	1,046,330	1,054,001	7,671	3,017,000	1,343,232	(1,673,768)
			712,905	224,085	488,820	9,875	12,442	(2,567)
2,678,425	120,154	2,558,271	2,710,100	1,054,565	1,655,535	8,265,055	4,631,823	3,633,232
						153,545	153,545	
						24,450	24,446	4
2,678,425	120,154	2,558,271	3,423,005	1,278,650	2,144,355	8,452,925	4,822,256	3,630,669
(1,799,225)	777,390	2,576,615	(2,376,675)	(224,649)	2,152,026	(5,435,925)	(3,479,024)	1,956,901
							1,542,577	1,542,577
							1,542,577	1,542,577
(1,799,225)	777,390	2,576,615	(2,376,675)	(224,649)	2,152,026	(5,435,925)	(1,936,447)	3,499,478
<u>(\$1,799,225)</u>	<u>777,390</u>	<u>2,576,615</u>	<u>(2,376,675)</u>	<u>(224,649)</u>	<u>\$2,152,026</u>	<u>(\$5,435,925)</u>	<u>(1,936,447)</u>	<u>\$3,499,478</u>
	<u>3,804,475</u>			<u>4,042,729</u>			<u>6,163,066</u>	
	<u>\$4,581,865</u>			<u>\$3,818,080</u>			<u>\$4,226,619</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, 2012

	COMMUNITY FACILITIES DISTRICT		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales tax			
Licenses and permits			
Use of money and property	\$1,200	\$859	(\$341)
Revenue from other agencies			
Charges for current services			
Other revenue			
Total Revenues	1,200	859	(341)
EXPENDITURES			
Current:			
General government			
Community development			
Public safety			
Public works			
Parks and recreation			
Streets and highways			
Capital outlay			
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,200	859	(341)
OTHER FINANCING SOURCES (USES)			
Transfers in			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	1,200	859	(341)
EXTRAORDINARY ITEM			
Assets transferred to/liabilities assumed by Successor Agency			
NET CHANGE IN FUND BALANCES	\$1,200	859	(\$341)
BEGINNING FUND BALANCES		70,151	
ENDING FUND BALANCES (DEFICITS)		\$71,010	

## **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 Assets.

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 ASSETS  
JUNE 30, 2012

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$777,915	\$1,208,494	\$9,819,494	\$7,072,764	\$18,878,667
Restricted cash and investments		48,962			48,962
Accounts receivable	20,051		3,355	38,639	62,045
Interest receivable	1,501	593	15,634	10,399	28,127
Prepaid items			75,087		75,087
Employee notes receivable			103,853		103,853
<b>Total Current Assets</b>	<b>799,467</b>	<b>1,258,049</b>	<b>10,017,423</b>	<b>7,121,802</b>	<b>19,196,741</b>
Capital assets not being depreciated		153,562			153,562
Capital assets (net of accumulated depreciation)	316,880	804,183			1,121,063
<b>Total Non-Current Assets</b>	<b>316,880</b>	<b>957,745</b>			<b>1,274,625</b>
<b>Total Assets</b>	<b>1,116,347</b>	<b>2,215,794</b>	<b>10,017,423</b>	<b>7,121,802</b>	<b>20,471,366</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	114	66,066	17,181	16,397	99,758
Accrued liabilities		424	2,002,352		2,002,776
Compensated absences			113,253		113,253
Estimated claims liability				245,773	245,773
Capital lease obligations		96,685			96,685
<b>Total Current Liabilities</b>	<b>114</b>	<b>163,175</b>	<b>2,132,786</b>	<b>262,170</b>	<b>2,558,245</b>
Long-term Liabilities:					
Compensated absences			4,105,008		4,105,008
Estimated claims liability				2,806,470	2,806,470
Capital lease obligations		83,642			83,642
OPEB liability				100,563	100,563
<b>Total Long-Term Liabilities</b>		<b>83,642</b>	<b>4,105,008</b>	<b>2,907,033</b>	<b>7,095,683</b>
<b>Total Liabilities</b>	<b>114</b>	<b>246,817</b>	<b>6,237,794</b>	<b>3,169,203</b>	<b>9,653,928</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	316,880	826,380			1,143,260
Unrestricted	799,353	1,142,597	3,779,629	3,952,599	9,674,178
<b>Total Net Assets</b>	<b>\$1,116,233</b>	<b>\$1,968,977</b>	<b>\$3,779,629</b>	<b>\$3,952,599</b>	<b>\$10,817,438</b>

CITY OF MANTECA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>OPERATING REVENUES</b>					
Charges for services		\$1,837,690	\$445,808		\$2,283,498
Insurance premium contribution from other funds				\$1,854,978	1,854,978
Miscellaneous	\$1,445	11,811	41,404	36,590	91,250
<b>Total Operating Revenues</b>	<b>1,445</b>	<b>1,849,501</b>	<b>487,212</b>	<b>1,891,568</b>	<b>4,229,726</b>
<b>OPERATING EXPENSES</b>					
Personnel services		664,573	887,383	345,543	1,897,499
Contractual services		86,221	52,094	150,854	289,169
Supplies		25,359		5,422	30,781
Utilities		10,354		206	10,560
Repairs and maintenance		535,410			535,410
Vehicle maintenance and operations		980		2,809	3,789
Interdepartmental		1,950		9,850	11,800
Insurance		5,047		320,511	325,558
Claims				245,914	245,914
Depreciation	316,328	365,033			681,361
Miscellaneous		5,799		17,769	23,568
<b>Total Operating Expenses</b>	<b>316,328</b>	<b>1,700,726</b>	<b>939,477</b>	<b>1,098,878</b>	<b>4,055,409</b>
<b>Total Operating Income (Loss)</b>	<b>(314,883)</b>	<b>148,775</b>	<b>(452,265)</b>	<b>792,690</b>	<b>174,317</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	10,612	4,041	109,425	72,809	196,887
Gain (Loss) from sale of capital assets	7,042				7,042
Interest (expense)		(9,162)			(9,162)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>17,654</b>	<b>(5,121)</b>	<b>109,425</b>	<b>72,809</b>	<b>194,767</b>
<b>Income (Loss) Before Transfers</b>	<b>(297,229)</b>	<b>143,654</b>	<b>(342,840)</b>	<b>865,499</b>	<b>369,084</b>
Transfers in		21,500			21,500
<b>Change in Net Assets</b>	<b>(297,229)</b>	<b>165,154</b>	<b>(342,840)</b>	<b>865,499</b>	<b>390,584</b>
<b>BEGINNING NET ASSETS</b>	<b>1,413,462</b>	<b>1,803,823</b>	<b>4,122,469</b>	<b>3,087,100</b>	<b>10,426,854</b>
<b>ENDING NET ASSETS</b>	<b>\$1,116,233</b>	<b>\$1,968,977</b>	<b>\$3,779,629</b>	<b>\$3,952,599</b>	<b>\$10,817,438</b>

CITY OF MANTECA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$1,445	\$1,849,501	\$483,922	\$1,879,880	\$4,214,748
Payments to suppliers	(5)	(620,793)	(128,809)	(520,102)	(1,269,709)
Payments to employees		(664,791)	(744,200)	(330,086)	(1,739,077)
Internal activity - payments to other funds		(1,950)		(9,850)	(11,800)
Receipts on employee notes receivable			5,031		5,031
Claims paid				(245,914)	(245,914)
	<u>1,440</u>	<u>561,967</u>	<u>(384,056)</u>	<u>773,928</u>	<u>953,279</u>
Cash Flows from (used by) Operating Activities					
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts and payments, net		21,500			21,500
		<u>21,500</u>			<u>21,500</u>
Cash Flows from Noncapital Financing Activities					
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets		(244,206)			(244,206)
Proceeds from sale of capital assets	7,048				7,048
Payments on capital leases		(92,798)			(92,798)
Interest paid on capital lease obligations		(9,162)			(9,162)
	<u>7,048</u>	<u>(346,166)</u>			<u>(339,118)</u>
Cash Flows from (used by) Capital and Related Financing Activities					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest earnings	11,154	4,204	115,024	76,624	207,006
	<u>11,154</u>	<u>4,204</u>	<u>115,024</u>	<u>76,624</u>	<u>207,006</u>
Cash Flows from Investing Activities					
Net Cash Flows	19,642	241,505	(269,032)	850,552	842,667
Cash and investments at beginning of period	758,273	1,015,951	10,088,526	6,222,212	18,084,962
Cash and investments at end of period	<u>\$777,915</u>	<u>\$1,257,456</u>	<u>\$9,819,494</u>	<u>\$7,072,764</u>	<u>\$18,927,629</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	(\$314,883)	\$148,775	(\$452,265)	\$792,690	\$174,317
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	316,328	365,033			681,361
<b>Change in assets and liabilities:</b>					
Receivables, net			(3,290)	(11,688)	(14,978)
Prepaid items			(75,087)		(75,087)
Related party notes receivable			5,031		5,031
Accounts and other payables	(5)	48,377	(1,628)	(22,531)	24,213
Accrued liabilities		(218)	218,692		218,474
Compensated absences			(75,509)		(75,509)
OPEB liability				15,457	15,457
	<u>\$1,440</u>	<u>\$561,967</u>	<u>(\$384,056)</u>	<u>\$773,928</u>	<u>\$953,279</u>
Cash Flows from (used by) Operating Activities					
<b>NONCASH TRANSACTIONS</b>					
Retirement of capital assets, net	(\$6)				(\$6)

## AGENCY FUNDS

**Agency 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 Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The City's Agency fund accounts for funds received from the City of Lathrop for their share of the Wastewater Quality Control Facility Phase III expansion project.

CITY OF MANTECA  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

<u>AGENCY FUND</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Assets</u>				
Cash and investments	\$5,351			\$5,351
Total Assets	<u>\$5,351</u>			<u>\$5,351</u>
<u>Liabilities</u>				
Due to stakeholders	\$5,351			\$5,351
Total Liabilities	<u>\$5,351</u>			<u>\$5,351</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 well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances 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

### ***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

### ***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

<b>STATISTICAL SECTION (Continued)</b>
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***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

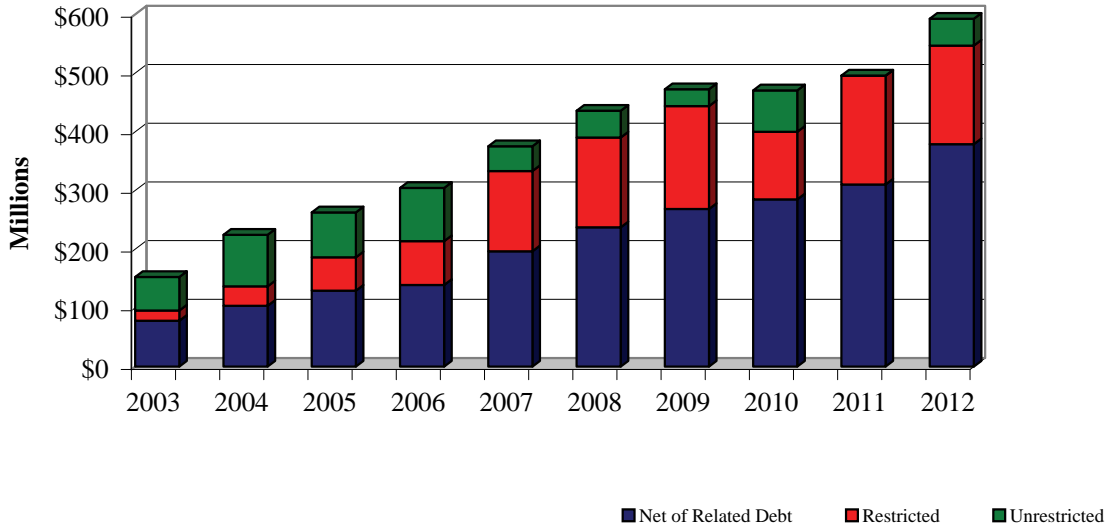
***Sources***

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 Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



	<b>June 30,</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$38,637,329	\$62,763,823	\$95,413,706	\$82,465,803	\$110,719,509
Restricted	17,049,578	33,103,490	26,535,767	53,336,395	128,104,351
Unrestricted	32,284,764	50,764,042	42,201,801	61,236,153	7,997,825
<b>Total governmental activities net assets</b>	<b>\$87,971,671</b>	<b>\$146,631,355</b>	<b>\$164,151,274</b>	<b>\$197,038,351</b>	<b>\$246,821,685</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$39,437,461	\$40,791,251	\$33,903,758	\$56,612,330	\$85,696,108
Restricted	430,025	0	30,266,406	21,251,239	8,576,196
Unrestricted	24,756,481	37,061,280	34,328,000	29,362,263	34,258,799
<b>Total business-type activities net assets</b>	<b>\$64,623,967</b>	<b>\$77,852,531</b>	<b>\$98,498,164</b>	<b>\$107,225,832</b>	<b>\$128,531,103</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$78,074,790	\$103,555,074	\$129,317,464	\$139,078,133	\$196,415,617
Restricted	17,479,603	33,103,490	56,802,173	74,587,634	136,680,547
Unrestricted	57,041,245	87,825,322	76,529,801	90,598,416	42,256,624
<b>Total primary government net assets</b>	<b>\$152,595,638</b>	<b>\$224,483,886</b>	<b>\$262,649,438</b>	<b>\$304,264,183</b>	<b>\$375,352,788</b>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$141,625,313	\$168,403,886	\$171,675,891	\$188,291,863	\$254,330,807
144,023,997	148,127,615	89,276,875	160,477,438	144,103,748
<u>3,984,025</u>	<u>(2,956,474)</u>	<u>44,968,093</u>	<u>(26,952,930)</u>	<u>14,672,681</u>
<u>\$289,633,335</u>	<u>\$313,575,027</u>	<u>\$305,920,859</u>	<u>\$321,816,371</u>	<u>\$413,107,236</u>
\$95,592,559	\$100,051,333	\$113,151,440	\$121,850,958	\$124,505,612
8,978,403	27,090,732	25,829,377	24,790,703	23,863,553
<u>41,637,560</u>	<u>31,750,565</u>	<u>25,569,316</u>	<u>27,306,196</u>	<u>31,093,579</u>
<u>\$146,208,522</u>	<u>\$158,892,630</u>	<u>\$164,550,133</u>	<u>\$173,947,857</u>	<u>\$179,462,744</u>
\$237,217,872	\$268,455,219	\$284,827,331	\$310,142,821	\$378,836,419
153,002,400	175,218,347	115,106,252	185,268,141	167,967,301
<u>45,621,585</u>	<u>28,794,091</u>	<u>70,537,409</u>	<u>353,266</u>	<u>45,766,260</u>
<u>\$435,841,857</u>	<u>\$472,467,657</u>	<u>\$470,470,992</u>	<u>\$495,764,228</u>	<u>\$592,569,980</u>

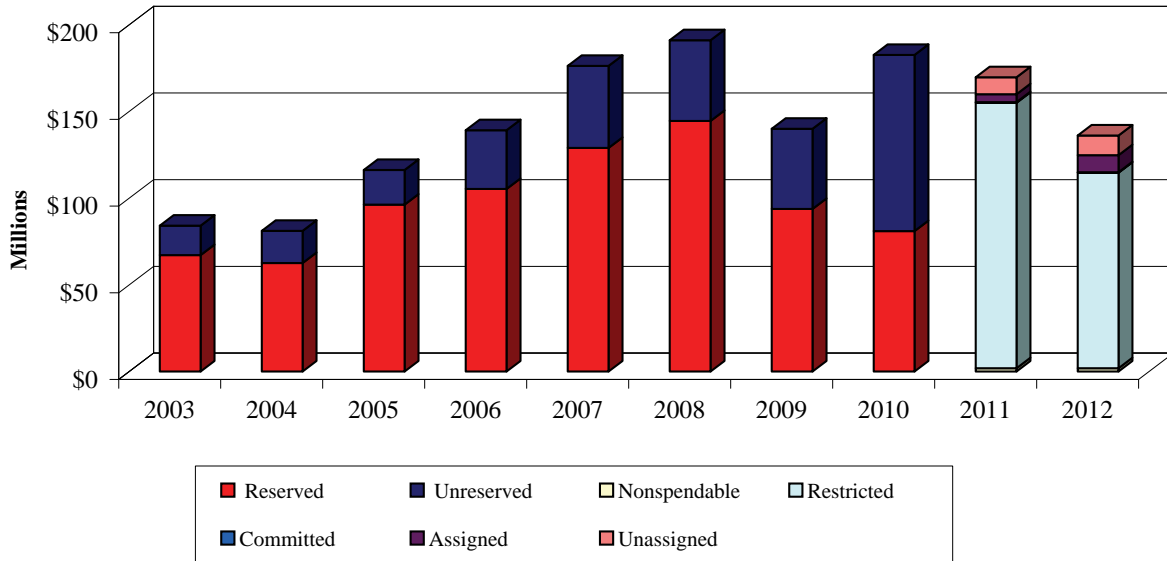
**CITY OF MANTECA**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>Fiscal Year Ended June 30,</b>					
	<b>2003(1)</b>	<b>2004(1)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General Government	\$2,133,713	\$2,185,084	\$2,689,034	\$3,101,277	\$3,534,631	\$5,520,665
Community Development	1,801,120	3,722,586	3,179,472	3,612,393	7,211,719	6,932,523
Public Safety	13,891,700	15,832,705	18,007,598	19,174,823	20,392,894	23,982,219
Library	158,933	148,312	149,066	136,299	152,824	157,466
Public Works	5,386,065	4,784,045	4,242,238	3,770,569	5,070,777	4,726,065
Parks and Recreation	3,401,318	3,829,457	4,181,382	4,670,081	5,824,783	7,260,986
Streets and Highways	1,890,231	4,378,143	4,168,396	4,527,550	3,894,616	4,843,101
Interest and Fiscal Charges	4,196,550	2,033,331	3,144,190	6,250,427	5,819,231	7,029,436
<b>Total Governmental Activities Expenses</b>	<b>32,859,630</b>	<b>36,913,663</b>	<b>39,761,376</b>	<b>45,243,419</b>	<b>51,901,475</b>	<b>60,452,461</b>
<b>Business-Type Activities:</b>						
Water	3,764,450	6,352,282	6,658,946	10,656,869	10,715,712	12,291,710
Sewer	5,096,641	7,708,958	8,890,124	10,430,995	10,536,235	10,511,796
Solid Waste	5,527,190	6,006,453	6,384,377	6,726,094	7,193,512	7,717,703
Golf	1,084,850	1,192,828	1,281,187	1,324,738	1,326,557	1,170,939
<b>Total Business-Type Activities Expenses</b>	<b>15,473,131</b>	<b>21,260,521</b>	<b>23,214,634</b>	<b>29,138,696</b>	<b>29,772,016</b>	<b>31,692,148</b>
<b>Total Primary Government Expenses</b>	<b>\$48,332,761</b>	<b>\$58,174,184</b>	<b>\$62,976,010</b>	<b>\$74,382,115</b>	<b>\$81,673,491</b>	<b>\$92,144,609</b>
<b>Program Revenues:</b>						
<b>Governmental Activities:</b>						
<b>Charges for Services:</b>						
General Government	\$2,822,236	\$3,526,429	\$3,333,396	\$3,548,649	\$5,795,799	\$3,865,283
Community Development	1,319,744	1,673,472	2,639,435	4,556,434	2,849,501	2,104,057
Public Safety	857,446	828,850	751,415	883,380	1,018,344	1,173,161
Public Works	894,990	873,018	49,776	42,398	15,984	
Parks and Recreation	878,278	935,325	1,082,800	1,041,600	922,124	1,590,320
Streets and Highways				164,000	340,938	164,000
Operating Grants and Contributions	4,190,854	3,650,927	4,016,078	3,971,741	4,331,741	7,075,977
Capital Grants and Contributions	21,221,765	14,379,009	9,626,053	16,587,571	28,202,450	30,997,048
<b>Total Government Activities Program Revenues</b>	<b>32,185,313</b>	<b>25,867,030</b>	<b>21,498,953</b>	<b>30,795,773</b>	<b>43,476,881</b>	<b>46,969,846</b>
<b>Business-Type Activities:</b>						
<b>Charges for Services:</b>						
Water	5,911,571	8,008,709	10,610,544	11,919,612	14,900,645	14,825,250
Wastewater	5,666,336	9,063,607	16,807,866	14,639,742	19,304,123	16,137,851
Solid Waste	5,864,931	6,152,162	6,665,600	7,166,076	7,769,529	7,996,902
Golf	1,186,845	1,191,270	1,149,984	1,140,547	1,170,209	1,198,976
Operating Grants and Contributions	37,539	33,112				
Capital Grants and Contributions	5,710,728	6,638,142	5,808,805	467,072	4,253,941	4,756,193
<b>Total Business-Type Activities Program Revenue</b>	<b>24,377,950</b>	<b>31,087,002</b>	<b>41,042,799</b>	<b>35,333,049</b>	<b>47,398,447</b>	<b>44,915,172</b>
<b>Total Primary Government Program Revenues</b>	<b>\$56,563,263</b>	<b>\$56,954,032</b>	<b>\$62,541,752</b>	<b>\$66,128,822</b>	<b>\$90,875,328</b>	<b>\$91,885,018</b>
<b>Net (Expense)/Revenue:</b>						
Governmental Activities	(\$674,317)	(\$1,046,633)	(\$18,262,423)	(\$14,447,646)	(\$8,424,594)	(\$13,482,615)
Business-Type Activities	8,904,819	9,826,481	17,828,165	6,194,353	17,626,431	13,223,024
<b>Total Primary Government Net Expense</b>	<b>\$8,230,502</b>	<b>(\$1,220,152)</b>	<b>(\$434,258)</b>	<b>(\$8,253,293)</b>	<b>\$9,201,837</b>	<b>(\$259,591)</b>
<b>General Revenues and Other</b>						
<b>Changes in Net Assets:</b>						
<b>Governmental Activities:</b>						
<b>Taxes:</b>						
Property Taxes	\$10,839,472	\$14,567,005	\$17,691,016	\$20,549,378	\$25,849,273	\$27,228,016
Sales Taxes	6,600,171	7,089,594	6,097,917	6,431,206	6,356,704	9,779,701
Other Taxes	111,556	1,623,270	3,602,415	3,812,202	4,112,928	3,940,114
Interest Earnings	2,887,761	235,849	1,471,001	1,961,103	4,369,508	7,243,110
<b>Intergovernmental:</b>						
Motor Vehicle In-Lieu	3,169,212	2,618,118	1,332,594	405,607	406,742	308,149
Grants	322,010	272,313	285,507	427,720	520,630	312,945
Other Revenue	695,167	3,176,261	4,597,246	1,002,262	2,833,230	3,745,107
Developer Contributions	2,709,626			12,949,245	13,782,813	3,737,123
Gain From Sale of Capital Assets						
Transfers, net						
Extraordinary item		(2,660,438)	33,780	(204,000)	(23,900)	
<b>Total Government Activities</b>	<b>27,334,975</b>	<b>26,921,972</b>	<b>35,111,476</b>	<b>47,334,723</b>	<b>58,207,928</b>	<b>56,294,265</b>
<b>Business-Type Activities:</b>						
Interest Earnings	992,641	741,645	1,812,237	2,030,279	3,292,440	4,079,798
Other Revenue			1,039,011	299,036	362,500	374,597
Gain From Sale of Capital Assets						
Developer Contributions	1,777,478					
Transfers, net		2,660,438	(33,780)	204,000	23,900	
<b>Total Business-Type Activities</b>	<b>2,770,119</b>	<b>3,402,083</b>	<b>2,817,468</b>	<b>2,533,315</b>	<b>3,678,840</b>	<b>4,454,395</b>
<b>Total Primary Government</b>	<b>\$30,105,094</b>	<b>\$30,324,055</b>	<b>\$37,928,944</b>	<b>\$49,868,038</b>	<b>\$61,886,768</b>	<b>\$60,748,660</b>
<b>Change in Net Assets:</b>						
Governmental Activities	\$26,660,658	\$15,875,339	\$16,849,053	\$32,887,077	\$49,783,334	\$42,811,650
Business-Type Activities	11,674,938	13,228,564	20,645,633	8,727,668	21,305,271	17,677,419
<b>Total Primary Government</b>	<b>\$38,335,596</b>	<b>\$29,103,903</b>	<b>\$37,494,686</b>	<b>\$41,614,745</b>	<b>\$71,088,605</b>	<b>\$60,489,069</b>

(1) Adjustments have been made to some categories to conform to the fiscal year 2005 presentation

2009	2010	2011	2012
\$5,058,599	\$3,109,047	\$3,174,292	\$3,072,865
5,829,037	14,446,062	7,745,806	5,245,747
27,534,943	27,065,592	24,280,052	22,875,613
136,037	113,092	109,752	85,762
3,901,601	5,862,331	4,940,031	3,765,228
7,941,094	6,652,295	6,482,442	6,456,949
5,112,187	4,927,588	5,882,611	6,248,464
6,035,886	5,964,171	6,346,120	3,380,281
<u>61,549,384</u>	<u>68,140,178</u>	<u>58,961,106</u>	<u>51,130,909</u>
12,667,365	13,226,177	12,992,447	13,328,494
11,067,524	12,503,682	13,103,679	13,184,836
8,712,715	9,029,774	8,796,614	9,105,662
1,244,412	1,268,361	1,156,149	1,098,871
33,692,016	36,027,994	36,048,889	36,717,863
<u>\$95,241,400</u>	<u>\$104,168,172</u>	<u>\$95,009,995</u>	<u>\$87,848,772</u>
\$3,863,991	\$2,939,727	\$2,903,308	\$2,994,366
990,726	1,969,679	2,585,271	2,307,275
1,295,958	1,050,347	989,504	1,078,717
	2,003	2,003	62,029
1,657,534	1,667,858	1,615,658	2,098,940
164,000	164,000	164,000	
4,317,151	4,177,794	6,560,679	5,968,148
25,070,949	8,229,819	20,103,722	10,372,326
<u>37,360,309</u>	<u>20,201,227</u>	<u>34,924,145</u>	<u>24,881,801</u>
13,291,670	13,235,259	13,207,371	13,143,709
15,084,085	16,332,422	19,001,593	17,478,380
7,994,026	8,037,838	8,159,479	8,206,348
1,196,998	1,202,991		1,121,220
			55,131
4,480,489	338,640	2,305,694	411,377
42,047,268	39,147,150	42,674,137	40,416,165
<u>\$79,407,577</u>	<u>\$59,348,377</u>	<u>\$65,297,966</u>	
(\$24,189,075)	(\$47,940,954)	(\$24,036,961)	(\$26,249,108)
8,355,252	3,119,156	7,739,216	3,698,302
<u>(\$15,833,823)</u>	<u>(\$44,821,798)</u>	<u>(\$16,297,745)</u>	<u>(\$22,550,806)</u>
\$27,225,355	\$23,848,385	\$23,066,757	\$16,866,055
9,278,231	9,653,398	10,067,580	10,622,542
3,854,252	3,270,746	4,171,694	4,195,411
4,641,537	2,257,961	1,381,906	1,607,554
244,605	151,915	236,814	
418,794			
1,625,719	1,056,231	314,968	522,320
842,274	48,150	60,109	61,962
		192,760	
		439,885	83,664,129
<u>48,130,767</u>	<u>40,286,786</u>	<u>39,492,588</u>	<u>117,539,973</u>
3,891,990	1,812,779	1,155,140	1,320,576
436,866	292,200	933,153	496,009
	433,368	10,100	
		(439,885)	
4,328,856	2,538,347	1,658,508	1,816,585
<u>\$52,459,623</u>	<u>\$42,825,133</u>	<u>\$41,151,096</u>	<u>\$119,356,558</u>
\$23,941,692	(\$7,654,168)	\$15,895,512	\$91,290,865
12,684,108	5,657,503	9,397,724	5,514,887
<u>\$36,625,800</u>	<u>(\$1,996,665)</u>	<u>\$25,293,236</u>	<u>\$96,805,752</u>

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



	June 30,				
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$827,341	\$709,085	\$844,083	\$1,214,042	\$1,420,277
Unreserved	9,181,032	10,208,941	12,471,649	14,775,570	16,466,493
Nonspendable					
Assigned					
Unassigned					
Total General Fund	<u>\$10,008,373</u>	<u>\$10,918,026</u>	<u>\$13,315,732</u>	<u>\$15,989,612</u>	<u>\$17,886,770</u>
All Other Governmental Funds:					
Reserved	\$66,323,489	\$61,885,361	\$95,429,682	\$104,085,913	\$127,534,384
Unreserved, reported in:					
Special revenue funds	7,691,926	8,325,077	7,510,708	18,239,405	28,916,559
Capital project funds	104,247			869,510	1,931,318
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total All Other Governmental Funds	<u>\$74,119,662</u>	<u>\$70,210,438</u>	<u>\$102,940,390</u>	<u>\$123,194,828</u>	<u>\$158,382,261</u>

- (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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (b)</u>	<u>2012</u>
\$1,681,076	\$1,822,967	\$1,917,928		
12,798,045	13,346,867	10,137,693		
			\$1,716,914	\$1,773,218
			24,329	134,186
			10,746,187	11,358,781
<u>\$14,479,121</u>	<u>\$15,169,834</u>	<u>\$12,055,621</u>	<u>\$12,487,430</u>	<u>\$13,266,185</u> (a)
\$142,845,030	\$91,946,949	\$79,080,523		
31,681,735	26,977,907	25,237,443		
2,054,083	5,923,572	66,218,838		
			\$182,800	\$121,865
			153,102,767	112,765,524
			383,968	267,919
			4,525,889	9,696,257
			(980,085)	
<u>\$176,580,848</u>	<u>\$124,848,428</u>	<u>\$170,536,804</u>	<u>\$157,215,339</u>	<u>\$122,851,565</u> (a)

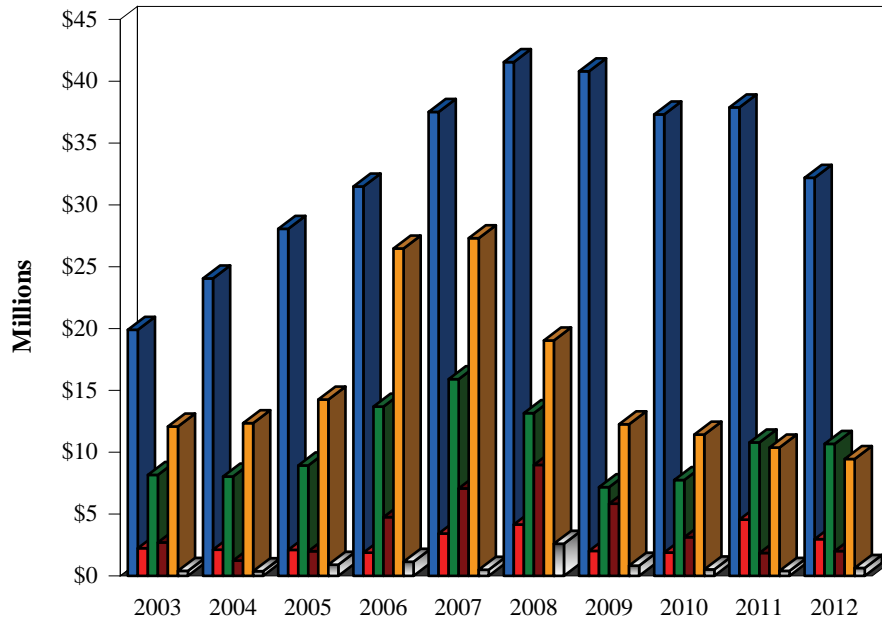
**CITY OF MANTECA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$19,902,642	\$24,051,682	\$28,064,714	\$31,488,644	\$37,519,811
Licenses, permits and fees	2,239,307	2,117,767	2,101,007	1,876,789	3,421,479
Fines and forfeitures	299,891	272,435	246,088	265,458	189,764
Use of money and property	2,701,760	1,237,990	1,992,315	4,748,065	7,074,383
Revenue from other agencies	8,163,279	8,032,506	8,930,535	13,689,426	15,910,594
Charges for services	12,079,900	12,347,427	14,260,891	26,472,384	27,309,138
Other	107,687	109,428	660,999	877,815	307,132
<b>Total Revenues</b>	<b>45,494,466</b>	<b>48,169,235</b>	<b>56,256,549</b>	<b>79,418,581</b>	<b>91,732,301</b>
<b>Expenditures</b>					
Current:					
General government	1,805,873	2,376,883	2,658,200	2,873,724	3,379,358
Community development	3,163,133	3,400,600	3,256,415	8,083,105	7,239,389
Public safety	13,334,962	15,181,807	17,335,511	18,520,266	19,719,694
Library	138,763	134,911	139,410	127,646	141,817
Public works	3,235,730	3,549,259	3,614,271	3,203,484	4,226,997
Parks and recreation	3,157,634	3,568,477	3,984,346	4,390,584	4,665,686
Streets and highways	1,890,231	2,663,894	2,849,672	2,237,078	2,761,592
Nondepartmental	475,405	545,039	527,452	695,662	936,759
Supplemental Educational Revenue					
Augmentation Fund payment					
Capital outlay	8,032,525	16,020,421	20,265,542	50,548,786	27,925,988
Debt service:					
Principal repayment	5,020,140	363,456	415,958	1,132,576	1,060,081
Interest and fiscal charges	3,508,454	2,033,639	3,124,877	5,596,017	5,705,160
<b>Total Expenditures</b>	<b>43,762,850</b>	<b>49,838,386</b>	<b>58,171,654</b>	<b>97,408,928</b>	<b>77,762,521</b>
Excess (deficiency) of revenues over (under) expenditures	1,731,616	(1,669,151)	(1,915,105)	(17,990,347)	13,969,780
<b>Other Financing Sources (Uses)</b>					
Transfers in	24,632,334	10,650,047	6,106,435	11,000,206	20,402,679
Transfers (out)	(24,004,786)	(12,330,468)	(6,071,571)	(11,204,206)	(21,191,440)
Issuance of long-term debt		350,000	31,235,000	50,760,000	22,675,000
Bond issuance premium			217,653		105,544
Proceeds from capital lease obligations					
Proceeds from sale of property			5,555,245		1,123,028
Proceeds from refunding bonds	31,431,840				
Payment to escrow agent	(4,631,877)			(9,637,335)	
Extraordinary item					
<b>Total other financing sources (uses)</b>	<b>27,427,511</b>	<b>(1,330,421)</b>	<b>37,042,762</b>	<b>40,918,665</b>	<b>23,114,811</b>
<b>Net Change in Fund Balances</b>	<b>\$29,159,127</b>	<b>(\$2,999,572)</b>	<b>\$35,127,657</b>	<b>\$22,928,318</b>	<b>\$37,084,591</b>
Debt service as a percentage of noncapital expenditures	24.2%	5.1%	6.5%	7.4%	9.5%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$41,549,587	\$40,802,726	\$37,315,264	\$37,885,239	\$32,190,532
4,154,266	2,018,165	1,887,780	4,550,326	2,970,397
292,224	289,147	227,372	182,835	322,653
8,974,771	5,833,346	3,126,330	1,851,487	2,007,087
13,160,419	7,173,063	7,750,146	10,792,463	10,672,408
19,036,847	12,260,805	11,423,374	10,379,307	9,453,285
<u>2,307,519</u>	<u>538,817</u>	<u>295,478</u>	<u>222,860</u>	<u>321,242</u>
<u>89,475,633</u>	<u>68,916,069</u>	<u>62,025,744</u>	<u>65,864,517</u>	<u>57,937,604</u>
4,988,101	4,320,817	3,096,572	2,741,890	2,388,310
6,142,052	6,495,974	7,169,691	18,246,166	4,268,143
23,235,778	24,182,106	23,849,627	23,015,102	21,935,765
147,961	131,234	120,917	112,092	87,158
4,009,469	4,214,766	4,091,100	3,636,835	2,942,711
5,724,593	6,090,427	5,132,634	4,864,431	4,874,253
2,818,412	2,533,710	1,970,408	1,978,593	1,995,725
1,213,134	1,393,965	1,904,961	2,334,370	2,276,198
		6,664,258	1,372,053	
22,006,218	13,568,055	6,438,353	12,950,145	14,539,693
1,168,248	1,983,377	2,155,866	2,724,044	3,000,250
<u>7,119,245</u>	<u>6,100,146</u>	<u>5,965,342</u>	<u>6,380,457</u>	<u>3,415,000</u>
<u>78,573,211</u>	<u>71,014,577</u>	<u>68,559,729</u>	<u>80,356,178</u>	<u>61,723,206</u>
<u>10,902,422</u>	<u>(2,098,508)</u>	<u>(6,533,985)</u>	<u>(14,491,661)</u>	<u>(3,785,602)</u>
7,348,134	9,459,738	217,832	59,989,059	1,603,423
(8,071,719)	(9,459,738)	(217,832)	(59,549,174)	(1,624,923)
			969,360	
1,055,000	164,949			
3,557,101			192,760	500
				<u>(29,778,417)</u>
<u>3,888,516</u>	<u>164,949</u>		<u>1,602,005</u>	<u>(29,799,417)</u>
<u>\$14,790,938</u>	<u>(\$1,933,559)</u>	<u>(\$6,533,985)</u>	<u>(\$12,889,656)</u>	<u>(\$33,585,019)</u>
11.8%	14.3%	12.9%	13.2%	13.5%



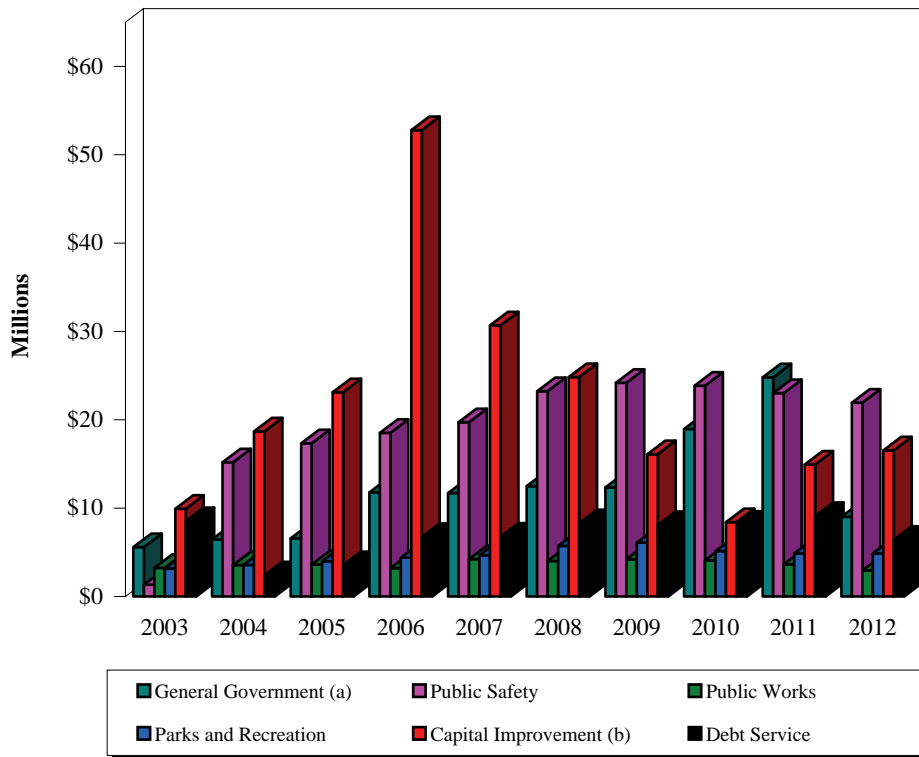
**CITY OF MANTECA  
GENERAL REVENUES BY SOURCE  
ALL GOVERNMENTAL FUND TYPES  
LAST TEN FISCAL YEARS**



<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Revenue From Other Agencies</b>	<b>Use of Money and Property</b>	<b>Charges for Services</b>	<b>Fines, Forfeits and Other Revenue</b>	<b>Total</b>
2003	\$19,902,642	\$2,239,307	\$8,163,279	\$2,701,760	\$12,079,900	\$407,578	\$45,494,466
2004	24,051,682	2,117,767	8,032,506	1,237,990	12,347,427	381,863	48,169,235
2005	28,064,714	2,101,007	8,930,535	1,992,315	14,260,891	907,087	56,256,549
2006	31,488,644	1,876,789	13,689,426	4,748,065	26,472,384	1,143,273	79,418,581
2007	37,519,811	3,421,479	15,910,594	7,074,383	27,309,138	496,896	91,732,301
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

Source: City Operating Budget and City Annual Financial Report

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

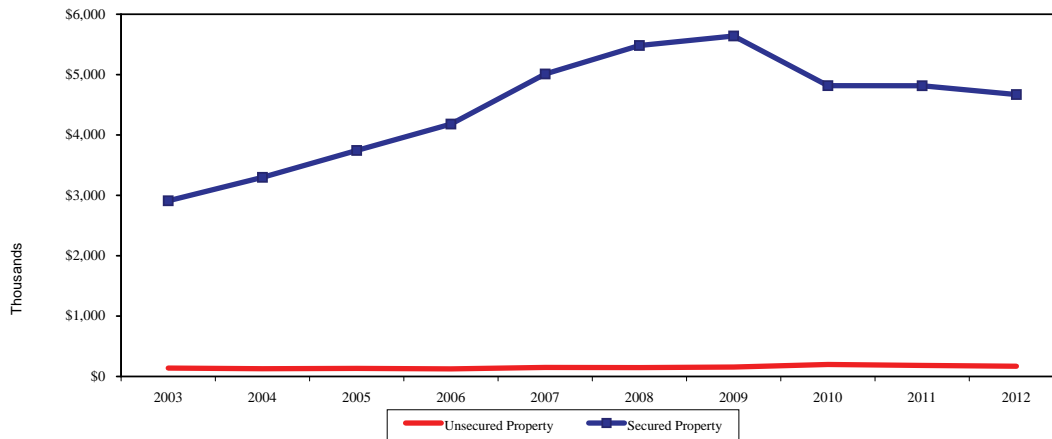


<b>Fiscal Year</b>	<b>General Government (a)</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Parks and Recreation</b>	<b>Capital Improvement (b)</b>	<b>Debt Service</b>	<b>Total</b>
2003	\$5,583,174	\$1,334,962	\$3,235,730	\$3,157,634	\$9,922,756	\$8,528,594	\$31,762,850
2004	6,457,433	15,181,807	3,549,259	3,568,477	18,684,315	2,397,095	49,838,386
2005	6,581,477	17,335,511	3,614,271	3,984,346	23,115,214	3,540,835	58,171,654
2006	11,780,137	18,520,266	3,203,484	4,390,584	52,785,864	6,728,593	97,408,928
2007	11,697,323	19,719,694	4,226,997	4,665,686	30,687,580	6,765,241	77,762,521
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

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**

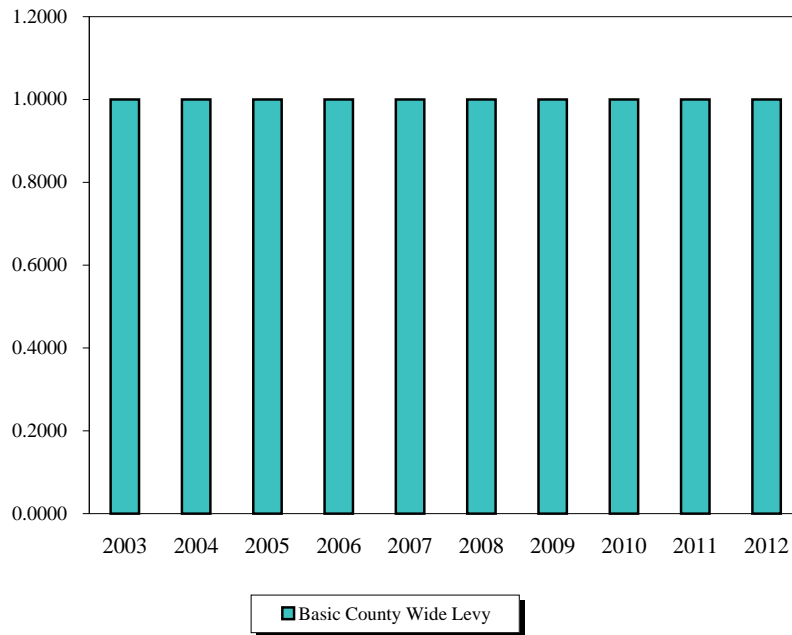


Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
2003	\$924,183	\$1,936,170	\$30,954	\$2,891,307	(\$121,588)	\$1,928	\$2,771,647	\$138,569	\$2,910,216	\$2,910,216	1%
2004	1,041,976	2,222,753	31,965	3,296,694	(127,764)	517	3,169,447	128,369	3,297,816	3,297,816	1%
2005	1,175,617	2,524,656	41,300	3,741,573	(132,372)	582	3,609,783	133,807	3,743,590	3,743,590	1%
2006	N/A - (c)	N/A - (c)	N/A - (c)	4,124,085	(70,227)	560	4,054,419	126,201	4,180,619	4,180,619	1%
2007	1,707,705	3,262,688	36,017	5,006,410	(146,439)	506	4,860,477	150,051	5,010,528	5,010,528	1%
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	1,299,952	3,226,791	41,833	4,568,576	(70,806)	1,531	4,499,301	169,664	4,668,965	4,668,965	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.
- (c) San Joaquin County did not provide individual breakdown of the Real Property for fiscal year 2006.

**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>
2003	1.0000	1.0000
2004	1.0000	1.0000
2005	1.0000	1.0000
2006	1.0000	1.0000
2007	1.0000	1.0000
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

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**

<u>Taxpayer</u>	<u>2011-2012</u>		<u>2002-2003</u>	
	<u>Type of Business</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Type of Business</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Manteca Lifestyle Center LLC	Shopping Center	1.88%		
Pivotal 650 California St. LLC	Shopping Center	0.92%		
Millard Refrigerated Services Inc	Cold Storage	0.75%		
Paseo Apartments LLC	Apartments	0.66%		
Pulte Home Corp	Residential Apartments	0.66%		
Edward J & Dolores M Cardoza	Shopping Center	0.53%		
Costco Wholesale Corporation	Commercial Store	0.52%		
Metropolitan Life Insurance Company	Warehouse	0.51%		
Prologis	Warehouse	0.48%		
Doctors Hospital of Manteca Inc.	Hospital	0.47%		
Veera Properties LLC	Shopping Center	0.42%		
Mission Ridge Plaza LP	Shopping Center	0.37%		
JC Penney Properties Inc.	Shopping Center	0.35%		
Commons at Woodbridge LLC	Office Building	0.32%		
Jackson Retail Venture LLC	Office Building	0.31%		
John J. & Eleanor L. Vierra	Shopping Center	0.29%		
Wal Mart Realty Company	Residential Properties	0.29%		
Stonegate Apartments LLC	Commercial Stores	0.28%		
430 North Union Road LLC	Apartments	0.28%		
Kohl's Department Stores Inc.	Shopping Center	0.26%		
Atherton Kirk Development Corp			Real Estate Development	N/A
Continental Cable Company of Cal			Cable Television	N/A
Ed Cardoza			Rental Properties	N/A
ISE Labbs Inc.			Electronics	N/A
National Medical Hospital			Hospital	N/A
Pan Pacific Retail Property, Inc.			Real Estate Development	N/A
Qualex, Inc			Film Processing	N/A
Stonegate Associates			Rental Properties	N/A
Wal-Mart Stores			Retail	N/A
Western Investment Real Estate Trust			Real Estate Trust	N/A
Total		<u>10.55%</u>		<u>N/A</u>

Source: California Municipal Statistics  
San Joaquin County Assessor's Office

**CITY OF MANTECA  
 MANTECA REDEVELOPMENT PROJECT AREA NO. 1  
 TOP TWENTY ASSESSED VALUES  
 June 30, 2012**

		2011-12 Total Local Secured Assessed Valuation Project Area No. 1	
		\$587,646,788	
Property Owner	Primary Land Use	2011-12 Assessed Valuation	% Total of Assessed Valuation
1 Doctors Hospital of Manteca Inc.	Hospital	\$20,885,682	3.55
2 Edward J. and Dolores M. Cardoza	Shopping Center	15,343,096	2.61
3 Wal Mart Realty Company	Commercial Store	12,352,204	2.10
4 Laurel Glen LLC	Apartments	10,451,000	1.78
5 Stonegate Apartments LLC	Apartments	9,377,671	1.60
6 B.R. Funsten & Co. Corp.	Warehouse	9,194,140	1.56
7 Raymus Development & Sales Inc.	Recreational	8,753,631	1.49
8 Lexington Trank Manteca Remainderman LP	Commercial Store	6,960,000	1.18
9 Portfolio Yosemite LLC	Shopping Center	5,431,342	0.92
10 Khatri Brothers Ptp.	Hotel/Motel	5,014,068	0.85
11 Manteca Senior Housing LLC	Apartments	5,005,355	0.85
12 Miner San Joaquin Building Corp.	Bank	4,912,983	0.84
13 North Main Storage LLC	Mini-Storage	4,908,234	0.84
14 Bjork Pamela Gianni	Commercial	4,513,613	0.77
15 MGLB LLC	Mini-Storage	4,255,802	0.72
16 SFP B LP	Commercial	3,947,465	0.67
17 Eckert Engineering Corp.	Warehouse	3,753,184	0.64
18 VFT Properties LLC	Apartments	3,728,000	0.63
19 Hensley Investment Company	Office Building	3,700,000	0.63
20 Extra Space Prop Twenty Five LLC	Mini-Storage	3,383,909	0.58
		<u>\$145,871,379</u>	<u>24.82%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA**  
**MANTECA REDEVELOPMENT PROJECT AREA NO. 2**  
**TOP TWENTY ASSESSED VALUES**  
**June 30, 2012**

Property Owner	Primary Land Use	2011-12 Total Local Secured Assessed Valuation Project Area No. 2	
		2011-12 Assessed Valuation	% of Total Assessed Valuation
		\$1,010,796,227	
1 Pivotal 650 California St. LLC	Shopping Center	\$41,201,601	4.08
2 Millard Refrigerated Services Inc.	Cold Storage	33,332,289	3.30
3 Costco Wholesale Corporation	Commercial Store	23,364,870	2.31
4 Metropolitan Life Insurance Company	Warehouse	22,581,313	2.23
5 Prologis	Warehouse	21,333,001	2.11
6 Mission Ridge Plaza LP	Shopping Center	16,461,220	1.63
7 Jackson Retail Venture LLC	Shopping Center	13,635,692	1.35
8 Kohl's Department Stores Inc.	Shopping Center	11,500,612	1.14
9 Catellus Operating LP	Cold Storage	11,359,823	1.12
10 Target Corp.	Shopping Center	10,435,393	1.03
11 277 Commerce Ave. LLC	Shopping Center	10,252,400	1.01
12 HD Development of Maryland Inc.	Commercial Store	9,409,225	0.93
13 Daniel M. Sarich	Light Industrial	8,293,135	0.82
14 Manteca Associates LP	Light Industrial	8,000,000	0.79
15 Brocchini Family Partnership LP	Office Building	7,656,328	0.76
16 John J. and Eleanor L. Vierra	Residential Properties	6,483,036	0.64
17 Cranbrook Realty Invest Fund LP	Warehouse	6,000,000	0.59
18 IMCC Manteca LLC	Shopping Center	6,000,000	0.59
19 Inland Western MDS Portfolio LLC	Commercial Store	6,000,000	0.59
20 Edward A. and Lorie J. Machado	Residential Properties	5,714,346	0.57
		<u>\$279,014,284</u>	<u>27.60%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA**  
**MANTECA REDEVELOPMENT MERGED PROJECT AREA**  
**TOP TWENTY ASSESSED VALUES**  
**June 30, 2012**

		2011-12 Total Local Secured Assessed Valuation 2005 Merged Project Amended Area	
Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total Assessed Valuation
1 Gasspecs Inc.	Service Station	\$3,591,833	20.99
2 Kelly Mah	Commercial Land	870,384	5.09
3 Major Singh Brar	Commercial Land	750,000	4.38
4 Chattarpal S. Pabla	Multi-Family Residential	717,250	4.19
5 David L. Peters	Truck Terminals	601,967	3.52
6 Jagmohan S. and Jaspinder K. Kailey	Residential	591,991	3.46
7 Jose Rene Diaz	Commercial Land	549,264	3.21
8 Jasvir Singh	Light Industrial	510,280	2.98
9 Makhan Singh Sandhu	Commercial Land	323,217	1.89
10 Dale A. and April D. Matts	Residential	312,780	1.83
11 Natalyn J. and Thomas E. Bergman, Jr.	Residential	275,000	1.61
12 John N. and Galatia Aretakis	Residential	272,033	1.59
13 Shiv D. and Sarla R. Kumar	Residential	271,884	1.59
14 Loan Anh Nguyen	Commercial	270,505	1.58
15 Robert E. and Gail A. Dorris	Residential	268,191	1.57
16 Roger O. Beugre	Residential	265,000	1.55
17 R.D. and Maggie Voyer	Residential	251,164	1.47
18 Guadalupe and Eva Anaya	Residential	244,286	1.43
19 Robert L. and Dorthy F. Mack	Residential	238,218	1.39
20 Amar and Kaushalya Singh	Multi-Family Residential	236,209	1.38
		<u>\$11,411,456</u>	<u>66.69%</u>

Source: California Municipal Statistics, Inc

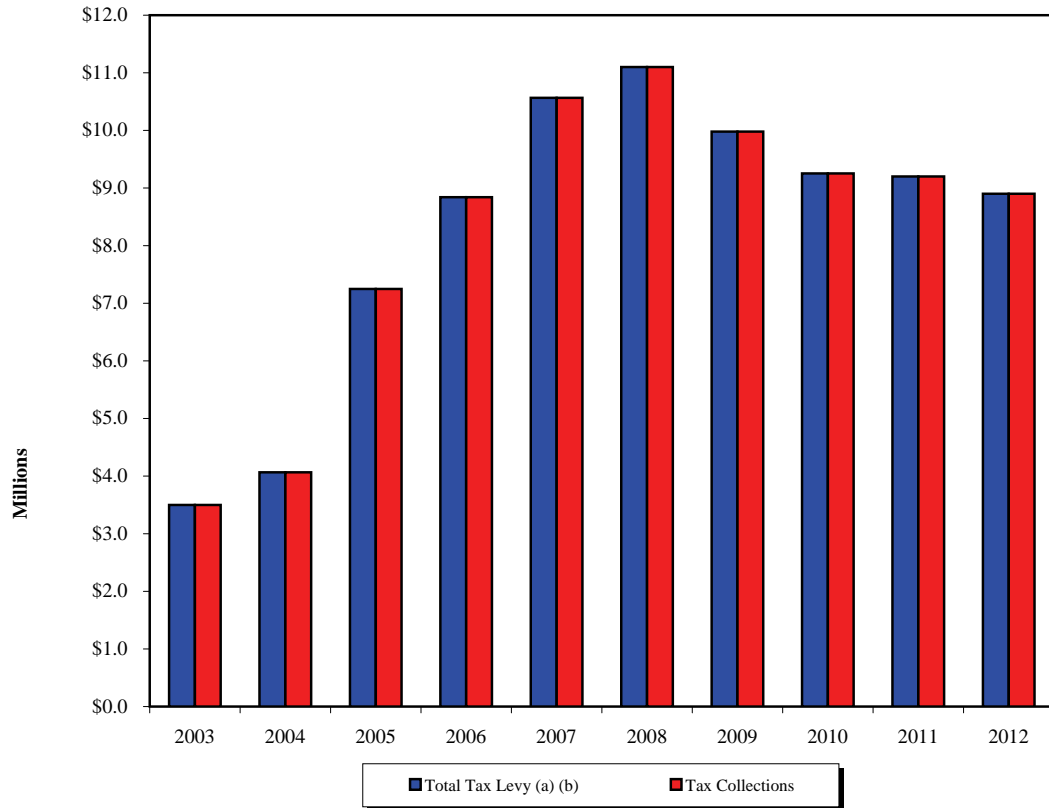


**CITY OF MANTECA**  
**MANTECA REDEVELOPMENT MERGED PROJECT AREA**  
**TOP TWENTY ASSESSED VALUES**  
**June 30, 2012**

		2011-12 Total Local Secured Assessed Valuation 2004 Amended Area	
		\$153,830,920	
Property Owner	Primary Land Use	2011-2012 Assessed Valuation	% of Total Assessed Valuation
1 Manteca Lifestyle Center LLC	Shopping Center	\$84,110,876	54.68
2 JC Penney Properties Inc.	Shopping Center	15,416,831	10.02
3 Manteca Lodging LLC	Commercial	8,815,483	5.73
4 Westcore Louise LP	Light Industrial	8,060,240	5.24
5 BS Family Partnership	Commercial	7,000,000	4.55
6 Lanting Family LLC	Truck Terminal	6,104,431	3.97
7 Sunny Valley Smoked Meats	Food Processing	3,827,860	2.49
8 Tesoro Commons LLC	Residential Properties	2,358,000	1.53
9 Ergonis Land Co. LP	Light Industrial	1,440,000	0.94
10 D'Ambrosio Brothers Invest Co. LP	Industrial Land	1,411,332	0.92
11 Yosemite Square Business Park LLC	Commercial Land	941,166	0.61
12 Gateway Storage of Manteca LLC	Industrial Land	700,000	0.46
13 West Yosemite Properties LLC	Light Industrial	700,000	0.46
14 John N. and Galatia Aretakis	Agricultural	640,263	0.42
15 Rajwinder Singh Bahia	Residential Properties	628,213	0.41
16 Harold and Dorothy Hahn Family LP	Light Industrial	616,328	0.40
17 Steven Vincent Mathews	Residential	581,282	0.38
18 Victor M. and Emma L. Marquez	Residential	463,756	0.30
19 Ranjit S. and Sukhvinderpal Gill	Residential	435,000	0.28
20 C.L. Luengo and R.J. Barber Jr. Partnership	Industrial Land	434,384	0.28
		\$144,685,445	94.05%

Source: California Municipal Statistics, Inc

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



<b>Fiscal Year</b>	<b>Total Tax Levy (a) (b)</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
2003	\$3,499,543	\$3,499,543	100.00%	\$0	\$3,499,543	100.00%
2004	4,066,347	4,066,347	100.00%	0	4,066,347	100.00%
2005	7,248,789	7,248,789	100.00%	0	7,248,789	100.00%
2006	8,840,647	8,840,647	100.00%	0	8,840,647	100.00%
2007	10,566,237	10,566,237	100.00%	0	10,566,237	100.00%
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%

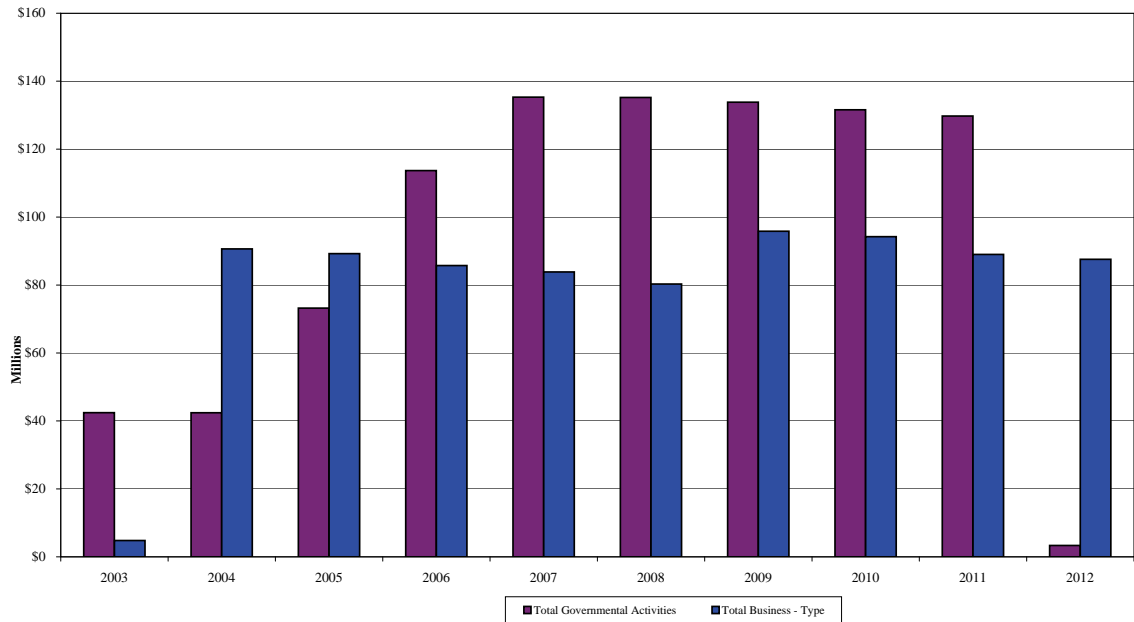
Source: City of Manteca Records

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) These amounts exclude property tax levied by the City of Manteca Redevelopment Agency.

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



<b>Governmental Activities</b>									
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)
2003	\$40,150,000	\$858,534	\$207,432	\$1,219,457		\$42,435,423	\$47,231,667	3.35%	\$826
2004	40,065,000	1,113,274	180,392	1,040,070		42,398,736	133,020,929	8.73%	2,228
2005	71,210,000	980,615	152,519	874,644		73,217,778	162,456,409	10.02%	2,623
2006	112,030,000	841,996	123,804	699,402		113,695,202	199,429,306	11.48%	3,131
2007	134,005,000	697,143	94,220	513,758		135,310,121	219,163,345	13.65%	3,368
2008	133,280,000	1,536,029	63,747	317,097		135,196,873	215,492,560	N/A -- (b)	3,243
2009	131,790,000	1,895,292	32,350	108,758		133,826,400	229,657,290	N/A -- (b)	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	10.29%	3,198
2012	(c)	1,632,972			\$1,700,000 (d)	3,332,972	90,914,622	4.24%	1,302

<b>Business-Type Activities</b>						
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asst Loan	Capital Leases	Lease Revenue Bonds	Total
2003		\$610,000	\$2,346,984	\$569,260	\$1,270,000	\$4,796,244
2004	\$43,325,000	43,520,000	2,124,698	527,495	1,125,000	90,622,193
2005	43,325,000	42,620,000	1,840,144	483,487	970,000	89,238,631
2006	43,325,000	39,620,000	1,546,989	437,115	805,000	85,734,104
2007	43,325,000	38,270,000	1,244,973	388,251	625,000	83,853,224
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

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) Personal Income information not available for fiscal years 2008 and 2009.  
(c) 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  
(d) Due to the dissolution of the Redevelopment Agency the City's previous advance with the Agency becomes a loan payable to the Successor Agency. See Note 8E

**CITY OF MANTECA  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>		<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>Tax Allocation Bonds</b>	<b>Total</b>		
2003	\$40,150,000	\$40,150,000	1.38%	701.92
2004	40,065,000	40,065,000	1.21%	671.11
2005	71,210,000	71,210,000	1.90%	1,149.90
2006	112,030,000	112,030,000	2.68%	1,758.63
2007	134,005,000	134,005,000	2.67%	2,059.21
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%	1,852.73
2012	(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.

**CITY OF MANTECA  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2012**

2011-12 Assessed Valuation:	\$4,636,698,395
Redevelopment Incremental Valuation:	1,457,825,849
Adjusted Assessed Valuation:	<u><u>\$3,178,872,546</u></u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt 6/30/2012	Percentage Applicable To City of Manteca (1)	City's Share of Debt 6/30/2012
San Joaquin Delta Community College District	\$133,626,657	5.969%	\$7,976,175
Yosemite Community College District	306,156,151	0.004%	12,246
Manteca Unified School District	59,186,775	39.603%	23,439,739
Ripon Unified School District	8,495,000	0.109%	9,260
Manteca Unified School District Community Facilities District No. 1989-2	33,790,000	81.167%	27,426,329
Manteca Unified School District Community Facilities District No. 2000-3	15,655,000	100.000%	15,655,000
California Statewide Communities Development Authority 1915 Act Bonds	<u>1,061,445</u>	100.000%	<u>1,061,445</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	 <u><u>\$557,971,028</u></u>		 <u><u>\$75,580,194</u></u>
 <u>Ratios to 2011-12 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt	1.63%		
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Joaquin County Certificates of Participation	\$176,130,000	6.616%	\$11,652,761
Ripon Unified School District Certificates of Participation	3,595,000	0.109%	3,919
City of Manteca General Fund Obligations	0	100%	0
South San Joaquin Irrigation District Certificates of Participation	1,265,000	50.802%	642,645
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>12,299,325</u>
Less: South San Joaquin Irrigation District (100% self-supporting)			642,645
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u><u>\$11,656,680</u></u>
 TOTAL DIRECT DEBT			 <u><u>\$0</u></u>
TOTAL GROSS OVERLAPPING DEBT			<u><u>\$87,879,519</u></u>
TOTAL NET OVERLAPPING DEBT			<u><u>\$87,236,874</u></u>
 GROSS COMBINED TOTAL DEBT			 <u><u>\$87,879,519</u></u> (2)
NET COMBINED TOTAL DEBT			<u><u>\$87,236,874</u></u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

<u>Ratios to Adjusted Assessed Valuation</u>	
Total Direct Debt	0.00%
Gross Combined Total Debt	2.76%
Net Combined Total Debt	2.74%
 <u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12:</u>	 <u>\$0</u>

Source: California Municipal Statistics

**CITY OF MANTECA**  
**COMPUTATION OF LEGAL BONDED DEBT MARGIN**  
**June 30, 2012**

ASSESSED VALUATION:

Assessed Value	\$4,636,698,395
Add back: Exempt real property	<u>70,806,000</u>
Total Assessed Valuation	<u><u>\$4,707,504,395</u></u>

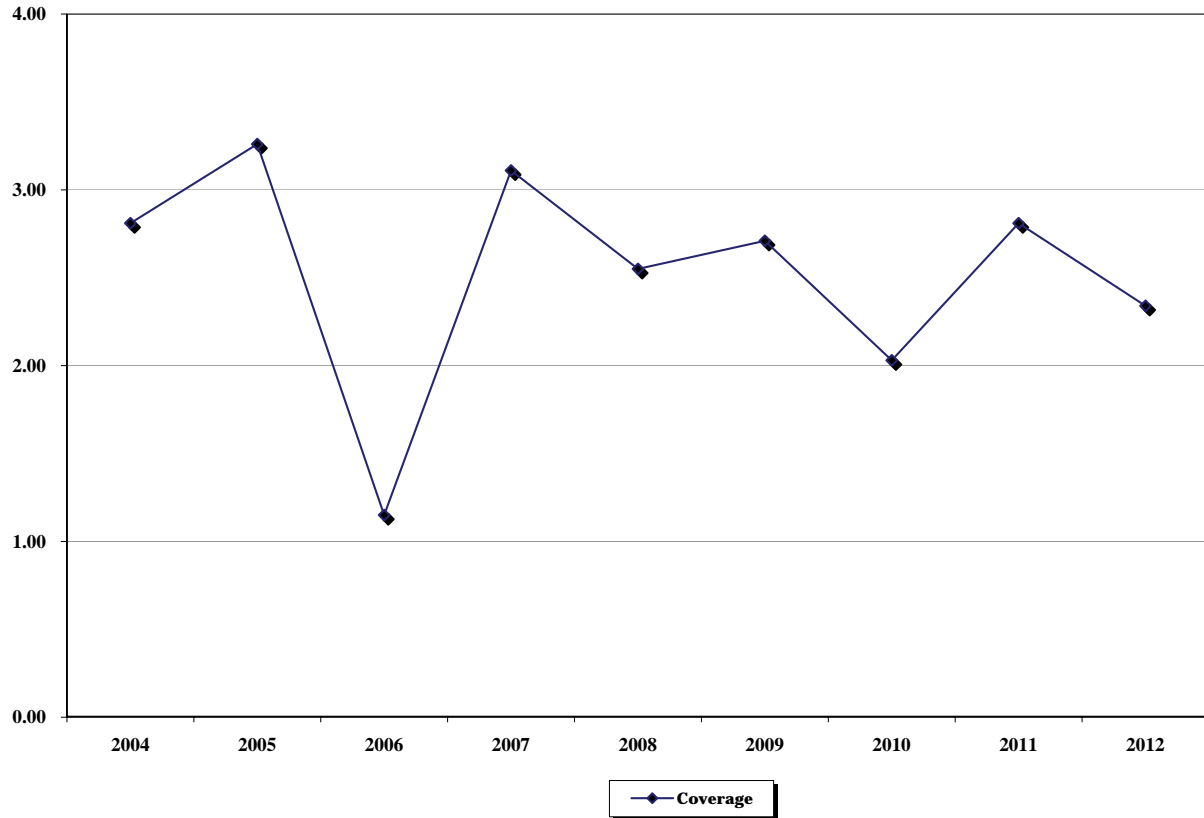
BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) \$706,125,659

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

LEGAL BONDED DEBT MARGIN \$706,125,659

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
2003	\$454,770,481	\$0	\$454,770,481	0.00%
2004	513,837,061	0	513,837,061	0.00%
2005	571,970,817	0	571,970,817	0.00%
2006	627,103,434	0	627,103,434	0.00%
2007	762,126,321	0	762,126,321	0.00%
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%

**CITY OF MANTECA  
REVENUE BOND COVERAGE  
WATER REVENUE BONDS  
LAST NINE FISCAL YEARS**

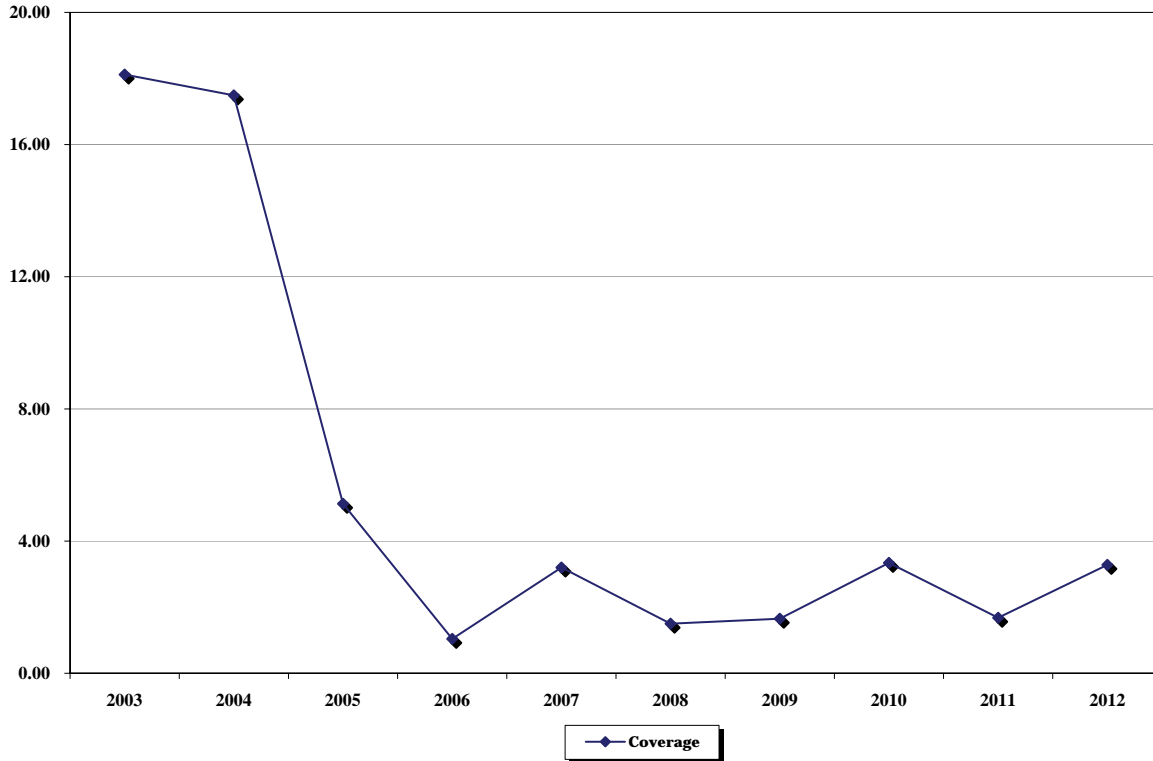


Fiscal Year (a)	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$10,503,016	(\$4,376,643)	\$1,326,099	\$5,478,936	\$0	\$1,948,696	\$1,948,696	2.81
2005	11,518,311	(4,677,420)	1,516,678	6,378,273	0	1,954,124	1,954,124	3.26
2006	12,035,781	(8,677,112)	3,449,835	2,256,878	0	1,954,124	1,954,124	1.15
2007	15,089,500	(8,741,374)	4,320,806	6,073,277	0	1,954,124	1,954,124	3.11
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

Source: City of Manteca Annual Financial Statements

Note: (a) The City's Water Revenue Bonds were issued in fiscal year 2003-04

**CITY OF MANTECA  
REVENUE BOND COVERAGE  
SEWER REVENUE BONDS  
LAST TEN FISCAL YEARS**



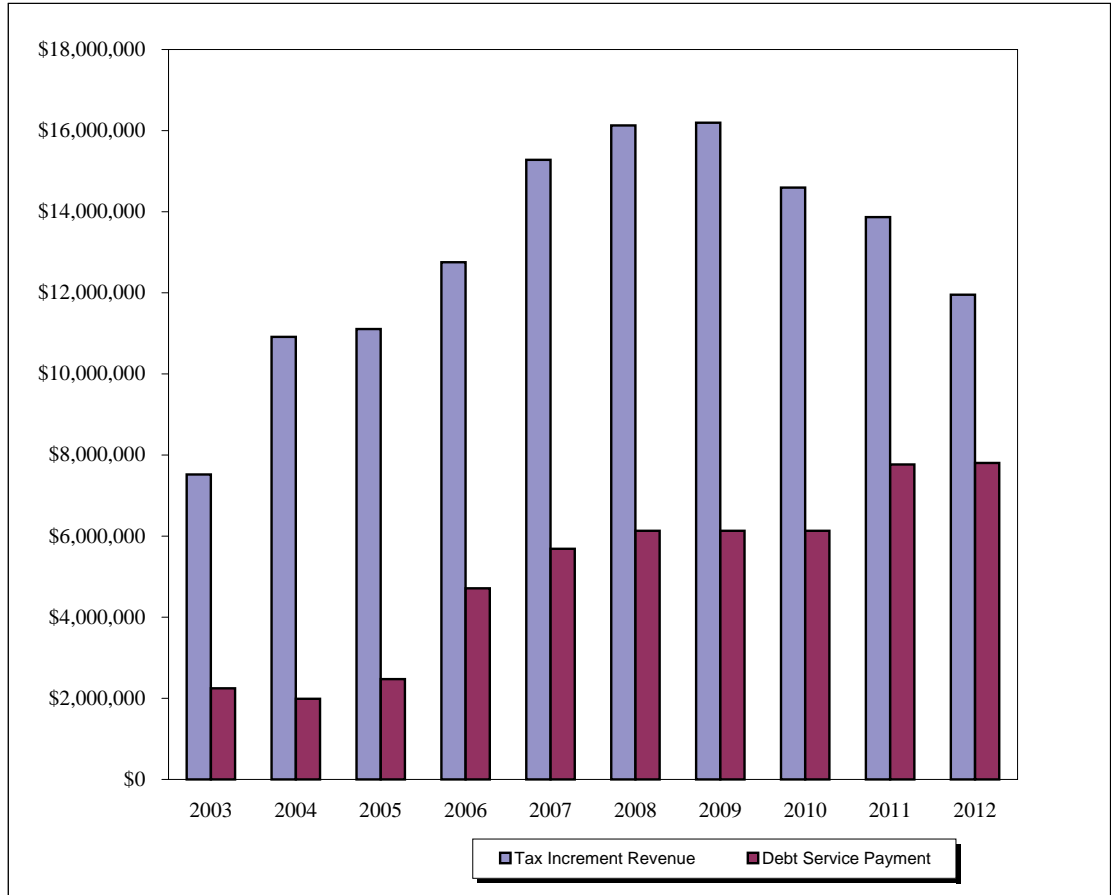
Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2003	\$7,223,412	(\$4,812,347)	\$1,691,349	\$4,102,414	\$275,000	\$53,073	\$328,073	18.12
2004	11,722,876	(6,297,363)	1,711,297	7,136,810	300,000	27,838	327,838	17.49
2005	16,804,236	(6,640,793)	2,556,130	12,719,573	900,000	2,046,686	2,946,686	5.13
2006	14,673,053	(8,180,861)	2,984,841	9,477,033	3,000,000 (a)	2,069,162	5,069,162	1.04
2007	19,304,123	(8,550,499)	3,424,659	14,178,283	1,350,000 (a)	1,817,936	3,167,936	3.20
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

Note (a) Principal includes early redemption payment for bonds called during the fiscal year.

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	
2003	\$7,519,404	\$75,000	\$2,171,358	\$2,246,358	3.35
2004	10,913,498	85,000	1,902,735	1,987,735	5.49
2005	11,107,845	90,000	2,383,913	2,473,913	4.49
2006	12,755,182	790,000	3,922,390	4,712,390	2.71
2007	15,279,472	700,000	4,987,665	5,687,665	2.69
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

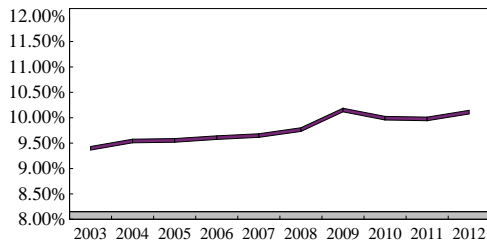
Note: (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(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.

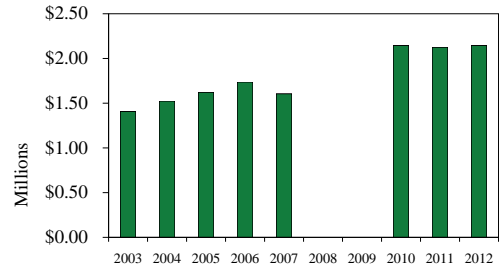
(c) Excludes the letter of credit and remarketing fees on the 2005 Tax Allocation Bonds.

Source: City of Manteca Annual Financial Statements

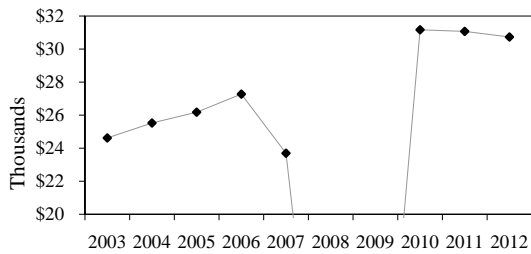
**CITY OF MANTECA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**



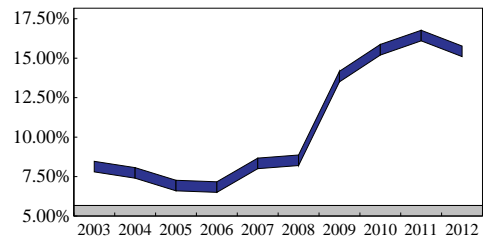
■ City Population as a % of County Population



■ Personal Income (in thousands)



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income <sup>a</sup>	Unemployment Rate (%)	San Joaquin County Population	City Population % of County
2003	57,200	\$1,408,264	\$24,620	7.8%	613,500	9.32%
2004	59,700	1,523,962	25,527	7.4%	630,600	9.47%
2005	61,927	1,621,311	26,181	6.6%	653,333	9.48%
2006	63,703	1,737,308	27,272	6.5%	668,265	9.53%
2007	65,076	1,605,567	23,697	8.0%	679,687	9.57%
2008	66,451	n/a	n/a	8.2%	685,660	9.69%
2009	67,754	n/a	n/a	13.5%	672,388	10.08%
2010	68,847	2,145,686	31,166	15.2%	694,293	9.92%
2011	68,410	2,125,567	31,071	16.1%	690,899	9.90%
2012	69,815	2,145,555	30,732	15.1%	695,750	10.03%

Source: California State Department of Finance

Bureau of Labor Statistics - Not Seasonally adjusted

Bureau of Economic Analysis

n/a -- data not available

<sup>a</sup> Personal income is a product of the countywide per capita amount and the City's population

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

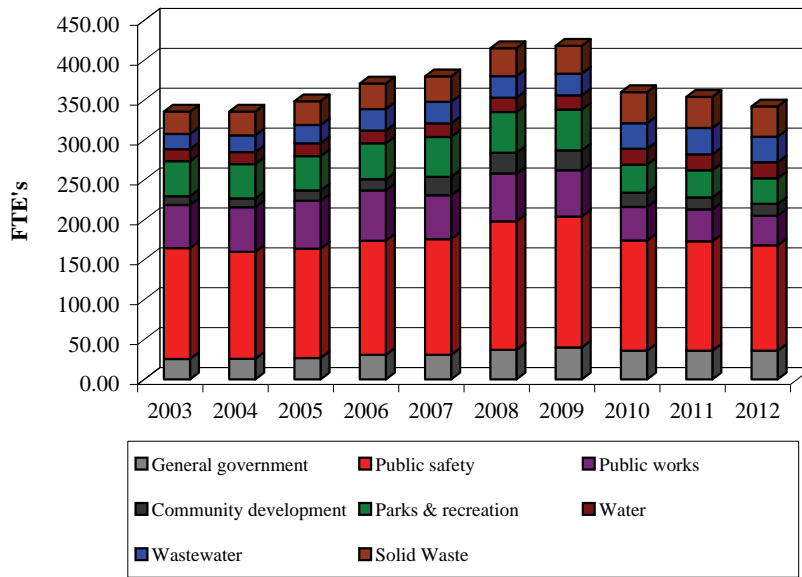
<u>Employer</u>	<u>2011-12</u>			<u>2006-07</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>(a) Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Manteca Unified School District	2,146	1	3.1%	2100+	1	3.3%
Kaiser Permanente Medical Offices & Hospital	527	2	0.8%	600-650	2	0.9%
Doctors Hospital of Manteca	370	3	0.5%	400-450	4	0.6%
City of Manteca	342	4	0.5%	350-399	6	0.6%
Wal-Mart	304	5	0.4%	300-349	7	0.5%
Gardner Trucking Inc.	300	6	0.4%			
Eckert Cold Storage Co	300	7	0.4%	200-249	9	0.4%
COSTCO Wholesale #1031	175	8	0.3%			
Target Corp.	151	9	0.2%			
The Home Depot Inc	143	10	0.2%	200-249	10	0.3%
BASS PRO Outdoor World	150	11	0.2%			
Kenyon Plastering, Inc.				400-450	3	0.7%
C. Overaa & Co.				400-450	5	0.6%
Advance Packaging Distribution Specialist Inc.				300-349	8	0.5%
<b>Total City Day Population</b>	<b><u>69,815</u></b>			<b><u>65,076</u></b>		

Source: City of Manteca Community Development Department

Notes: Data not available for historical trend

<sup>(a)</sup> Data for employees is a range, not a specific number

**CITY OF MANTECA  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Function</b>										
General government	25.50	25.75	26.75	30.75	30.75	37.00	40.00	36.00	36.00	36.00
Public safety	139.00	134.00	137.00	143.00	145.00	161.00	164.00	138.00	137.00	132.00
Public works	54.00	56.00	60.00	63.00	55.00	60.00	58.00	42.00	40.00	37.00
Community development	11.00	11.00	13.00	14.00	23.00	26.00	25.00	18.00	15.00	15.00
Parks & recreation	44.00	43.00	43.00	45.00	50.00	51.00	51.00	35.00	34.00	32.00
Water	15.00	15.00	16.00	16.00	17.00	18.00	18.00	20.00	20.00	20.00
Wastewater	19.00	21.00	23.00	27.00	27.00	27.00	27.00	32.00	33.00	32.00
Solid Waste	28.00	29.75	29.75	32.00	32.00	35.00	35.00	39.00	39.00	38.00
<b>Total</b>	<u>335.50</u>	<u>335.50</u>	<u>348.50</u>	<u>370.75</u>	<u>379.75</u>	<u>415.00</u>	<u>418.00</u>	<u>360.00</u>	<u>354.00</u>	<u>342.00</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				
	2003	2004	2005	2006	2007
<b>Population</b>					
Citizens	57,200	59,700	61,927	63,703	65,076
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	16.05 Sq Miles	16.13 Sq Miles	16.19 Sq. Miles	16.19 Sq. Miles	17.7 Sq Miles
Registered Voters	21,579	23,788	25,575	25,209	24,843
Taxable Sales	589,162,700	635,916,900	698,218,600	759,729,900	756,216,800
Building Permits Issued	2,345	2,300	2,259	2,302	2,596
Employees from Budget Document	336	336	348	370	380
<b>Fire Protection</b>					
Number of Stations	3	3	3	3	3
Number of Reserve Personnel	20	12	21	15	14
Number of Sworn Fire Personnel *	30	30	30	30	36
Number of Calls Answered	4,044	4,126	4,203	n/a	n/a
<b>Police Protection</b>					
Number of Stations	1	1	1	1	1
Number of Police Officers	68	68	68	72	73
Number of Volunteers	112	123	119	114	69
Number of Support Personnel	27	29	28	28	30
Number of Calls Answered	35,820	37,251	39,282	39,435	38,763
<b>Parks &amp; Recreation</b>					
Park Sites	41	41	45	46	46
Acres of Parks	273	273	266	275	275
Senior Centers	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	6,873	6,873	6,873	6,925	7,320
Number of Street Trees	5,288	5,288	7,000	8,438	8,629
Acres of Golf Course	122	122	122	122	122
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	14	14	14	14	21
Benefit Area District					2
<b>Public Works</b>					
Miles of Streets	171	179	180	184	186
Number of Street Lights	3,134	3,314	3,314	3,800	4,300
<b>Water Utility</b>					
Number of Meters	16,037	16,687	17,199	17,428	21,950
Miles of Water Mains	168	214	212	279	251
Average Daily Consumptions (Gal)	10,597,002	11,542,356	10,493,809	11.96 MGD	13.7 MGD
<b>Wastewater</b>					
Number of Connections	20,043	20,556	21,248	21,383	21,967
Miles of Sewer Lines	168	163	169	250	209
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	6.0 MGD	6.27 MGD	6.07 MGD	6.50 MGD	6.28 MGD
Treatment Capacity	6.95 MGD	8.11 MGD	7.50 MGD	8.11 MGD	8.11 MGD
<b>Solid Waste</b>					
Number of Accounts	15,866	16,442	17,073	17,310	17,630
<b>Education</b>					
Elementary Schools	17	17	19	19	21
High Schools	4	4	4	4	6
Adult Education	1	1	1	4	2
Teachers	1,031	1,144	1,133	1,132	1,236
Elementary Classrooms	851	821	869	869	939
High School Classrooms	259	291	304	330	331
Adult Education Classrooms	36	27	27	37	37
Current Enrollment	21,067	23,409	23,805	23,393	23,506

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				
	2008	2009	2010	2011	2012
<b>Population</b>					
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
<b>Fire Protection</b>					
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
<b>Police Protection</b>					
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
<b>Parks &amp; Recreation</b>					
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
<b>Public Works</b>					
Miles of Streets	193	197	197	197	222
Number of Street Lights	4,800	4,800	4,800	4,800	4,681
<b>Water Utility</b>					
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
<b>Wastewater</b>					
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	5.95MGD	6.2 MGD	6.2 MGD	6.18MGD	5.98MGD
Treatment Capacity	9.87 MGD	9.87 MGD	9.87 MGD	9.87MGD	9.87MGD
<b>Solid Waste</b>					
Number of Accounts	17,799	18,262	18,765	19,400	23,397
<b>Education</b>					
Elementary Schools	20	23	23	24	20
High Schools	7	4	5	8	5
Adult Education	2	1	1	1	1
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.

**CITY OF MANTECA**  
**CRIME POLICY NOTARY AND SECURITY BONDS OF PRINCIPAL OFFICIALS**  
**June 30, 2012**

	<u>Limit Amount of Policy<sup>1</sup></u>
City Manager	\$1,000,000
Deputy City Manager	1,000,000
City Attorney	1,000,000
City Clerk	1,000,000
City Treasurer	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
Administrative Services Director	1,000,000
Executive Secretary (Notary)	1,000,000
City Clerk (Notary)	1,000,000

<sup>1</sup> 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 Board of Directors of the Manteca Financing Authority  
Manteca, California

We have audited the financial statements of each major fund of the Manteca Financing Authority, a component unit of the City of Manteca, California, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic component unit financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. 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. 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 includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Manteca Financing Authority as of June 30, 2012, and the respective changes in the financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented 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 is not affected by this missing information.

A handwritten signature in black ink that reads 'Maze & Associates'.

January 30, 2013



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**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities purpose 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 all its liabilities, as well as all its revenues and expenses.

The Statement of Net Assets reports the difference between the Authority's total assets and the Authority's total liabilities, including all the Authority's capital assets and all its long-term debt. The Statement of Net Assets summarizes the financial position of all the Authority's activities in a single column.

The Statement of Activities reports increases and decreases in the Authority's net assets. 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 ASSETS  
JUNE 30, 2012

	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
<b>ASSETS</b>				
Current Assets:				
Investments held by trustee (Note 2)	\$3,837,488	\$5,178,562	\$230	\$9,016,280
Interest receivable	105,047	955,974	88,230	1,149,251
<b>Total Current Assets</b>	<b>3,942,535</b>	<b>6,134,536</b>	<b>88,460</b>	<b>10,165,531</b>
Receivable from the City of Manteca (Note 3)	23,017,512	36,446,438	18,999,770	78,463,720
<b>Total Assets</b>	<b>26,960,047</b>	<b>42,580,974</b>	<b>19,088,230</b>	<b>88,629,251</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accrued interest payable	105,047	955,974	88,230	1,149,251
Lease revenue bonds payable (Note 4)				
Due within one year	820,000	750,000		1,570,000
<b>Total Current Liabilities</b>	<b>925,047</b>	<b>1,705,974</b>	<b>88,230</b>	<b>2,719,251</b>
Non-Current Liabilities:				
Lease revenue bonds payable (Note 4)				
Due in more than one year	26,035,000	40,875,000	19,000,000	85,910,000
<b>Total Liabilities</b>	<b>26,960,047</b>	<b>42,580,974</b>	<b>19,088,230</b>	<b>88,629,251</b>
<b>NET ASSETS</b>				
Restricted for Debt Service				
<b>Total Net Assets</b>				

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
OPERATING REVENUE				
Interest on base rental payments	\$1,110,947	\$1,747,390	\$1,058,762	\$3,917,099
Operating Revenue	1,110,947	1,747,390	1,058,762	3,917,099
OPERATING EXPENSES				
Interest and fiscal fees	1,270,940	1,911,948	1,058,762	4,241,650
Total Operating Expenses	1,270,940	1,911,948	1,058,762	4,241,650
Operating Loss	(159,993)	(164,558)		(324,551)
NONOPERATING INCOME				
Interest on investments	159,993	164,558		324,551
Net Nonoperating Income	159,993	164,558		324,551
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from the City	\$1,868,023	\$2,497,390		\$4,365,413
Payments to bond trustees	(1,273,016)	(1,920,336)	(\$1,058,762)	(4,252,114)
Cash Flows from Operating Activities	<u>595,007</u>	<u>577,054</u>	<u>(1,058,762)</u>	<u>113,299</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Long-term debt payment - principal	(755,000)	(610,000)		(1,365,000)
Cash Flows from Noncapital Financing Activities	<u>(755,000)</u>	<u>(610,000)</u>		<u>(1,365,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment interest received	159,993	164,558		324,551
Cash Flows from Investing Activities	<u>159,993</u>	<u>164,558</u>		<u>324,551</u>
Net Cash Flows		131,612	(1,058,762)	(927,150)
Cash and investments at beginning of period	<u>3,837,488</u>	<u>5,046,950</u>	<u>1,058,992</u>	<u>9,943,430</u>
Cash and investments at end of period	<u><u>\$3,837,488</u></u>	<u><u>\$5,178,562</u></u>	<u><u>\$230</u></u>	<u><u>\$9,016,280</u></u>
Reconciliation of operating loss to net cash flows from operating activities:				
Operating loss	(\$159,993)	(\$164,558)		(\$324,551)
Adjustments to reconcile operating to net cash flows from operating activities:				
Change in assets and liabilities:				
Receivable from City of Manteca	755,000	741,612	(\$1,058,762)	437,850
Interest receivable	2,076	8,388		10,464
Accrued interest payable	(2,076)	(8,388)		(10,464)
Cash Flows from Operating Activities	<u><u>\$595,007</u></u>	<u><u>\$577,054</u></u>	<u><u>(\$1,058,762)</u></u>	<u><u>\$113,299</u></u>

See accompanying notes to financial statements

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**For the Year Ended June 30, 2012**

**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.

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Authority government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 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. *Major Funds***

The Authority's major funds are required to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/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, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Authority reported the following major enterprise funds in the accompanying financial statements:

**2003 SEWER REVENUE BONDS** – To account for Bond transactions.

**2003 WATER REVENUE BONDS** – To account for Bond transactions.

**2009 SEWER REVENUE BONDS** – To account for Bond transactions.

The Authority follows those Financial Accounting Standard Board Statements issued before November 30, 1989 unless they conflict with Governmental Accounting Standards Board Statements.

**D. *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.

**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 these debt agreements. 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.

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)**

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
Prefunded 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

**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	More than 36 Months	Total
<b><i>Held by Trustees:</i></b>			
Money Market Funds (U.S. Securities)	\$2,217,442		\$2,217,442
Guaranteed Investment Contracts		\$6,798,838	6,798,838
Total Cash and Investments	<u>\$2,217,442</u>	<u>\$6,798,838</u>	<u>\$9,016,280</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, 2012 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, 2012, have an average maturity of 45 days. The Guaranteed Investment Contracts were not rated as of June 30, 2012.

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds, are set forth below:



**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)**

Fund	Issuer	Investment Type	Reported Amount
<i>Major Funds:</i>			
2003 Sewer Revenue Bonds	MBIA Investment Agreement	Guaranteed Investment Contract	\$3,326,250
2003 Water Revenue Bonds	MBIA Investment Agreement	Guaranteed Investment Contract	3,472,588

**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 has leased these improvements from the Authority under the terms of several leases that expire through 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
2013	\$1,570,000	\$3,879,242	\$5,449,242
2014	1,795,000	3,820,830	5,615,830
2015	1,930,000	3,777,383	5,707,383
2016	2,165,000	3,663,293	5,828,293
2017	2,335,000	3,560,342	5,895,342
2018-2022	14,535,000	17,250,469	31,785,469
2023-2027	18,225,000	13,398,626	31,623,626
2028-2032	23,665,000	8,433,426	32,098,426
2033-2037	21,260,000	2,277,980	23,537,980
	<u>\$87,480,000</u>	<u>\$60,061,591</u>	147,541,591
<u>Less:</u>			
		Investments held by trustee	9,016,280
		Amount representing interest	<u>60,061,591</u>
			<u>\$78,463,720</u>
		Receivable from the City of Manteca at June 30, 2012	<u>\$78,463,720</u>

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 4 – LONG TERM DEBT**

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

Year	Principal	Interest	Total
2013	\$1,570,000	\$4,203,794	\$5,773,794
2014	1,795,000	4,145,382	5,940,382
2015	1,930,000	4,101,935	6,031,935
2016	2,165,000	3,987,845	6,152,845
2017	2,335,000	3,884,894	6,219,894
2018-2022	14,535,000	17,575,021	32,110,021
2023-2027	18,225,000	13,723,178	31,948,178
2028-2032	23,665,000	8,757,978	32,422,978
2033-2037	21,260,000	2,602,532	23,862,532
Total	<u>\$87,480,000</u>	<u>\$62,982,559</u>	<u>\$150,462,559</u>

**A. Sewer Revenue Bonds**

On December 11, 2003 the Manteca Financing Authority issued 2003 Sewer Revenue Bonds Series 2003A in the amount of \$18,155,000 and Series 2003B in the amount of \$25,665,000 to refund the remaining outstanding balance of its 1989 Refunding Revenue Bonds and to finance the City's expansion and upgrade of its Wastewater Quality Control Facility. The 2003 Revenue Bonds are secured by installment payments payable by the City of Manteca under the Installment Sales Agreement dated December 1, 2003. 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. Interest payments are due on June 1, and December 1 of each year through 2033.

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 a 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.

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2003 and 2009 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 \$82,737,835. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,086,779 and \$10,065,230, respectively.

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**For the Year Ended June 30, 2012**

**NOTE 4 – LONG TERM DEBT (Continued)**

***B. Water Revenue Bonds***

On July 2, 2003 the Manteca Financing Authority issued 2003 Water Revenue Bonds Series 2003A in the amount of \$43,325,000 to finance the City's share of the cost of a \$149 million surface water plant. The 2003A Revenue Bonds are secured by installment payments payable by the City of Manteca under the Installment Sales Agreement dated July 1, 2003. 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 water system.

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 percent of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$67,724,724. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,530,336 and \$5,965,777, respectively.

**NOTE 5 – SUBSEQUENT EVENTS**

**2012 Water Revenue Refunding 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 Authority's outstanding 2003A Manteca Financing Authority Water Revenue Bonds. 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.

**2012 Sewer Revenue Refunding Bonds**

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 Authority's outstanding 2003A and 2003B Manteca Financing Authority Sewer Revenue Bonds. 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.