City of Manteca

California

Comprehensive Financial Anual Report

Fiscal Year Ended June 30, 2011

CITY OF MANTECA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

Prepared by

FINANCE DEPARTMENT

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CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

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CITY OF MANTECA

FINANCE DEPARTMENT

December 16, 2011

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

The City of Manteca's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 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 transmittal letter is intended to be read in conjunction with the Management Discussion and Analysis (MD&A) and the Financial Statements.

THE REPORTING ENTITY

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 17.7 square miles of level terrain and 68,410 residents as of January 1, 2011. 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 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.
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This City's CAFR includes all funds of the City and reports all activities considered to be part of, controlled by, and dependent on the City. GASB Statement No. 14, *The Financial Reporting* Entity requires the disclosure of blended and discretely blended component units. As such, the financial activities of both the Manteca Redevelopment Agency (RDA) and the Manteca Financing Authority (the Authority) have been "blended" into the financial statements. Additionally, the RDA and the Authority are required to issue audited financial statements on an annual basis.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set forth in pronouncements by the National Council of Governmental Accounting (NCGA), the Governmental Accounting Standards Board (GASB), and the Financial Accounting Standards Board (FASB), and includes the report of the City's independent certified public accountant, Maze and Associates of Pleasant Hill, California.

As part of the Governmental Accounting Standards Board (GASB) Statement No. 34 *Financial Reporting Model* the CAFR includes government-side financial statements. These statements include the Statement of Net Assets that provides the total net equity of the City including infrastructure assets and the Statement of Activities that shows the cost of providing government services by function. The Statement of Net Assets and the Statement of Activities have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements.

A reconciliation report is provided as a key to understanding the differences between the two reporting methods. The reports under GASB Statement No. 34 retain the short-term focus in the governmental fund financial statements while providing a long-term perspective on these same activities in the accrual based government-wide financial statements. The statements combined with other information are further analyzed in the narrative sections called Management's Discussion and Analysis (MDA). The MDA provides financial highlights and interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variances in the financial data.

This CAFR includes all funds of the City. It reports all activities considered to be a part of, controlled by, and dependent on the City. This financial report incorporates financial data from the Manteca Redevelopment Agency and the Manteca Financing Authority as part of its financial statements because a) the City Council sits as the Board of Commissioners for both entities, and b) both are dependent upon the City of Manteca for record keeping and financial report preparation activities.

The accounts of the City are organized on the basis of funds with each fund considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the accompanying financial statements into two broad fund categories and five generic fund types as follows:

Governmental Funds	Proprietary Funds
General Fund	Enterprise Funds
Special Revenue Funds	Internal Service Funds
Capital Improvement Funds	

LOCAL 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, including the City of Manteca, continues to average 15%. While recovery is slow, consumer spending is showing slight increases. Through strong economic development, current information indicates that sales tax is 3.9% higher than revenues for the same period last year.

In spite of continuing foreclosures, residential home construction has continued. In 2010-11, the Building Safety division issued 317 permits for new residential construction compared to 423 permits in 2009-10, and 303 permits for fiscal year 2008-09.

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, the County Assessor's Office is indicating that no further declines in assessed valuation should occur as the housing market begins to stabilize.

Strong residential growth over the past decade has contributed to increased commercial, industrial, and retail opportunities. In 2008 the Promenade Shops at Orchard Valley comprising a 700,000 square foot regional lifestyle center anchored by Bass Pro Shops opened. Other tenants include J.C. Penny, Best Buy, AMC Showplace 16, Red Robin, Matsu Sushi, and the Hampton Inn. In February 2009, Craig Realty Group teamed with Poag & McEwen to expand the concept to include upscale factory outlet centers. Vans, the first outlet store, opened in fall of 2010. GUESS is scheduled to open for the 2011 holiday season.

The City will continue to implement economic strategies that will place it in a sound financial position to offset the continued economic downturn anticipated to continue for the next several years.

LONG TERM FINANCIAL PLANNING:

After nearly a decade of strong economic growth, the City of Manteca continues to face unprecedented fiscal challenges. To ensure financial stability for the City, beginning in January 2009, the City Council began to hold 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.

MAJOR INITIATIVES

Long Term Budget and Fiscal Goals

The extraordinary and severe economic downturn has predominantly impacted property tax and sales tax to the City. Action continues to be taken to stem structural budget deficits resulting from declining revenues. In spring of 2011, City leaders began discussions with all employee bargaining units with the goal of negotiating new Memoranda of Understanding (MOU) in order to address increasing personnel expenditures. Agreements and side letters were previously negotiated to expire December 31, 2011. By June 30, 2011 new MOU's or side letters were negotiated with four the City's bargaining units (Executive Management, Police – Sworn, Police – Non-sworn, and Fire). After June 30, agreements were reached with two of the remaining three groups with retroactive agreements to July 1, 2011. One of the key areas addressed with all bargaining units was the increasing cost of retirement benefits, including retiree health.

Community Development

Work continues on the CenterPoint industrial project. At completion, the project will feature 190 acres of development with an intermodal center, light industrial, warehouse, office, and commercial uses. Staff is currently waiting for conditions of approval to be met, before final annexation.

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.

Public Works

The City 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.

FINANCIAL INFORMATION
Basis of Accounting

Accounting System and Budgetary Control

Cash Management

Single Audit: The City is subject to an annual single audit in compliance with provisions of the Single Audit Act as amended in 1996 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 require 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.

Pension Operations The City participates in the State of California Public Employees' Retirement System (PERS). PERS is a state-administered retirement plan funded by City and employee participant contributions. For the fiscal year ending June 2009, PERS sustained 24% investment losses. They have implemented a smoothing policy to spread the impact on employer contribution rates over a three-year period. CalPERS investment reports for the fiscal year ended June 30, 2011 show an annual return of 20.9%. Due to a temporary modification to the method of determining the actuarial value of assets increases to employer rates are anticipated to begin in June 2012 with only marginal increases anticipated for the two subsequent years.

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 of Manteca for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-second 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.

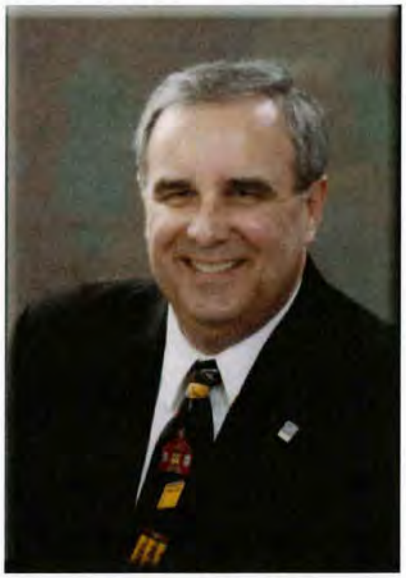
Respectfully submitted,

Suzanne Mallory

Suzanne Mallory
Finance Director

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	Steven J. Pinkerton
City Attorney	John Brinton
City Clerk	Joann Tilton
Administrative Services Director	Joe Kriskovich
Finance Director	Suzanne Mallory
Interim Community Development Director	Frederic Clark
Public Works Director	Mark Houghton
Fire Chief	Kirk Waters
Chief of Police	David Bricker

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Weaverville
Susanville
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Red Bluff
Chico
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Oroville
TAHOE NATL. FOR.
Ukiah
Yuba City
Lakeport
5
Sacramento
Santa Rosa
Lake Alpine
Jackson
Dardanelle
Napa
Fairfield
San Rafael
Stockton
Oakland
Manteca
YOSEMITE NATL. PARK
Modesto
San Jose
Merced
Bishop
Santa Cruz
Madera
Salinas
Fresno
SEQUOIA NATL. PARK
DEATH VALLEY NATL. PARK
Hanford
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Fort Irwin Mil. Res.
Bakersfield
1
San Luis Obispo
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Edwards A.F.B.
Barstow
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Santa Barbara
Ventura
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San Diego
Ocotillo
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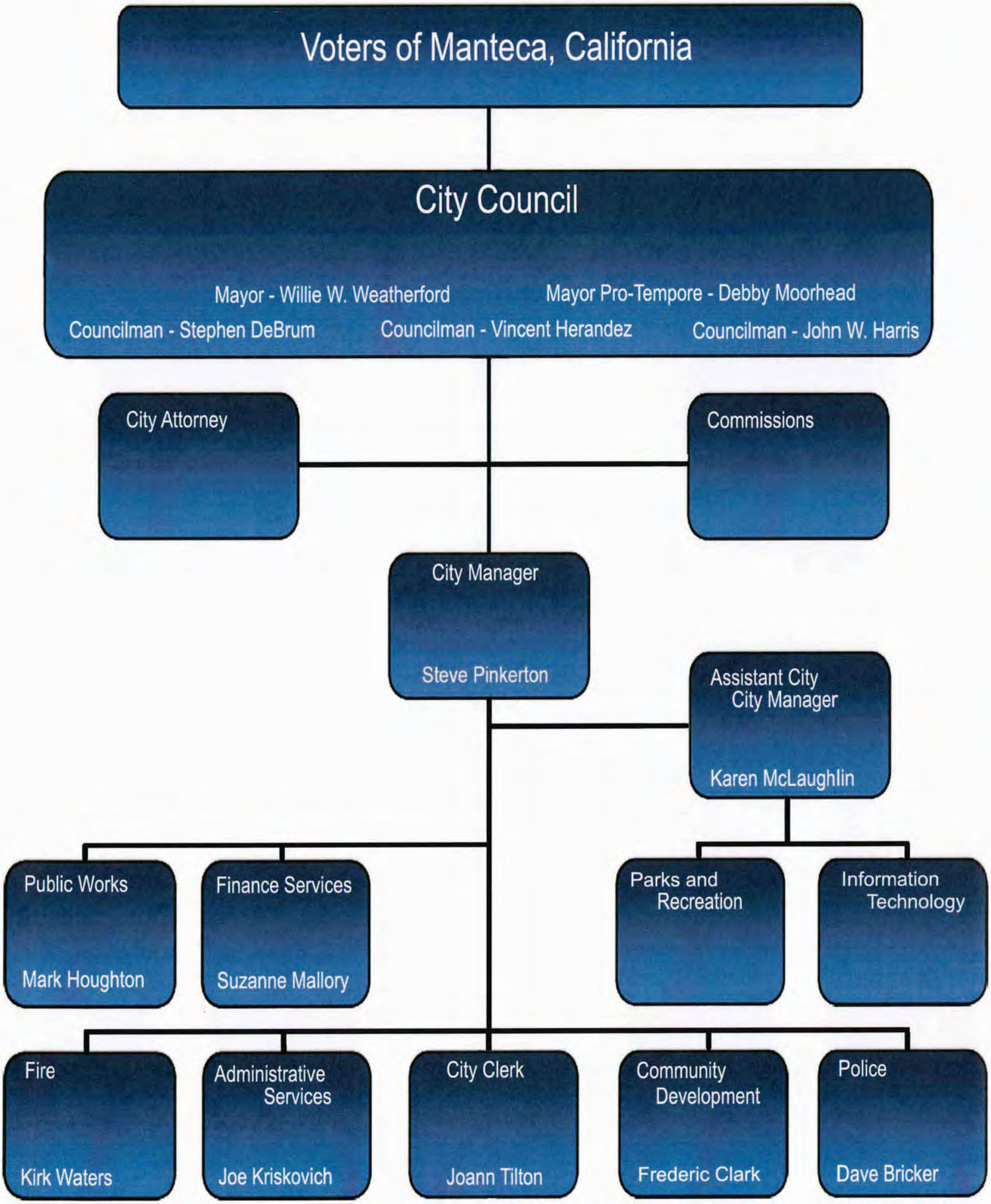
Voters of Manteca, California
City Council
Mayor - Willie W. Weatherford
Mayor Pro-Tempore - Debby Moorhead
Councilman - Stephen DeBrum
Councilman - Vincent Herandez
Councilman - John W. Harris
City Attorney
Commissions
City Manager
Steve Pinkerton
Assistant City
City Manager
Karen McLaughlin
Public Works
Mark Houghton
Finance Services
Suzanne Mallory
Parks and
Recreation
Information
Technology
Fire
Kirk Waters
Administrative
Services
Joe Kriskovich
City Clerk
Joann Tilton
Community
Development
Frederic Clark
Police
Dave Bricker

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, 2010

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. Davison

President

Jeffrey R. Emer

Executive Director

MAZE & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Manteca, California

We have audited the 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, 2011 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

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 of Manteca, California, as of June 30, 2011 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 17, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Manteca Redevelopment Agency, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Manteca Redevelopment Agency will continue as a going concern. The activities of the Manteca Redevelopment Agency are included in the Redevelopment Low and Moderate Income Housing, Redevelopment Debt Service, Redevelopment Capital Improvement and Redevelopment Economic Development Funds of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2011 on our consideration of the City of Manteca'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.

As of July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. As discussed in Note 9 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Supplemental Section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial information and accordingly, we express no opinion on them.

Maze & Associates

December 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires that the Comprehensive Annual Financial Report (CAFR) include this overview of its financial activities for the fiscal year, and it should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2011 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- Total assets of the City were $774.3 million and total liabilities were $278.5 at June 30, 2011. Of this amount, $185.3 million was restricted for specific purposes such as capital projects ($138.8 million), debt service ($5.8 million) and public safety ($12.2 million). $.4 million was unrestricted.
- For the year ended June 30, 2011, total net assets increased by $25.3 million. Total revenues from all sources were $120.3 and total expenses for all functions/programs were $95 million.
- Of total revenues, program revenues were $78.7 million and general revenues were $41.6 million. Program revenues are broken into three categories: Charges for Services, $49.7 million; Operating Contributions and Grants, $6.6 million; and Capital Contributions and Grants, $22.4 million.
- The total cost of the City's programs was $95 million. Expenses for Governmental Activities were $59 million for a decrease of $9.1 million from June 30, 2010. Expenses for Business-type Activities were $36.0 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

1) Introductory section, which includes the Transmittal Letter and general information,
2) Management's Discussion and Analysis (this part),
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 comprise the City-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.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities 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 the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Government Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

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 Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The Government-wide Financial Statements

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

- ***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 the activities of two separate legal entities, the Manteca Redevelopment Agency and the Manteca Financing Authority, because the City is financially accountable for the Agency and the Authority.

- ***Business-type activities***—All 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.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. 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.

Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, 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.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major funds that are Special Revenue Funds.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities (Tables 1, 2 and 3) and Business-Type Activities (Tables 4, 5 and 6) presented in the City-wide Statement of Net Assets and Statement of Activities.

Governmental Activities Financial Analysis

Net Assets

Table 1
Governmental Net Assets at June 30, 2011
(in Millions)

	Governmental Activities	
	2011	2010
Cash and investments	$ 176.4	$ 190.3
Other assets	53.6	37.2
Capital assets	263.4	249.7
Total assets	493.4	477.2
Long-term debt outstanding	129.7	131.6
Other liabilities	41.9	39.7
Total liabilities	171.6	171.3
Net assets:		
Invested in capital assets, net of debt	188.3	171.7
Restricted	160.5	89.3
Unrestricted	(27.0)	44.9
Total Net Assets	$321.8	$305.9

Net assets are one indicator of a government's financial position. The City of Manteca's net assets from governmental activities increased 5.2% from $306 million in 2010 to $322 million in 2011 Of this amount, $188.3 million or 59% of net assets are invested in capital assets; land, buildings, infrastructure, machinery, and equipment and are being used to provide services to its citizens. Capital assets increased by $13.7 million as the City continues to invest heavily in road and transportation projects, storm drain improvements, and parks improvements. Of net assets that are available for future spending, $160.5 million are restricted in how they may be used.

Changes in Net Assets

The increase is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and is explained below:

Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services	$ 8.3	$ 7.8
Operating contributions and grants	6.6	4.2
Capital Grants and Contributions	20.1	8.2
Total program revenues	35.0	20.2
General revenues:		
Taxes:		
Property taxes	23.0	23.8
Sales taxes	10.1	9.6
Other taxes	4.2	3.3
Motor Vehicle in Lieu	.2	.2
Interest income	1.4	2.3
Intergovernmental	.0	.1
Development Agreements, Unrestricted	.1	.0
Other Revenue	.5	1.0
Transfers	.4	0
Total general revenues	39.9	40.3
Total revenues	74.9	60.5
Expenses		
General government	3.2	3.1
Community Development	7.7	14.4
Public Safety	24.3	27.0
Library	.1	.1
Public Works	4.9	5.9
Parks and Recreation	6.5	6.7
Streets and Highways	5.9	4.9
Interest and fiscal charges	6.4	6.0
Total expenses	59.0	68.1
Change in net assets	**$ 15.9**	**($ 7.6)**

The City's net assets increased by $15.9 million. The largest increase in net assets was a result of the increase in revenues associated with Capital Grants and Contributions. In prior years, the City was in a strong residential construction mode. While residential construction continues at a slower pace, commercial and multi-family construction continues. In December 2010, the City Council approved the construction of a 153 unit affordable housing project. Permits for this project began to be processed in March 2011. As a result, the capital contributions in the form of infrastructure and related fees were collected.

Table 2 shows that total governmental activity revenues increased in fiscal year 2011 by $14.4 million. While $11.9 million of the increase is related to increases in capital grants as discussed above, increases in Charges for Services and Operating Grants were also experienced. The City had a slight decrease in ($.4 million) in General Revenues associated with continuing declines in property taxes and interest earnings.

Government Activities

Table 3 presents the net cost of each of the City's largest programs - 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. In the City's case, expenses have been greater than the revenue generated to support them.

Table 3
Governmental Activities
(in Millions)

	Net (Expense) Revenue From Services	
	2011	2010
General government	$ (.3)	$ (.2)
Community Development	(3.3)	(12.4)
Public Safety	(21.9)	(24.6)
Library	(.1)	(.1)
Public Works	7.9	(3.4)
Parks and Recreation	(3.8)	(4.0)
Streets and Highways	3.8	2.7
Interest and Fiscal Charges	(6.3)	(6.0)
Totals	$ (24.0)	$ (48.0)

Net revenues for public safety and parks and recreation have increased from 2010 by $2.7 million as a result of decreases in personnel expenditures. In fall of 2010, the City renegotiated Memoranda of Understanding through December 31, 2011 with all employees to address projected declines in revenues. Net Revenues for Community Development increased by $9.1 million. In 2010, the Redevelopment Agency was required to make a $6.7 million SERAF payment. The SERAF payment for fiscal year 2011 was a lesser amount of $1.4 million, for a difference of $5.3 million. The net revenues for Public Works increased by $11.3 million primarily due to increased Capital Grants and Contributions as discussed above.

Business-Type Activities Financial Analysis

Net Assets

Table 4
Business-Type Net Assets
(in Millions)

	Business-Type Activities	
	2011	2010
Cash and investments	$ 97.6	$ 93.3
Other current assets	(2.8)	2.4
Capital assets	186.1	181.5
Total assets	**280.9**	**277.2**
Long-term debt outstanding	89.0	94.2
Other liabilities	17.9	18.5
Total liabilities	**106.9**	**112.7**
Net assets:		
Invested in capital assets, net of debt	121.9	113.1
Restricted	24.8	25.8
Unrestricted	27.3	25.6
Total net assets	**$ 174.0**	**$ 164.5**

The net assets of business-type activities were $174 million in fiscal 2011. This was a $9.5 million or 5.8% increase over the beginning balance of net assets. This increase was largely due to increased cash and investments of $4.3 million. $121.9 million or 70% of net assets are invested in capital assets. $27.3 million or 16% are unrestricted and available for the operations of the proprietary funds.

Changes in Net Assets

Table 5
Changes in Business-Type Net Assets
(in Millions)

	Business-Type Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services	$ 41.4	$ 38.8
Capital grants and contributions	2.3	.3
Total program revenues	43.7	39.1
General revenues:		
Interest income	1.2	1.8
Gain from sale of capital assets	.0	.4
Other revenue	.9	.3
Transfers	(.4)	.0
Total general revenues	1.7	2.5
Total revenues	45.4	41.6
Expenses		
Water	13.0	13.2
Sewer	13.1	12.5
Solid Waste	8.8	9.0
Golf	1.1	1.3
Total expenses	36.0	36.0
Change in net assets	**$ 9.4**	**$ 5.6**

Table 6
Changes in Business-Type Activites by Program
(in Millions)

	Business-type Activities	
	2011	2010
Net Revenues (Expense) from Business-type activities:		
Water	$ 1.5	$ .2
Sewer	6.6	4.0
Solid Waste	(.3)	(1.0)
Golf	(.1)	(.1)
Total Business-type Activities	$7.7	$3.1

Net revenues of Business-type Activities increased $4.6 million primarily as a result of increases in the Sewer Funds charges for services and increased Capital Grants and Contributions. Program expenditures showed slight decreases, with the exception of the Sewer Fund which experienced increased debt service expenditures associated with issuance of the 2010 Sewer Revenue Bonds.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2011, the City's governmental funds reported combined fund balances of $169.7 million, which is a decrease of $12.9 million or 7% compared with the prior year. Governmental fund revenues were $65.9 million this year. The General Fund accounted for 42% of this total. Expenses were $80.4 million this year. Of this total, $27.6 million was in the General Fund, $28.1 million was in the RDA Funds, $8.3 million was in other major funds and $16.4 million was in non-major funds.

Proprietary Funds

Proprietary Fund net assets totaled $173.9 million at June 30, 2011. Proprietary operating revenues were $42.4 million and operating expenses were $31.4 million in fiscal 2011.

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased marginally by $.4 million, or 1.4% as compared to fiscal year end 2010. Property taxes declined by 0.58% due to region-wide reassessments of property values resulting from the downturn in the housing market. Sales tax revenue rose by 3.8%. The major gain in General Fund revenues came in the form of Other Taxes received as a one-time catch up of Sales Tax in Lieu receipts due to the opening of major retailers such as Bass Pro Shops, JC Penny, and Costco.

General Fund expenditures decreased by $2.3 million to $27.6 million in fiscal year 2011 and were $1.9 million less than final budget. Reductions in expenditures were primarily related to decreases in personnel expenditures.

At June 30, 2011, the General Fund balance was comprised of $1.7 million in nonspendable balances and $10.7 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

This Fund accounts for the collection and use of fees collected as part of negotiated development agreements. Fund balance in the fund decreased by $1.7 million as current year capital outlay expenditures exceeded current year revenues. The fund's fiscal year end fund balance of $9.4 million is restricted, which means it is available only to fund future projects related to the fees collected.

Redevelopment Low and Moderate Income Housing

This Fund accounts for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The City's residential and commercial loan program for low and moderate-income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund.

Principal payments, and in most cases interest payments, are deferred on these low and moderate income loans until the property is sold or re-financed. Principal and interest on loans to non-profit developers of such properties are typically at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing. All these loans are secured by deeds of trust on the underlying property, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

At the end of the fiscal year, the outstanding balances of such loans were $23.1 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2011. While additional interest may eventually be due on these loans, it is not accounted for as revenue in the current year because it is not collectible for some time to come, as explained above.

Since a portion of the monies used by this fund was obtained through borrowing, the fund is required to make principal and interest payments on its share of the debt. The fund's fiscal year end fund balance of $4.7 million is restricted, which means it is available to only fund future low and moderate income housing expenditures.

Redevelopment Debt Service

Fund balance in this fund was $15.8 million as of June 30, 2011, a decrease of $14.1 million. Revenue decreased 6.0% or by $.7 million due to declines in assessed valuations primarily in residential activity. $13.1 million was transferred to the City to fund transportation and infrastructure projects.

Redevelopment Capital Improvement and Economic Development

Fund balance in these funds decreased by $47.7 million. Current expenditures totaled $1.6 million. Transfers to the City in order to fund infrastructure projects totaled $46.1 million.

Public Facilities Implementation Plan

The fund balance in this fund shows a slight increase of $.6 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. As the initial plan approaches the point of review, associated revenues collected in the designated PFIP areas slows. The Public Facilities Implementation Plan is currently being updated to appropriately plan for future growth in accordance with the recently updated General Plan.

Special Apportionment Streets

This Fund accounts for the construction and maintenance of the street system in Manteca through funding from local transportation funds and State and Federal grants. Fund balance in the fund increased by $57.6 million due to transfers of $58.5 million from the Redevelopment Debt Service, Redevelopment Capital Improvement and Redevelopment Economic Development Funds to fund future transportation and infrastructure projects. Of the fund's ending fund balance of $61.9 million, $57.4 million is restricted, which means it is available to only fund future redevelopment projects, and $4.5 million has been assigned to various capital projects.

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 $66.3 million in the current year. This total comprised $13.9 million in Operating Revenues for the current year, plus $1.98 million in non-operating revenues and capital contributions.

Approximately $27.9 million of the Fund's Net Assets was unrestricted at the fiscal year end.

Charges for services remained consistent with prior year revenues as the City took action in December 2010 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 decreased from $11.2 million in 2010 to $11.0 million in 2011, or by 1.8%.

Sewer

Net assets of the Sewer Funds are $99.2 million for the current year. The City completed the final of four phases of the expansion of the Wastewater Control Facility during fiscal year 2010-11. Operating revenues for fiscal year 2011 were $19 million, an increase of 16.5% due to scheduled rate increases and reimbursement for the City of Lathrop's shared portion of the Wastewater Control Facility expansion. Operating expenditures increased by $.7 million or 7.1% from fiscal year 2010. A major component of the increase was related to depreciation associated with the expansion of the plant. A total of $83.5 million of the $99.2 million in this fund's net assets is invested in capital assets net of related debt.

Solid Waste

Operating revenues remained flat as there are no scheduled rate increases for this fund. Operating revenues totaled $8.3 million. Operating expenses were $8.8 million, a slight decrease of 2.2%. A total of $4.7 million in Net Assets were unrestricted at year-end.

Golf

The operating revenue for this fund showed a decrease of 8.3% from $1.2 million as of June 30, 2010 to $1.1 million as of June 30, 2011. Operating expenses were reduced by 8.4% due to reductions in personnel expenditures. The net result was a slight decrease in Net Assets with overall Net Assets being reduced to $.8 million. The General Fund continues to contribute to the Golf Fund to compensate for the reduced rate for youth programs. In fiscal year 2011 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 2011 the City had $449 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in Table 7 below (further detail may be found in Note 7 to the financial statements):

Table 7
Capital Assets at Year-end
(in Millions)

	Government Activities	
	2011	2010
Governmental Activities:		
Land and Improvements	$ 33	$ 28
Construction in progress	45	47
Buildings and improvements	16	16
Machinery & Equipment	15	14
Storm Drain	39	38
Streets	126	113
Parks	54	52
Less accumulated depreciation	(65)	(58)
Totals	263	250
Business-type Activities		
Land and Improvements	4	4
Construction in Progress	2	52
Sewer Lines and Improvements	43	42
Water Wells and Pipelines	95	87
Buildings and Improvements	8	8
Machinery and Equipment	17	16
Infrastructure	0	0
Sewer Plant Expansion	90	41
Less accumulated depreciation	(73)	(68)
Totals	$186	$182

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 8 to the financial statements.

Table 8
Outstanding Debt
(in Millions)

	2011	2010
Governmental activities		
Tax Allocation Bonds (issued by the Redevelopment Agency)	$ 127.5	$ 130.0
Capital Lease	2.2	1.6
	129.7	131.6
Business-type Activities		
Sewer Revenue Bonds	46.6	51.0
Water Revenue Bonds	42.2	42.7
Energy Conservation Assistance Loans	.0	.3
Capital Lease	.2	.2
	$ 89.0	$ 94.2

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.

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 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.

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CITY OF MANTECA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	$117,633,901	$72,807,775	$190,441,676
Restricted cash and investments (Note 3)	58,772,419	24,790,703	83,563,122
Accounts receivables, net	9,108,232	5,833,231	14,941,463
Taxes receivable	4,544,464		4,544,464
Interest receivable	296,076	178,700	474,776
Internal balances (Note 4D)	10,012,047	(10,012,047)	
Prepaid items and deposits	484,214		484,214
Long-term notes receivable (Note 5)	22,647,358		22,647,358
Employee notes receivable (Note 6)	108,884		108,884
Bond issue costs, net of amortization		1,181,500	1,181,500
Deferred outflow (Note 8C)	6,491,163		6,491,163
Capital assets, not being depreciated (Note 7)	79,105,454	6,631,331	85,736,785
Capital assets, being depreciated (net) (Note 7)	184,255,750	179,439,043	363,694,793
Total Assets	493,459,962	280,850,236	774,310,198
LIABILITIES			
Accounts payable	5,839,182	1,784,862	7,624,044
Contracts payable	5,058,653	10,499,634	15,558,287
Refundable deposits	5,065,569	1,909,410	6,974,979
Accrued liabilities	2,724,910	1,166,655	3,891,565
Unearned revenue	1,191,190		1,191,190
Derivative instrument (Note 8C)	6,491,163		6,491,163
Compensated absences (Note 1G):			
Due within one year	105,601		105,601
Due in more than one year	4,188,169		4,188,169
Estimated claims liability (Note 13):			
Due within one year	197,904		197,904
Due in more than one year	2,854,339		2,854,339
Long-term debt (Note 8):			
Due within one year	3,093,122	1,428,468	4,521,590
Due in more than one year	126,647,898	87,581,651	214,229,549
OPEB liability (Note 11):			
Due in more than one year	8,185,891	2,531,699	10,717,590
Total Liabilities	171,643,591	106,902,379	278,545,970
NET ASSETS (Note 9):			
Invested in capital assets, net of related debt	188,291,863	121,850,958	310,142,821
Restricted for:			
Capital projects	114,005,180	24,790,703	138,795,883
Debt service	5,802,102		5,802,102
Redevelopment projects	17,525,050		17,525,050
Special revenue projects:			
Development mitigation	9,404,704		9,404,704
Landscaping and lighting	1,133,835		1,133,835
Public safety	12,195,257		12,195,257
Other special revenue projects	411,310		411,310
Total Restricted Net Assets	160,477,438	24,790,703	185,268,141
Unrestricted	(26,952,930)	27,306,196	353,266
Total Net Assets	$321,816,371	$173,947,857	$495,764,228

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General government	$3,174,292	$2,903,308		
Community development	7,745,806	2,585,271	$320,361	$1,500,000
Public safety	24,280,052	989,504	1,091,115	320,022
Library	109,752			
Public works	4,940,031	2,003	565,208	12,281,986
Parks and recreation	6,482,442	1,615,658	22,170	1,089,719
Streets and highways	5,882,611	164,000	4,561,825	4,911,995
Interest and fiscal charges	6,346,120			
Total Governmental Activities	58,961,106	8,259,744	6,560,679	20,103,722
Business-type Activities:				
Water	12,992,447	13,207,371		1,234,985
Sewer	13,103,679	19,001,593		731,373
Solid waste	8,796,614	8,159,479		339,336
Golf	1,156,149	1,113,968		
Total Business-type Activities	36,048,889	41,482,411		2,305,694
Total	$95,009,995	$49,742,155	$6,560,679	$22,409,416

General revenues:
Taxes:
Property taxes
Sales taxes
Other taxes
Interest income
Intergovernmental, unrestricted:
Motor vehicle-in-lieu
Development agreements, unrestricted
Gain from sale of property
Other revenue
Transfers, net (Note 4A)

Total general revenues

Change in Net Assets

Net Assets-Beginning

Net Assets-Ending

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
($270,984)		($270,984)
(3,340,174)		(3,340,174)
(21,879,411)		(21,879,411)
(109,752)		(109,752)
7,909,166		7,909,166
(3,754,895)		(3,754,895)
3,755,209		3,755,209
(6,346,120)		(6,346,120)
(24,036,961)		(24,036,961)
	$1,449,909	1,449,909
	6,629,287	6,629,287
	(297,799)	(297,799)
	(42,181)	(42,181)
	7,739,216	7,739,216
(24,036,961)	7,739,216	(16,297,745)
23,066,757		23,066,757
10,067,580		10,067,580
4,171,694		4,171,694
1,381,906	1,155,140	2,537,046
236,814		236,814
60,109		60,109
192,760	10,100	202,860
314,968	933,153	1,248,121
439,885	(439,885)	
39,932,473	1,658,508	41,590,981
15,895,512	9,397,724	25,293,236
305,920,859	164,550,133	470,470,992
$321,816,371	$173,947,857	$495,764,228

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2011. 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.

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
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
ASSETS					
Cash and investments (Note 3)	$10,201,791	$9,392,672	$1,255,589	$2,067,751	$456,723
Restricted cash and investments (Note 3)			3,517,862	9,990,688	
Accounts receivables (net of allowance for estimated uncollectible accounts)	522,847	276			
Taxes receivable	1,497,183			2,839,465	
Interest receivable	48,247	31,049	8,643	12,973	1,385
Due from other funds (Note 4B)	98,804				
Advances to other funds (Note 4C)	1,412,425			1,700,000	
Prepaid items	301,414				
Long-term notes receivable (Note 5)			23,110,189		1,487,437
Total Assets	$14,082,711	$9,423,997	$27,892,283	$16,610,877	$1,945,545
LIABILITIES					
Accounts payable	$731,289	$19,293	$109,133	$813,087	$262,689
Contracts payable					
Refundable deposits	863,992			5,000	
Due to other funds (Note 4B)					
Advances from other funds (Note 4C)					
Deferred revenue (Note 5)			23,110,189		1,487,437
Total Liabilities	1,595,281	19,293	23,219,322	818,087	1,750,126
FUND BALANCES					
Fund balance (Note 9):					
Nonspendable	1,716,914				
Restricted		9,404,704	4,672,961	15,792,790	195,419
Committed					
Assigned	24,329				
Unassigned	10,746,187				
Total Fund Balances	12,487,430	9,404,704	4,672,961	15,792,790	195,419
Total Liabilities and Fund Balances	$14,082,711	$9,423,997	$27,892,283	$16,610,877	$1,945,545

See accompanying notes to basic financial statements

Redevelopment Economic Development	Public Facilities Implementation Plan	Special Apportionment Streets	Other Governmental Funds	Total Governmental Funds
$69,357	$21,122,767	$17,778,082	$37,253,169	$99,597,901
		43,670,206	1,544,701	58,723,457
	3,393,718	2,652,212	2,492,112	9,061,165
			207,816	4,544,464
2,106	69,517	7,596	76,314	257,830
			728,947	827,751
	9,011,508		28,000	12,151,933
			182,800	484,214
338,040				24,935,666
$409,503	$33,597,510	$64,108,096	$42,513,859	$210,584,381
$23,400	$112,256	$1,614,876	$2,077,614	$5,763,637
	929,793	25,901	2,219	957,913
	3,392,861	562	803,154	5,065,569
		574,648	253,103	827,751
	439,886		1,700,000	2,139,886
338,040			1,191,190	26,126,856
361,440	4,874,796	2,215,987	6,027,280	40,881,612
			182,800	1,899,714
48,063	28,722,714	57,366,220	36,899,896	153,102,767
			383,968	383,968
		4,525,889		4,550,218
			(980,085)	9,766,102
48,063	28,722,714	61,892,109	36,486,579	169,702,769
$409,503	$33,597,510	$64,108,096	$42,513,859	$210,584,381

CITY OF MANTECA
Reconciliation of the
GOVERNMENTAL FUNDS-- BALANCE SHEET
with the
GOVERNMENTAL ACTIVITIES NET ASSETS
JUNE 30, 2011

Total fund balances reported on the Governmental Funds Balance Sheet	$169,702,769
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.	261,649,418
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	18,036,000
Restricted cash and investments	48,962
Accounts receivable	47,067
Interest receivable	38,246
Employee notes receivable	108,884
Capital assets, not being depreciated	49,752
Capital assets (net of accumulated depreciation)	1,662,034
Contracts and accounts payable	(75,545)
Accrued liabilities	(1,784,302)
Compensated absences	(4,293,770)
Long-term debt	(273,125)
Estimated claims liability	(3,052,243)
Net OPEB liability	(85,106)
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.	24,935,666
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	(129,467,895)
Interest payable	(940,608)
Net OPEB liability	(8,100,785)
Contracts payable	(4,100,740)
Amortization of conditional grants	(2,288,308)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$321,816,371

See accompanying notes to basic financial statements

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CITY OF MANTECA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
REVENUES					
Property taxes	$9,200,379		$3,201,975	$10,664,403	
Sales taxes	6,158,754				
Other taxes	4,750,902				
Licenses and permits	819,601				
Fines and forfeitures	182,835				
Use of money and property	185,155	$131,680	95,075	380,001	$14,323
Revenue from other agencies	468,517				
Charges for current services	5,547,814	2,147			
Other revenue	106,881	59,965	1,000		
Total Revenues	27,420,838	193,792	3,298,050	11,044,404	14,323
EXPENDITURES					
Current:					
General government	2,734,757	1,984			
Community development		25,599	13,975,418	1,972,507	13,299
Public safety	17,506,058	715			
Library	82,092	30,000			
Public works	2,256,237	69,267			
Parks and recreation	3,032,682				
Streets and highways					
Nondepartmental	1,982,355			352,015	
Supplemental Educational Revenue Augmentation Fund payment (Note 16)				1,372,053	
Capital outlay		1,755,560			1,147,796
Debt service:					
Principal	41,748		154,540	2,300,460	
Interest and fiscal charges	7,732		294,138	6,031,845	
Total Expenditures	27,643,661	1,883,125	14,424,096	12,028,880	1,161,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(222,823)	(1,689,333)	(11,126,046)	(984,476)	(1,146,772)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of property	192,760				
Issuance of long-term debt					
Transfers in (Note 4A)	755,523				
Transfers (out) (Note 4A)	(293,651)			(13,129,795)	(43,670,205)
Total Other Financing Sources (Uses)	654,632			(13,129,795)	(43,670,205)
NET CHANGE IN FUND BALANCES	431,809	(1,689,333)	(11,126,046)	(14,114,271)	(44,816,977)
BEGINNING FUND BALANCES	12,055,621	11,094,037	15,799,007	29,907,061	45,012,396
ENDING FUND BALANCES	$12,487,430	$9,404,704	$4,672,961	$15,792,790	$195,419

See accompanying notes to basic financial statements

Redevelopment Economic Development	Public Facilities Implementation Plan	Special Apportionment Streets	Other Governmental Funds	Total Governmental Funds
				$23,066,757
			$3,908,826	10,067,580
				4,750,902
			3,730,725	4,550,326
				182,835
$7,096	$291,872	$123,445	622,840	1,851,487
		3,817,056	6,506,890	10,792,463
	1,385,180		3,444,166	10,379,307
	1,143	28,930	24,941	222,860
7,096	1,678,195	3,969,431	18,238,388	65,864,517
			5,149	2,741,890
127,557			2,131,786	18,246,166
			5,508,329	23,015,102
				112,092
	465,907		845,424	3,636,835
			1,831,749	4,864,431
		976,238	1,002,355	1,978,593
				2,334,370
				1,372,053
302,405	1,036,290	3,831,699	4,876,395	12,950,145
		49,094	178,202	2,724,044
		9,093	37,649	6,380,457
429,962	1,502,197	4,866,124	16,417,038	80,356,178
(422,866)	175,998	(896,693)	1,821,350	(14,491,661)
				192,760
			969,360	969,360
	439,885	58,500,000	293,651	59,989,059
(2,455,523)				(59,549,174)
(2,455,523)	439,885	58,500,000	1,263,011	1,602,005
(2,878,389)	615,883	57,603,307	3,084,361	(12,889,656)
2,926,452	28,106,831	4,288,802	33,402,218	182,592,425
$48,063	$28,722,714	$61,892,109	$36,486,579	$169,702,769

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, 2011

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	($12,889,656)
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.	11,260,589
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $668,389 which has already been allocated to serviced funds).	(7,471,423)
Retirements are deducted from the fund balance	(249,277)
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.	10,398,416
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.	
Proceeds from the issuance of debt are deducted from fund balance	(969,360)
Repayment of debt principal is added back to fund balance	2,724,044
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	13,307,604
Contracts and accounts payable	642,204
Interest payable	34,337
Allowance for conditional grants	(349,979)
Net OPEB liability	(524,862)
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	(17,125)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$15,895,512

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Property taxes	$9,919,600	$9,919,600	$9,200,379	($719,221)
Sales taxes	7,755,000	5,660,000	6,158,754	498,754
Other taxes	2,040,000	4,135,000	4,750,902	615,902
Licenses and permits	648,900	648,900	819,601	170,701
Fines and forfeitures	227,500	227,500	182,835	(44,665)
Use of money and property	225,000	225,000	185,155	(39,845)
Revenue from other agencies	470,000	470,000	468,517	(1,483)
Charges for current services	5,006,625	5,006,625	5,547,814	541,189
Other revenue	62,000	62,000	106,881	44,881
Total Revenues	26,354,625	26,354,625	27,420,838	1,066,213
EXPENDITURES:				
Current:				
General government				
Legislative	705,180	705,180	635,895	69,285
City Attorney	153,072	153,072	162,533	(9,461)
Administration	724,980	724,980	662,599	62,381
Administrative services	423,390	423,390	411,362	12,028
Financial services	903,110	903,110	862,368	40,742
Total general government	2,909,732	2,909,732	2,734,757	174,975
Public safety				
Police	12,265,321	12,293,462	11,510,950	782,512
Fire	5,689,790	5,781,238	5,715,609	65,629
Animal control	398,560	398,560	279,499	119,061
Total public safety	18,353,671	18,473,260	17,506,058	967,202
Library	96,115	96,115	82,092	14,023
Public works				
Engineering	811,495	843,424	837,177	6,247
Street maintenance	290,700	290,700	274,068	16,632
Storm drain maintenance and operation	314,535	309,094	225,021	84,073
Vehicle maintenance	377,810	377,810	366,312	11,498
Building maintenance	676,430	676,430	553,659	122,771
Total public works	2,470,970	2,497,458	2,256,237	241,221
Parks and recreation				
Park facility maintenance	3,053,950	3,071,049	2,805,564	265,485
Senior center	219,380	219,380	227,118	(7,738)
Total parks and recreation	3,273,330	3,290,429	3,032,682	257,747
Nondepartmental charges	2,201,335	2,212,408	1,982,355	230,053

(Continued)

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Capital outlay	37,500	50,000		50,000
Debt service:				
Principal	55,063	55,063	41,748	13,315
Interest and fiscal charges	8,037	8,037	7,732	305
Total Expenditures	29,405,753	29,592,502	27,643,661	1,948,841
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,051,128)	(3,237,877)	(222,823)	3,015,054
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			192,760	192,760
Transfers in			755,523	755,523
Transfers (out)	(200,000)	(200,000)	(293,651)	(93,651)
Total Other Financing Sources (Uses)	(200,000)	(200,000)	654,632	854,632
NET CHANGE IN FUND BALANCE	($3,251,128)	($3,437,877)	431,809	$3,869,686
BEGINNING FUND BALANCE			12,055,621	
ENDING FUND BALANCE			$12,487,430	

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Use of money and property	$147,000	$147,000	$131,680	($15,320)
Charges for current services			2,147	2,147
Other revenue	59,965	59,965	59,965	
Total Revenues	206,965	206,965	193,792	(13,173)
EXPENDITURES:				
Current:				
General government		42,410	1,984	40,426
Community development		342,120	25,599	316,521
Public safety		715	715	
Library		34,000	30,000	4,000
Public works		356,160	69,267	286,893
Parks and recreation	30,000	3,000		3,000
Capital outlay	295,000	2,832,947	1,755,560	1,077,387
Total Expenditures	325,000	3,611,352	1,883,125	1,728,227
NET CHANGE IN FUND BALANCE	($118,035)	($3,404,387)	(1,689,333)	$1,715,054
BEGINNING FUND BALANCE			11,094,037	
ENDING FUND BALANCE			$9,404,704	

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 YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property taxes	$3,174,225	$3,174,225	$3,201,975	$27,750
Use of money and property	103,000	103,000	95,075	(7,925)
Other revenue			1,000	1,000
Total Revenues	3,277,225	3,277,225	3,298,050	20,825
EXPENDITURES:				
Current:				
Community development	1,596,230	15,994,290	13,975,418	2,018,872
Debt service:				
Principal	154,540	154,540	154,540	
Interest and fiscal charges	294,140	294,140	294,138	2
Total Expenditures	2,044,910	16,442,970	14,424,096	2,018,874
NET CHANGE IN FUND BALANCE	$1,232,315	($13,165,745)	(11,126,046)	$2,039,699
BEGINNING FUND BALANCE			15,799,007	
ENDING FUND BALANCE			$4,672,961	

See accompanying notes to basic financial statements

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MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City has determined all of its enterprise funds to be major funds in fiscal 2011, 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, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
ASSETS						
Current assets						
Cash and investments (Note 3)	$40,063,758	$27,480,042	$5,018,157	$245,818	$72,807,775	$18,036,000
Accounts receivables (net of allowance for estimated uncollectible accounts)	2,106,543	2,546,583	1,154,350	$25,755	5,833,231	47,067
Interest receivable	117,756	45,042	15,902		178,700	38,246
Total current assets	42,288,057	30,071,667	6,188,409	271,573	78,819,706	18,121,313
Non-current assets						
Restricted cash and investments (Note 3)	5,173,477	19,617,226			24,790,703	48,962
Advances to other funds (Note 4C)	279,228	647,487			926,715	
Employee notes receivable (Note 6)						108,884
Bond issue costs/premium, net	56,643	1,124,857			1,181,500	
Capital assets not being depreciated (Note 7)	474,577	5,134,351		1,022,403	6,631,331	
Capital assets (net of accumulated						49,752
depreciation) (Note 7)	69,822,967	105,501,580	3,004,072	1,110,424	179,439,043	1,662,034
Total non-current assets	75,806,892	132,025,501	3,004,072	2,132,827	212,969,292	1,869,632
Total Assets	118,094,949	162,097,168	9,192,481	2,404,400	291,788,998	19,990,945
LIABILITIES						
Current liabilities						
Accounts payable	772,896	454,202	542,414	15,350	1,784,862	75,545
Contracts payable	3,588,924	6,910,710			10,499,634	
Accrued liabilities						1,784,302
Refundable deposits	1,112,143	797,267			1,909,410	
Interest payable	967,104	199,551			1,166,655	
Compensated absences (Note 1G)						105,601
Estimated claims liability (Note 13)						197,904
Revenue bonds (Note 8)	610,000	755,000			1,365,000	
Capital lease obligations (Note 8)	26,148	37,320			63,468	92,873
Total current liabilities	7,077,215	9,154,050	542,414	15,350	16,789,029	2,256,225
Long-term liabilities						
Advances from other funds (Note 4C)	2,423,769	7,074,568		1,440,425	10,938,762	
Compensated absences (Note 1G)						4,188,169
Estimated claims liability (Note 13)						2,854,339
Revenue bonds (Note 8)	41,625,000	45,855,000			87,480,000	
Capital lease obligations (Note 8)	41,880	59,771			101,651	180,252
OPEB liability (Note 11)	654,745	772,890	953,135	150,929	2,531,699	85,106
Total long-term liabilities	44,745,394	53,762,229	953,135	1,591,354	101,052,112	7,307,866
Total Liabilities	51,822,609	62,916,279	1,495,549	1,606,704	117,841,141	9,564,091
NET ASSETS (Note 9):						
Invested in capital assets, net of related debt	33,167,993	83,546,066	3,004,072	2,132,827	121,850,958	1,487,623
Restricted for capital projects	5,173,477	19,617,226			24,790,703	
Unrestricted	27,930,870	(3,982,403)	4,692,860	(1,335,131)	27,306,196	8,939,231
Total Net Assets	$66,272,340	$99,180,889	$7,696,932	$797,696	$173,947,857	$10,426,854

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, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
OPERATING REVENUES						
Charges for services	$13,207,371	$19,001,593	$8,159,479	$1,113,968	$41,482,411	$1,911,511
Insurance premium contribution from other funds						1,456,639
Settlements						4,609
Miscellaneous	709,995	46,162	173,446	3,550	933,153	37,961
Total Operating Revenues	13,917,366	19,047,755	8,332,925	1,117,518	42,415,564	3,410,720
OPERATING EXPENSES						
Personnel services	2,945,110	3,496,043	3,997,016	666,918	11,105,087	1,070,887
Contractual services	233,901	705,794	1,994,160	101,895	3,035,750	131,210
Supplies	2,838,572	581,483	368,161	55,964	3,844,180	48,397
Utilities	470,849	1,029,898	8,740	46,173	1,555,660	11,617
Repairs and maintenance	37,297	173,764	4,954	27,239	243,254	512,287
Vehicle maintenance and operations	45,128	48,183	694,254	47,533	835,098	3,056
Interdepartmental	1,089,360	1,471,610	999,790	19,580	3,580,340	10,731
Insurance	157,326	218,682	174,442	8,384	558,834	954,976
Claims						135,603
Depreciation	3,121,483	2,666,277	537,518	124,956	6,450,234	668,389
Miscellaneous	67,325	108,341	17,579	3,085	196,330	20,800
Total Operating Expenses	11,006,351	10,500,075	8,796,614	1,101,727	31,404,767	3,567,953
Operating Income (Loss)	2,911,015	8,547,680	(463,689)	15,791	11,010,797	(157,233)
NONOPERATING REVENUES (EXPENSES)						
Interest income	742,114	344,603	68,423		1,155,140	164,416
Gain (loss) from sale of capital assets			10,100		10,100	(11,519)
Interest (expense)	(1,986,096)	(2,603,604)		(2,422)	(4,592,122)	(12,789)
Intergovernmental grants			339,336		339,336	
Lease (expenses)				(52,000)	(52,000)	
Net Nonoperating Revenues (Expenses)	(1,243,982)	(2,259,001)	417,859	(54,422)	(3,139,546)	140,108
Income (Loss) Before Contributions and Transfers	1,667,033	6,288,679	(45,830)	(38,631)	7,871,251	(17,125)
Transfers (out)	(180,280)	(259,605)			(439,885)	
Contributions	1,234,985	731,373			1,966,358	
Net Contributions and Transfers	1,054,705	471,768			1,526,473	
Change in net assets	2,721,738	6,760,447	(45,830)	(38,631)	9,397,724	(17,125)
BEGINNING NET ASSETS	63,550,602	92,420,442	7,742,762	836,327	164,550,133	10,443,979
ENDING NET ASSETS	$66,272,340	$99,180,889	$7,696,932	$797,696	$173,947,857	$10,426,854

See accompanying notes to basic financial statements

CITY OF MANTECA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$13,745,115	$19,187,471	$8,123,155	$1,124,568	$42,180,309	$3,449,733
Payments to suppliers	(4,512,590)	(3,300,578)	(2,876,417)	(298,781)	(10,988,366)	(1,652,863)
Payments to employees	(2,892,122)	(3,434,752)	(3,927,395)	(657,011)	(10,911,280)	(948,701)
Internal activity - payments to other funds	(1,089,360)	(1,471,610)	(999,790)	(19,580)	(3,580,340)	(10,731)
Receipts on employee notes receivable						(20,134)
Claims paid						(135,603)
Cash Flows from Operating Activities	5,251,043	10,980,531	319,553	149,196	16,700,323	681,701
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts and payments, net	(56,354)	5,056,353			4,999,999	
Cash Flows from Noncapital Financing Activities	(56,354)	5,056,353			4,999,999	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(5,174,166)	(3,097,838)	(677,374)	(66,595)	(9,015,973)	(400,662)
Proceeds from sale of capital assets			17,377		17,377	
Capital grants			339,336		339,336	
Long-term debt payment - principal	(504,815)	(4,708,557)			(5,213,372)	
Long-term debt payment - interest	(1,990,124)	(2,661,726)		(2,422)	(4,654,272)	(12,789)
Lease payments				(52,000)	(52,000)	(89,136)
Cash Flows from Capital and Related Financing Activities	(7,669,105)	(10,468,121)	(320,661)	(121,017)	(18,578,904)	(502,587)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	743,628	350,760	68,628		1,163,016	165,087
Cash Flows from Investing Activities	743,628	350,760	68,628		1,163,016	165,087
Net Cash Flows	(1,730,788)	5,919,523	67,520	28,179	4,284,434	344,201
Cash and investments at beginning of period	46,968,023	41,177,745	4,950,637	217,639	93,314,044	17,740,761
Cash and investments at end of period	$45,237,235	$47,097,268	$5,018,157	$245,818	$97,598,478	$18,084,962
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	$2,911,015	$8,547,680	($463,689)	$15,791	$11,010,797	($157,233)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation	3,121,483	2,666,277	537,518	124,956	6,450,234	668,389
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	(237,818)	139,716	(209,770)	7,050	(300,822)	39,013
Related party notes receivable						(20,134)
Prepaid items						
Accounts payable and other accrued expenses	(467,985)	(138,990)	385,873	(8,508)	(229,610)	29,480
Contracts payable	(128,640)	(295,443)			(424,083)	
Accrued liabilities						34,102
Compensated absences						70,401
OPEB liability	52,988	61,291	69,621	9,907	193,807	17,683
Cash Flows from Operating Activities	$5,251,043	$10,980,531	$319,553	$149,196	$16,700,323	$681,701
NONCASH TRANSACTIONS:						
Contributions of capital assets, net	$1,234,985	$731,373			$1,966,358	
Retirement of capital assets, net			$7,277		$7,277	$11,519

See accompanying notes to basic financial statements

FIDUCIARY 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.

CITY OF MANTECA
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

Assets	
Cash and investments (Note 3)	$5,351
Total Assets	$5,351
Liabilities	
Due to stakeholders	$5,351
Total Liabilities	$5,351

See accompanying notes to basic financial statements

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.

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 2011.

Financial statements for the Manteca Redevelopment Agency and 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 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.

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:

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 City of Manteca currently holds funds for the City of Lathrop for their share of the expansion of the Wastewater Control Facility.

D. Basis of Accounting

The government-wide and proprietary 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.

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

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in compensated absences were as follows:

Beginning Balance	$4,223,369
Additions	1,250,801
Payments	(1,180,400)
Ending Balance	$4,293,770
Current Portion	$105,601

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.

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 passage of a minute order.

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 the General Fund, Special Revenue Funds except for the Street Improvements Special Revenue Fund and the Communities Facilities District Capital Improvement 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).

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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 reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

C. Expenditures in Excess of Appropriations

The Redevelopment Debt Service Fund had expenditures in excess of budget in the amount of $265,288. Sufficient resources were available to fund the excess.

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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2011 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	$190,441,676
Restricted cash and investments	83,563,122
Total City cash and investments of primary government	274,004,798
Cash and investments in Fiduciary Funds	5,351
Total cash and investments	$274,010,149

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	$3,275
Deposits with financial institutions	9,964,698
Investments	264,042,176
Total cash and investments	$274,010,149

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.

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%

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City 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 fails to meet its 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

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

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

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
Held by City:					
U.S. Government Agency Obligations	$7,019,734	$38,473,151	$12,891,152		$58,384,037
U.S. Treasury Notes	23,137,895	1,904,674	7,502,394		32,544,963
Corporate Notes					
Callable	5,014,950				5,014,950
Non-Callable	8,319,209	7,004,573	19,405,396		34,729,178
Certificates of Deposit	3,003,450		3,000,000		6,003,450
California Local Agency Investment Fund	44,311,696				44,311,696
Money Market Mutual Funds (U.S. Securities)	1,062,887				1,062,887
Held by Trustees:					
U.S. Government Agency Obligations	995,965		994,130	$1,319,560	3,309,655
Guaranteed Investment Contracts	1,428,034			11,819,508	13,247,542
California Local Agency Investment Fund	1,131,088				1,131,088
Money Market Mutual Funds (U.S. Securities)	64,302,730				64,302,730
Total Investments	$159,727,638	$47,382,398	$43,793,072	$13,139,068	$264,042,176

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, 2011, these investments have an average maturity of 237 days.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Money market funds are available for withdrawal on demand and at June 30, 2011, have an average maturity of 7 to 43.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2011 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA/A-1+	AA+	AA	AA-	A+/A	AAAm	Total
Held by City:							
U.S. Government Agency Obligations	$58,384,037						$58,384,037
Corporate Notes							
Callable	5,014,950						5,014,950
Non-Callable	8,319,209	$4,045,640	$2,401,308	$3,429,043	$16,533,978		34,729,178
Certificate of Deposits	3,003,450			3,000,000			6,003,450
Money Market Mutual Funds (U.S. Securities)						$1,062,887	1,062,887
Held by Trustees:							
U.S. Government Agency Obligations	3,309,655						3,309,655
Money Market Mutual Funds (U.S. Securities)						64,302,730	64,302,730
Totals	$78,031,301	$4,045,640	$2,401,308	$6,429,043	$16,533,978	$65,365,617	172,806,887
Not rated:							
Guaranteed Investment Contracts							13,247,542
California Local Agency Investment Fund							45,442,784
Exempt from credit rating disclosure:							
U.S. Treasury Notes							32,544,963
Total Investments							$264,042,176

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the City's investments in these agencies that were subject to the downgrade were as follows: FHLB $4,613,497, FNMA $28,113,342 and FHLMC $25,657,198. In addition, the City has the following investments held by fiscal agents which were subject to the downgrade as follows: FFCB $995,965 and FHLB $2,313,690.

On August 8, 2011, S&P also lowered the ratings on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from thirty financial institutions that are under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) from AAA to AA+. As of June 30, 2011, the City's investments in these institutions that were subject to the downgrade were as follows: Morgan Stanley $3,012,085, Bank of America $3,097,815 and Citigroup $2,209,293.

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. *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
Entity Wide:	Federal National Mortgage Association	United States Government Agency Obligations	##########
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	25,657,198
Major Funds:			
Redevelopment Low and Moderate Income Housing	IXIS Fund Corporation	Guaranteed Investment Contract	356,635
Redevelopment Debt Service	IXIS Fund Corporation	Guaranteed Investment Contract	4,664,035
	MBIA	Guaranteed Investment Contract	1,428,034
	Federal Home Loan Bank	United States Government Agency Obligations	2,313,690
	Federal Farm Credit Bank	United States Government Agency Obligations	995,965
Water	MBIA	Guaranteed Investment Contract	3,472,588
Sewer	MBIA	Guaranteed Investment Contract	3,326,250

H. *Fair Market Value of Investments*

GASB Statement 31 requires governments to present investments at fair value. The City adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2011, the cost of investments was $922,647 less than the City's fair market value. The City has included the following net increases in the fair value of investments in income as follows:

Fund	Unrealized Gain on Investments
General Fund	$80,382
Development Mitigation Fund	58,368
Redevelopment Low and Moderate Income Housing Fund	26,782
Redevelopment Debt Service Fund	2,196
Redevelopment Capital Improvement Fund	4,479
Redevelopment Economic Development Fund	360
Public Facilities Implementation Plan Fund	130,637
Special Apportionment Streets Fund	92,181
Non-Major Governmental Funds	125,081
Water Enterprise Fund	221,059
Sewer Enterprise Fund	84,465
Solid Waste Enterprise Fund	29,867
Payroll Tax Internal Service Fund	40,104
Insurance Internal Service Fund	26,686
Total	$922,647

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, 2011 the transfers were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
General Fund	Redevelopment Economic Development Fund	$755,523	A
Public Facilities Implementation Plan	Water Enterprise Fund	180,280	B
	Sewer Enterprise Fund	259,605	B
Special Apportionments Streets Fund	Redevelopment Debt Service Fund	13,129,795	C
	Redevelopment Capital Improvement Fund	43,670,205	C
	Redevelopment Economic Development Fund	1,700,000	C
Non-Major Governmental Funds	General Fund	293,651	B
		$59,989,059	

A Purchase of land from the City
B To fund operations
C To fund capital projects

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, 2011, interfund balances were as follows:

Due To Funds	Due From Funds	Amount
General Fund	Non-Major Governmental Funds	$98,804
Non-Major Governmental Funds	Special Apportionment Streets Fund	574,648
	Non-Major Governmental Funds	154,299
	Total Current Interfund Balances	$827,751

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

At June 30, 2011 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.

(Asset) Fund Making Advance	(Liability) Fund Receiving Advance	Amount of Advance
General Fund	Golf Enterprise Fund	$1,412,425
Redevelopment Debt Service Fund	Non-Major Governmental Funds	1,700,000
Public Facilities Implementation Plan Fund	Water Enterprise Fund	2,035,888
	Sewer Enterprise Fund	6,975,620
Water Enterprise Fund	Public Facilities Implementation Plan Fund	180,280
	Sewer Enterprise Fund	98,948
Sewer Enterprise Fund	Public Facilities Implementation Plan Fund	259,606
	Water Enterprise Fund	387,881
Non-Major Governmental Funds	Golf Enterprise Fund	28,000
	Total Advances	$13,078,648

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 $9,938,223 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 ended June 30, 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.

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

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, 2011, these Notes totaled:

HOPE Shelter	$581,528
Habitat for Humanity	10,000
Owner Participation Agreements	1,433,357
Down Payment Assistance Program	1,809,045
Residential Rehabilitation	278,934
First-Time Homebuyer Program	90,000
AKF Development, LLC	54,080
Mid-Peninsula Housing Coalition	2,500,000
Eden Housing Inc. - Union Court Apartments	2,593,742
Eden Housing Inc. - Senior Housing	1,680,932
Cabral Western Motors	338,040
Manteca Senior Housing, LLC - Affirmed Housing	750,000
Senior Rehabilitation Loans	66,008
Manteca Atherton Associates - Juniper Apartments	12,750,000
Total notes receivable	24,935,666
Less: Allowance for conditional grants	2,288,308
Net long-term notes receivable	$22,647,358

Deferred revenue at June 30, 2011 consisted of the outstanding balances of the above notes.

B. HOPE Shelter

On October 19, 1992 the Agency loaned $75,000 to the Helping Others Provide Encouragement (HOPE) Shelter, to purchase a facility for rent to very-low-income tenants. HOPE has signed a promissory note secured by a deed of trust which is due if the facility is sold or used for any other purpose. If the facility is used for the stated purpose for fifteen years, the Agency will forgive the Loan. As of June 30, 2011 the loan has been forgiven. Subsequently in fiscal year 1998, an additional $14,842 was loaned to the Shelter for the replacement of windows and $150,000 was loaned for the rehabilitation of a different property leased by HOPE; these amounts are subject to the terms of the original loan, and extended the due date or potential forgiveness date to June 1, 2013.

On August 3, 2010, the Agency entered into a Predevelopment Loan Agreement with HOPE to fund the design phase of the rehabilitation of the Shelter and to create seven new units with thirty-five beds in the amount of $188,750. The loan is forgivable if all design work is completed by March 4, 2011. The design work was completed on August 13, 2010 and the loan was forgiven.

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

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 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. As of June 30, 2011, HOPE had drawn down $416,686 of the loan funds and the remaining balance to be drawn down was $826,754.

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.

D. Owner Participation Agreement

During fiscal year 2005 the Redevelopment Agency entered into four Owner Participation Agreements under which it made loans totaling $204,464 to real property owners in the Redevelopment Area for the purpose of making property improvements. As of June 30, 2010, three of the loans had been repaid. The remaining loan was fully repaid during fiscal year 2011.

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 June 30, 2011, the total outstanding balance on this loan was $1,433,357.

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, 2011, 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, 2011, loans receivable under this program totaled $252,207.

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

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, 2011, 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, 2011 was $90,000.

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 June 30, 2011, the developer had not met all of the forgiveness provisions of the loan agreement, but the City has not yet required repayment of the loan and the principal balance outstanding was $54,080.

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.

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

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, 2011, Eden Housing had drawn down the loan in the amount of $1,680,932.

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 June 30, 2011, the principal balance outstanding was $338,040.

M. Slender Lady

On January 27, 2006 the Agency agreed to loan Slender Lady, a local business, $25,000 at seven percent interest to assist with advertising, signage, inventory, equipment, booth rental fees, insurance, and working capital. The loan was forgiven during the fiscal year.

N. 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, 2011, $750,000 has been drawn down from the loan and remains outstanding, and $2,000,000 of the grant has been drawn down.

O. 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 dependant upon the income of the applicants. At June 30, 2011, loans receivable under this program totaled $66,008.

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

P. 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 $5,059,290 at June 30, 2011, but the Agency has recorded the entire loan disbursement of $12,750,000 as an expenditure and loan receivable as of June 30, 2011.

Q. 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, 2011, 99 employees had notes totaling $108,884 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.

A. *Capital Asset Additions and Retirements*

Capital assets activities for the year ended June 30, 2011 were as follows:

Governmental activities	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Capital assets not being depreciated:					
Land and improvements	$28,366,682	$5,330,808	($112,928)		$33,584,562
Construction in progress	47,028,877	7,023,088	(74,702)	($8,456,371)	45,520,892
Total capital assets not being depreciated	75,395,559	12,353,896	(187,630)	(8,456,371)	79,105,454
Capital assets being depreciated:					
Buildings and improvements	15,597,824	7,526	(18,540)		15,586,810
Machinery and equipment	14,192,123	1,323,316	(889,170)		14,626,269
Storm drain	37,603,596	1,605,696			39,209,292
Streets	112,617,873	4,828,198		8,347,744	125,793,815
Parks	52,141,977	1,941,035		108,627	54,191,639
Total capital assets being depreciated	232,153,393	9,705,771	(907,710)	8,456,371	249,407,825
Less accumulated depreciation for:					
Buildings and improvements	(6,218,977)	(497,838)	13,760		(6,703,055)
Machinery and equipment	(8,671,039)	(1,320,752)	820,784		(9,171,007)
Storm drain	(5,972,120)	(754,121)			(6,726,241)
Streets	(29,840,613)	(3,899,422)			(33,740,035)
Parks	(7,144,058)	(1,667,679)			(8,811,737)
Total accumulated depreciation	(57,846,807)	(8,139,812)	834,544		(65,152,075)
Net capital assets being depreciated	174,306,586	1,565,959	(73,166)	8,456,371	184,255,750
Governmental activity capital assets, net	$249,702,145	$13,919,855	($260,796)		$263,361,204

NOTE 7 - CAPITAL ASSETS (Continued)

Business-type activities	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Capital assets not being depreciated:					
Land and improvements	$4,059,848				$4,059,848
Construction in progress	51,550,696	$2,890,462		($51,869,675)	2,571,483
Total capital assets not being depreciated	55,610,544	2,890,462		(51,869,675)	6,631,331
Capital assets being depreciated:					
Sewer lines and improvements	41,856,857	747,508		396,813	43,001,178
Water wells, pipelines and water rights	86,936,660	5,926,213		2,253,795	95,116,668
Buildings and improvements	7,562,032	21,175			7,583,207
Machinery and equipment	16,104,528	1,396,973	($771,291)		16,730,210
Infrastructure	48,211				48,211
Sewer plant expansion	40,912,342			49,219,067	90,131,409
	193,420,630	8,091,869	(771,291)	51,869,675	252,610,883
Less accumulated depreciation for:					
Sewer lines and improvements	(12,014,576)	(837,862)			(12,852,438)
Water wells, pipelines and water rights	(25,026,276)	(2,850,738)			(27,877,014)
Buildings and improvements	(3,039,724)	(259,482)			(3,299,206)
Machinery and equipment	(10,654,377)	(940,775)	764,014		(10,831,138)
Infrastructure	(11,948)	(1,621)			(13,569)
Sewer plant expansion	(16,738,719)	(1,559,756)			(18,298,475)
	(67,485,620)	(6,450,234)	764,014		(73,171,840)
Net capital assets being depreciated	125,935,010	1,641,635	(7,277)	51,869,675	179,439,043
Total Business-type activity capital assets, net	$181,545,554	$4,532,097	($7,277)		$186,070,374

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.

NOTE 7 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Activities	
General government	$434,647
Community development	51,927
Public safety	682,124
Public works	825,760
Parks and recreation	1,850,199
Streets and highways	3,626,766
Internal Service Funds	668,389
Total Governmental Activities	$8,139,812
Business-Type Activities	
Water	$3,121,483
Sewer	2,666,277
Solid waste	537,518
Golf	124,956
Total Business-Type Activities	$6,450,234

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, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
Governmental Activity Debt:						
Redevelopment Agency Tax Allocation Bonds -						
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	$30,765,000	$27,110,000		$785,000	$26,325,000	$820,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	25,925,000	24,615,000		690,000	23,925,000	705,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	5,310,000	5,085,000		120,000	4,965,000	120,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	50,760,000	50,525,000		475,000	50,050,000	490,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	22,675,000	22,675,000		385,000	22,290,000	405,000
Capital Leases -						
Viron Project, 5.3%	947,049	339,868		90,842	249,026	95,720
Fire Engine, 4.60%	1,055,000	716,112		146,718	569,394	153,545
Telephone System, 4.025% (Internal Service)	460,462	362,261		89,136	273,125	92,873
Boom Truck, 4.48%	164,949	156,599		31,484	125,115	32,924
New World Accounting Software, 4.25%	969,360		$969,360		969,360	178,060
Total Governmental Activity Debt	$139,031,820	$131,584,840	$969,360	$2,813,180	$129,741,020	$3,093,122
Business-type Activity Debt:						
Sewer Revenue Bonds						
Series 2003-A Bonds, 2.35-4.50%	$18,155,000	$17,285,000		$690,000	$16,595,000	$755,000
Series 2003-B Bonds, 5.00%	25,665,000	14,715,000		3,700,000	11,015,000	
Series 2009 Bonds, 4.875-5.75%	19,000,000	19,000,000			19,000,000	
2003 Water Revenue Bonds, 2.00-5.00%	43,325,000	42,715,000		480,000	42,235,000	610,000
Energy Conservation Assistance Loans, 3%	2,401,332	283,139		283,139		
Capital Lease, 5.3%	627,951	225,352		60,233	165,119	63,468
Total Business - Type Activity Debt	$109,174,283	$94,223,491		$5,213,372	$89,010,119	$1,428,468

NOTE 8 - LONG TERM DEBT (Continued)

B. Redevelopment Agency Tax Allocation Bonds

On September 5, 2002, the 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 TAB's) in the amount of $25,925,000. The proceeds were used to finance ongoing redevelopment activities. The 2004 TAB's 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.

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 $10,325,430 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. For fiscal year 2011, housing set-aside tax increment revenue amounted to $3,201,975, which represented coverage of 718% over the $445,978 of debt service.

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 **8C** below. Principal payments are due annually beginning October 1, 2010 through October 1, 2042.

NOTE 8 - LONG TERM DEBT (Continued)

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 0.65% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 10% of the outstanding principal amount of the Bonds.

On December 1, 2006, the Agency issued Amended Merged Project Area Subordinate Tax Allocation Bonds Series 2006 in the amount of $22,675,000. The proceeds were used to finance ongoing redevelopment activities. The 2006 TAB's 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 $209,169,726 on the Bonds above, which is scheduled to occur in 2042. Projected tax increment revenues are expected to provide coverage over debt service of 100% over the life of the Bonds. For fiscal year 2011, net tax increment revenues amounted to $10,664,403, which represented coverage of 144% over the $7,406,611 of debt service of the Bonds.

C. 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 3.269%. 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, 2011, 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	$50,050,000	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

NOTE 8 - LONG TERM DEBT (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, 2011, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of ($6,491,163), an increase of $1,741,466 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, 2011, the Agency was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, if the fair value of the swap were to become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates decline in the future. The swap counterparty is Piper Jaffray Financial Products, Inc. with a credit guarantee provided by Morgan Stanley Capital Services and is rated 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.

NOTE 8 - LONG TERM DEBT (Continued)

Swap payments and associated debt. Using rates as of June 30, 2011, 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 at Note **8H** below:

For the Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swap, Net	Total
2012	$490,000	$25,025	$1,599,146	$2,114,171
2013	690,000	24,780	1,578,469	2,293,249
2014	725,000	24,435	1,555,399	2,304,834
2015	745,000	24,073	1,531,569	2,300,642
2016	830,000	23,700	1,505,503	2,359,203
2017-2021	6,840,000	109,376	6,874,076	13,823,452
2022-2026	7,900,000	92,143	5,738,625	13,730,768
2027-2031	5,180,000	73,441	4,601,210	9,854,651
2032-2036	6,330,000	61,208	3,785,462	10,176,670
2037-2041	13,605,000	38,868	2,168,796	15,812,664
2042-2043	6,715,000	5,068	161,615	6,881,683
Totals	$50,050,000	$502,117	$31,099,870	$81,651,987

D. 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. During the fiscal year ended June 30, 2011 the City made two prepayments on the Series 2003B bonds totaling $3,700,000. The balance of net connection fee revenues available for prepayment on the next interest payment date was $831,565 at June 30, 2011.

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.

NOTE 8 - LONG TERM DEBT (Continued)

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 $85,824,614. The Sewer Enterprise Fund’s principal and interest paid for the current year and total customer net revenues were $6,864,759 and $11,612,380, respectively.

E. 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 $70,255,060. The Water Enterprise Fund’s principal and interest paid for the current year and total customer net revenues were $2,414,964 and $6,827,600 respectively.

F. Energy Conservation Assistance Loans

In May 2001, the City entered into a performance-based energy service agreement in the maximum amount of $4,213,351 with a contractor for the implementation of eighteen energy conservation projects throughout the City, for the purpose of achieving reductions in energy consumption or demand. The projects were funded by two state loans and one capital lease.

On July 16, 2001, the City entered into two loan agreements with the California Energy Commission in the amount of $1,991,717 and $648,780 for the purpose mentioned above. At June 30, 2003, the City received 3% Early Project Completion Incentives in the amount of $19,463 for the second loan offered by the Energy Commission for the project that was completed on or before May 1, 2002. These loans are payable semi-annually in June and December. They are to be repaid in sixteen semi-annual principal and interest payments of $144,766 and $44,866, respectively, beginning the December following the fiscal year in which the projects are completed. Debt service on the $1,991,717 loan is entirely funded by the Sewer Enterprise Fund. The $648,780 loan was fully repaid during fiscal year 2010 and the $1,991,717 loan was fully repaid during the fiscal year ended June 30, 2011.

NOTE 8 - LONG TERM DEBT (Continued)

G. 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 purpose noted in Note F above. 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 9th 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 15th 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.

H. Debt Service Requirements

Annual debt service requirements, including the effect of the swap agreement as disclosed in Note 8C, are shown below for all long-term debt:

For the Year	Governmental Activities		Business-type Activities	
Ending June 30	Principal	Interest	Principal	Interest
2012	$3,093,122	$5,339,620	$1,428,468	$4,260,036
2013	3,218,302	5,214,556	1,636,879	4,208,308
2014	3,283,723	5,076,663	1,829,772	4,146,304
2015	3,185,517	4,936,729	1,930,000	4,101,935
2016	3,210,356	4,803,638	2,165,000	3,987,845
2017-2021	16,515,000	21,952,509	13,575,000	18,220,261
2022-2026	17,780,000	18,475,741	17,625,000	14,562,839
2027-2031	22,165,000	14,300,063	22,275,000	9,889,250
2032-2036	27,530,000	8,645,460	23,010,000	3,769,623
2037-2041	21,185,000	3,171,389	3,535,000	101,630
2042-2043	8,575,000	251,509		
Total	$129,741,020	$92,167,877	$89,010,119	$67,248,031

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 in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances 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.

NOTE 9 – NET ASSETS AND FUND BALANCE (Continued)

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.

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, 2011, are below:

		Special Revenue		Debt Service	Capital Projects					
Fund Balance Classifications	General Fund	Development Mitigation	Low/ Moderate Income Housing	Redevelopment Agency	Redevelopment Capital Improvements	Redevelopment Economic Development	Public Facilities Implementation Plan	Special Apportionment Streets	Other Governmental Funds	Total
Nonspendable:										
Items not in spendable form:										
Prepaid Expenses	$304,489								$182,800	$487,289
Advances	1,412,425									1,412,425
Total Nonspendable Fund Balances	1,716,914								182,800	1,899,714
Restricted for:										
Redevelopment Projects, Programs and Debt Service				$15,792,790	$195,419	$48,063		$57,366,220		73,402,492
Redevelopment Low and Moderate Income Housing			$4,672,961							4,672,961
Transportation									12,144,108	12,144,108
Development Services		$9,404,704								9,404,704
Public Safety									12,195,257	12,195,257
Parks									4,042,729	4,042,729
Major Equipment Purchases									1,333,550	1,333,550
Landscaping and Lighting									1,133,835	1,133,835
City and Public Facilities Projects							$28,722,714		5,980,266	34,702,980
Community Facilities District Projects and Maintenance									70,151	70,151
Total Restricted Fund Balances		9,404,704	4,672,961	15,792,790	195,419	48,063	28,722,714	57,366,220	36,899,896	153,102,767
Committed to:										
Recreation Programs									383,968	383,968
Total Committed Fund Balances									383,968	383,968
Assigned to:										
Capital Projects								4,525,889		4,525,889
Other Projects	24,329									24,329
Total Assigned Fund Balances	24,329							4,525,889		4,550,218
Unassigned:										
General Fund	10,746,187									10,746,187
Other governmental fund deficit residuals									(980,085)	(980,085)
Total Unassigned Fund Balances	10,746,187								(980,085)	9,766,102
Total Fund Balances	$12,487,430	$9,404,704	$4,672,961	$15,792,790	$195,419	$48,063	$28,722,714	$61,892,109	$36,486,579	$169,702,769

C. *Fund Balance Deficits*

The Development Services Special Revenue Fund had deficit fund balance of $980,085 as of June 30, 2011. The deficit is expected to be eliminated by future revenues.

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, 2011, are summarized as follows:

	Safety		
	Police	Fire	Miscellaneous
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of annual salary	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	26.699%	26.699%	17.312%

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full-time employment. The City's labor contracts require it to pay the employees' contributions as well as its own. However, effective January 1, 2010, the City amended those contracts for a period of twelve months, during which time the employees pay a portion of the employer's required contribution. 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:

NOTE 10 – PENSION PLAN (Continued)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Safety Plan			
June 30, 2009	$3,023,218	100%	$0
June 30, 2010	2,901,637	100%	0
June 30, 2011	2,907,760	100%	0
Miscellaneous Plan			
June 30, 2009	$2,840,710	100%	$0
June 30, 2010	2,691,417	100%	0
June 30, 2011	2,714,098	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					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2007	$70,768,087	$56,385,975	$14,382,112	79.7%	$9,657,481	148.9%
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%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2007	$71,451,501	$59,228,279	$12,223,222	82.9%	$15,152,925	80.7%
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%

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.

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, 2011, four employees and four retirees were participating in these plans and the City's required contribution of $182,764 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, 2011 there were 122 participants receiving these health care benefits.

During fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this Statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

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. In the MOUs, the Benefit Cap is defined as not more than the single medical premium rate paid by the City for active employees, and the Retiree Cap is 15% above the single Kaiser medical premium rate. The eligibility rules for each MOU are summarized below:

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)	$630 for single $1,170 for two party $1,440 for family	$631 for single $1,165 for two $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

Funding Policy and Actuarial Assumptions

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. 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.

Funding Progress and Funded Status

In accordance with the City's budget, the annual required contribution (ARC) to the Plan are based on pay-as-you-go financing. 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. During the fiscal year ended June 30, 2011, the City has calculated and recorded the Net OPEB Liability, 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
6/30/2009	$5,486,000	$466,415	9%	$5,019,585
6/30/2010	5,560,610	598,957	11%	9,981,238
6/30/2011	1,558,000	821,648	53%	10,717,590

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Annual required contribution (ARC)	$1,543,000
Interest on net OPEB obligation	399,000
Adjustment to annual required contribution	(384,000)
Annual OPEB cost	1,558,000
Contributions made:	
City portion of current year premiums paid	(821,648)
Total contributions	(821,648)
Change in net OPEB obligation	736,352
Net OPEB Obligation at June 30, 2010	9,981,238
Net OPEB Obligation at June 30, 2011	$10,717,590

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 Payrol [(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.

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
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.

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.

NOTE 13 - RISK MANAGEMENT (Continued)

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, 2009	$1,571,267	$1,480,976	$3,052,243
Net change in:			
Liability for current fiscal year claims		49,803	49,803
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	86,464	155,146	241,610
Claims paid	(86,464)	(204,949)	(291,413)
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 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
Claims liability, due within one year	$139,053	$58,851	$197,904

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, other than as discussed in Note 17, 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.

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.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

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. To date, increments totaling $9,990,137 have been passed through directly to these taxing agencies.

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.

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, 2011, the City had outstanding reimbursement commitments totaling $14,494,848.

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. The litigant has continued to pursue legal action. A final court date was set for November 2011.

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, 2011 were as follows: General Fund $24,329, Redevelopment Capital Improvement Fund $901, Public Facilities Implementation Plan Fund $3,472, and NonMajor Governmental Funds $13,391.

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, 2011, 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, 2011, 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 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of $6,664,258 in fiscal year 2009-10, and its second payment in the amount of $1,372,053 in fiscal year 2010-11.

NOTE 17 – PROPOSED DISSOLUTION OF REDEVELOPMENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26. Although the City introduced an Ordinance to opt-in to the voluntary program on August 16, 2011, it was not able to enact the Ordinance due to the Court stay discussed below.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

NOTE 17 – PROPOSED DISSOLUTION OF REDEVELOPMENT (Continued)

The suspension provisions of ABx1 26 prohibit 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. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 25, 2011.

In addition, the suspension provisions require 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 State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $5,767,111. The City filed an appeal of that amount in accordance with the provisions of Health and Safety Code Section 34194(b)(2)(L), and the State Department of Finance revised the remittance payment to $5,344,012.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Note 4, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of December 16, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

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MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

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 YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	$10,558,490	$10,664,403	$105,913
Use of money and property	534,475	380,001	(154,474)
Total Revenues	11,092,965	11,044,404	(48,561)
EXPENDITURES			
Current:			
Community development	2,008,192	1,972,507	35,685
Nondepartmental	350,000	352,015	(2,015)
Supplemental Educational Revenue Augmentation Fund payment	1,370,730	1,372,053	(1,323)
Debt service:			
Principal	2,300,460	2,300,460	
Interest and fiscal charges	5,734,210	6,031,845	(297,635)
Total Expenditures	11,763,592	12,028,880	(265,288)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(670,627)	(984,476)	(313,849)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(550,000)	(13,129,795)	(12,579,795)
Total Other Financing Sources (Uses)	(550,000)	(13,129,795)	(12,579,795)
NET CHANGE IN FUND BALANCE	($1,220,627)	(14,114,271)	($12,893,644)
BEGINNING FUND BALANCE		29,907,061	
ENDING FUND BALANCE		$15,792,790	

CITY OF MANTECA
REDEVELOPMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$10,000	$14,323	$4,323
Total Revenues	10,000	14,323	4,323
EXPENDITURES			
Current:			
Community development	405,789	13,299	392,490
Public works	396,950		396,950
Capital outlay	4,711,821	1,147,796	3,564,025
Total Expenditures	5,514,560	1,161,095	4,353,465
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,504,560)	(1,146,772)	4,357,788
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(43,670,205)	(43,670,205)
Total Other Financing Sources (Uses)		(43,670,205)	(43,670,205)
NET CHANGE IN FUND BALANCE	($5,504,560)	(44,816,977)	($39,312,417)
BEGINNING FUND BALANCE		45,012,396	
ENDING FUND BALANCE		$195,419	

CITY OF MANTECA
REDEVELOPMENT ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$20,000	$7,096	($12,904)
Total Revenues	20,000	7,096	(12,904)
EXPENDITURES			
Current:			
Community development	775,670	127,557	648,113
Capital outlay	1,055,000	302,405	752,595
Total Expenditures	1,830,670	429,962	1,400,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,810,670)	(422,866)	1,387,804
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(2,455,523)	(2,455,523)
Total Other Financing Sources (Uses)		(2,455,523)	(2,455,523)
NET CHANGE IN FUND BALANCE	($1,810,670)	(2,878,389)	($1,067,719)
BEGINNING FUND BALANCE		2,926,452	
ENDING FUND BALANCE		$48,063	

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, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$345,500	$291,872	($53,628)
Charges for current services	455,000	1,385,180	930,180
Other revenue		1,143	1,143
Total Revenues	800,500	1,678,195	877,695
EXPENDITURES			
Current:			
Public works	841,915	465,907	376,008
Capital outlay	8,749,845	1,036,290	7,713,555
Total Expenditures	9,591,760	1,502,197	8,089,563
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,791,260)	175,998	8,967,258
OTHER FINANCING SOURCES (USES)			
Transfers in		439,885	439,885
Total Other Financing Sources (Uses)		439,885	439,885
NET CHANGE IN FUND BALANCE	($8,791,260)	615,883	$9,407,143
BEGINNING FUND BALANCE		28,106,831	
ENDING FUND BALANCE		$28,722,714	

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, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$39,000	$123,445	$84,445
Revenue from other agencies	3,566,200	3,817,056	250,856
Other revenue		28,930	28,930
Total Revenues	3,605,200	3,969,431	364,231
EXPENDITURES			
Current:			
Streets and highways	1,198,962	976,238	222,724
Capital outlay	70,687,408	3,831,699	66,855,709
Debt service:			
Principal	68,129	49,094	19,035
Interest and fiscal charges	9,528	9,093	435
Total Expenditures	71,964,027	4,866,124	67,097,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(68,358,827)	(896,693)	67,462,134
OTHER FINANCING SOURCES (USES)			
Transfers in		58,500,000	58,500,000
Total Other Financing Sources (Uses)		58,500,000	58,500,000
NET CHANGE IN FUND BALANCE	($68,358,827)	57,603,307	$125,962,134
BEGINNING FUND BALANCE		4,288,802	
ENDING FUND BALANCE		$61,892,109	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

COMMUNITY DEVELOPMENT BLOCK GRANT

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

POLICE GRANTS

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

SUPPLEMENTAL LAW ENFORCEMENT SERVICES

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

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.

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 RRIF Capital Project list. This program collects fees from future residential and non-residential development. Fees collected are used exclusively on identified projects locally and within the region.

MEASURE K

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

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, 2011

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
ASSETS					
Cash and investments			$56,826	$1,248,145	$480,926
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	$118,174	$166,027	25,000	932,340	21,367
Taxes receivable				133	
Interest receivable			44		
Due from other funds					
Advances to other funds					
Prepaid items					
Total Assets	$118,174	$166,027	$81,870	$2,180,618	$502,293
LIABILITIES					
Accounts payable	$19,370	$11,728		$627,674	$17,051
Contracts payable					
Refundable deposits					101,274
Due to other funds	98,804	154,299			
Advances from other funds					
Deferred revenue				1,191,190	
Total Liabilities	118,174	166,027		1,818,864	118,325
Net Assets					
Fund balance:					
Nonspendable					
Restricted			$81,870	361,754	
Committed					383,968
Unassigned					
Total Fund Balances (Deficit)			81,870	361,754	383,968
Total Liabilities and Fund Balances	$118,174	$166,027	$81,870	$2,180,618	$502,293

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
$49,471	$917,920	$1,164,615	$3,775,664	$7,946,133	$726,290	$1,190,936	$6,813,294
	414,591						
	28,737				7,373	9,576	347,797
			207,683				
89	1,910	3,554	12,127	23,454		1,288	12,793
				154,299			
$49,560	$1,363,158	$1,168,169	$3,995,474	$8,123,886	$733,663	$1,201,800	$7,173,884
$4	$871	$34,334	$4,686	$1,287	$13,748	$21,685	$65,770
	28,737						359,906
					1,700,000		
4	29,608	34,334	4,686	1,287	1,713,748	21,685	425,676
49,556	1,333,550	1,133,835	3,990,788	8,122,599		1,180,115	6,748,208
					(980,085)		
49,556	1,333,550	1,133,835	3,990,788	8,122,599	(980,085)	1,180,115	6,748,208
$49,560	$1,363,158	$1,168,169	$3,995,474	$8,123,886	$733,663	$1,201,800	$7,173,884

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	CAPITAL IMPROVEMENT FUNDS				
	Measure K	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	$2,895,958	$4,015,262	$5,901,756	$69,973	$37,253,169
Restricted cash and investments			1,130,110		1,544,701
Accounts receivables (net of allowance for estimated uncollectible accounts)	522,484		313,237		2,492,112
Taxes receivable					207,816
Interest receivable	2,665	6,174	12,038	178	76,314
Due from other funds	574,648				728,947
Advances to other funds		28,000			28,000
Prepaid items			182,800		182,800
Total Assets	$3,995,755	$4,049,436	$7,539,941	$70,151	$42,513,859
LIABILITIES					
Accounts payable	$191,280	$4,488	$1,063,638		$2,077,614
Contracts payable		2,219			2,219
Refundable deposits			313,237		803,154
Due to other funds					253,103
Advances from other funds					1,700,000
Deferred revenue					1,191,190
Total Liabilities	191,280	6,707	1,376,875		6,027,280
Fund Balance					
Fund balance:					
Nonspendable			182,800		182,800
Restricted	3,804,475	4,042,729	5,980,266	$70,151	36,899,896
Committed					383,968
Unassigned					(980,085)
Total Fund Balances (Deficit)	3,804,475	4,042,729	6,163,066	70,151	36,486,579
Total Liabilities and Fund Balances	$3,995,755	$4,049,436	$7,539,941	$70,151	$42,513,859

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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, 2011

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
REVENUES					
Sales tax					
Licenses and permits					
Use of money and property			$176	$790	
Revenue from other agencies	$354,739	$684,887	125,000	1,765,703	
Charges for current services				52,316	$837,457
Other revenue					8,345
Total Revenues	354,739	684,887	125,176	1,818,809	845,802
EXPENDITURES					
Current:					
General government					
Community development	165,852				
Public safety		752,688			
Public works				833,061	
Parks and recreation	7,428				871,757
Streets and highways					
Capital outlay	181,459	66,522	116,396	806,518	
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	354,739	819,210	116,396	1,639,579	871,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(134,323)	8,780	179,230	(25,955)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt					
Transfers in		93,651			200,000
Total Other Financing Sources (Uses)		93,651			200,000
NET CHANGE IN FUND BALANCES		(40,672)	8,780	179,230	174,045
BEGINNING FUND BALANCES (DEFICITS)		40,672	73,090	182,524	209,923
ENDING FUND BALANCES (DEFICITS)			$81,870	$361,754	$383,968

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
			$3,908,826				
					$1,379,775		
$395	$10,346	$19,163	50,925	$98,808	5,453	$7,052	$52,744
			34,155			1,603,475	
	170,883	414,690			867,707	164,000	937,113
					5,427	11,098	
395	181,229	433,853	3,993,906	98,808	2,258,362	1,785,625	989,857
	5,149						
					1,965,934		
			4,366,592	389,049			
		710,521					
						990,035	12,320
	638,620					584,649	30
	31,484						
	6,376						
	681,629	710,521	4,366,592	389,049	1,965,934	1,574,684	12,350
395	(500,400)	(276,668)	(372,686)	(290,241)	292,428	210,941	977,507
	969,360						
	969,360						
395	468,960	(276,668)	(372,686)	(290,241)	292,428	210,941	977,507
49,161	864,590	1,410,503	4,363,474	8,412,840	(1,272,513)	969,174	5,770,701
$49,556	$1,333,550	$1,133,835	$3,990,788	$8,122,599	($980,085)	$1,180,115	$6,748,208

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	CAPITAL IMPROVEMENT FUNDS				
	Measure K	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
REVENUES					
Sales tax					$3,908,826
Licenses and permits			$2,350,950		3,730,725
Use of money and property	$14,480	$305,189	56,284	$1,035	622,840
Revenue from other agencies	891,815	1,047,116			6,506,890
Charges for current services					3,444,166
Other revenue		71			24,941
Total Revenues	906,295	1,352,376	2,407,234	1,035	18,238,388
EXPENDITURES					
Current:					
General government					5,149
Community development					2,131,786
Public safety					5,508,329
Public works			12,363		845,424
Parks and recreation		242,043			1,831,749
Streets and highways					1,002,355
Capital outlay	327,852	91,769	2,062,580		4,876,395
Debt service:					
Principal			146,718		178,202
Interest and fiscal charges			31,273		37,649
Total Expenditures	327,852	333,812	2,252,934		16,417,038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	578,443	1,018,564	154,300	1,035	1,821,350
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt					969,360
Transfers in					293,651
Total Other Financing Sources (Uses)					1,263,011
	578,443	1,018,564	154,300	1,035	3,084,361
BEGINNING FUND BALANCES (DEFICITS)	3,226,032	3,024,165	6,008,766	69,116	33,402,218
ENDING FUND BALANCES (DEFICITS)	$3,804,475	$4,042,729	$6,163,066	$70,151	$36,486,579

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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, 2011

	COMMUNITY DEVELOPMENT BLOCK GRANT			POLICE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property						
Revenue from other agencies	$505,824	$354,739	($151,085)	$527,390	$684,887	$157,497
Charges for current services						
Other revenue						
Total Revenues	505,824	354,739	(151,085)	527,390	684,887	157,497
EXPENDITURES						
Current:						
General government						
Community development	1,870,715	165,852	1,704,863			
Public safety				796,602	752,688	43,914
Public works						
Parks and recreation	7,428	7,428				
Streets and highways						
Capital outlay	802,897	181,459	621,438	71,848	66,522	5,326
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	2,681,040	354,739	2,326,301	868,450	819,210	49,240
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,175,216)		2,175,216	(341,060)	(134,323)	206,737
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt						
Transfers in					93,651	93,651
Total Other Financing Sources (Uses)					93,651	93,651
NET CHANGE IN FUND BALANCES	($2,175,216)		$2,175,216	($341,060)	(40,672)	$300,388
BEGINNING FUND BALANCES (DEFICITS)					40,672	
ENDING FUND BALANCES (DEFICITS)						

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			FEDERAL TRANSIT MANAGEMENT			RECREATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	$176	$176		$790	$790			
$100,000	125,000	25,000	$8,076,262	1,765,703	(6,310,559)			
			46,700	52,316	5,616	$679,250	$837,457	$158,207
							8,345	8,345
100,000	125,176	25,176	8,122,962	1,818,809	(6,304,153)	679,250	845,802	166,552
			997,192	833,061	164,131			
						872,320	871,757	563
$198,022	116,396	81,626	7,137,280	806,518	6,330,762			
198,022	116,396	81,626	8,134,472	1,639,579	6,494,893	872,320	871,757	563
(98,022)	8,780	106,802	(11,510)	179,230	190,740	(193,070)	(25,955)	167,115
						200,000	200,000	
						200,000	200,000	
($98,022)	8,780	$106,802	($11,510)	179,230	$190,740	$6,930	174,045	$167,115
	73,090			182,524			209,923	
	$81,870			$361,754			$383,968	

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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, 2011

	MAJOR EQUIPMENT PURCHASE FEE			LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property	$11,800	$10,346	($1,454)		$19,163	$19,163
Revenue from other agencies						
Charges for current services	60,000	170,883	110,883	$342,570	414,690	72,120
Other revenue						
Total Revenues	71,800	181,229	109,429	342,570	433,853	91,283
EXPENDITURES						
Current:						
General government		5,149	(5,149)			
Community development						
Public safety						
Public works						
Parks and recreation				939,954	710,521	229,433
Streets and highways						
Capital outlay	1,054,500	638,620	415,880			
Debt service:						
Principal	31,485	31,484	1			
Interest and fiscal charges	6,375	6,376	(1)			
Total Expenditures	1,092,360	681,629	410,731	939,954	710,521	229,433
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,020,560)	(500,400)	520,160	(597,384)	(276,668)	320,716
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt		969,360	969,360			
Transfers in						
Total Other Financing Sources (Uses)		969,360	969,360			
NET CHANGE IN FUND BALANCES	($1,020,560)	468,960	$1,489,520	($597,384)	(276,668)	$320,716
BEGINNING FUND BALANCES (DEFICITS)		864,590			1,410,503	
ENDING FUND BALANCES (DEFICITS)		$1,333,550			$1,133,835	

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)
$3,590,000	$3,908,826	$318,826						
						$35,000	$1,379,775	$1,344,775
73,500	50,925	(22,575)	$122,900	$98,808	($24,092)		5,453	5,453
37,260	34,155	(3,105)						
						1,170,980	867,707	(303,273)
							5,427	5,427
3,700,760	3,993,906	293,146	122,900	98,808	(24,092)	1,205,980	2,258,362	1,052,382
						2,347,540	1,965,934	381,606
4,381,384	4,366,592	14,792	393,560	389,049	4,511			
4,381,384	4,366,592	14,792	393,560	389,049	4,511	2,347,540	1,965,934	381,606
(680,624)	(372,686)	307,938	(270,660)	(290,241)	(19,581)	(1,141,560)	292,428	1,433,988
						550,000		(550,000)
						550,000		(550,000)
($680,624)	(372,686)	$307,938	($270,660)	(290,241)	($19,581)	($591,560)	292,428	$883,988
	4,363,474			8,412,840			(1,272,513)	
	$3,990,788			$8,122,599			($980,085)	

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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, 2011

	STATE GASOLINE TAX			REGIONAL TRANSPORTATION IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property	$5,000	$7,052	$2,052	$100,000	$52,744	($47,256)
Revenue from other agencies	1,711,250	1,603,475	(107,775)			
Charges for current services	164,000	164,000		535,000	937,113	402,113
Other revenue		11,098	11,098			
Total Revenues	1,880,250	1,785,625	(94,625)	635,000	989,857	354,857
EXPENDITURES						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation						
Streets and highways	1,023,634	990,035	33,599	12,000	12,320	(320)
Capital outlay	584,070	584,649	(579)	160,000	30	159,970
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,607,704	1,574,684	33,020	172,000	12,350	159,650
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	272,546	210,941	(61,605)	463,000	977,507	514,507
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	$272,546	210,941	($61,605)	$463,000	977,507	$514,507
BEGINNING FUND BALANCES (DEFICITS)		969,174			5,770,701	
ENDING FUND BALANCES (DEFICITS)		$1,180,115			$6,748,208	

MEASURE K			PARKS			GOVERNMENT BUILDING FACILITIES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						$860,000	$2,350,950	$1,490,950
$19,200	$14,480	($4,720)	$589,000	$305,189	($283,811)	73,500	56,284	(17,216)
1,400,000	891,815	(508,185)	255,400	1,047,116	791,716			
				71	71			
1,419,200	906,295	(512,905)	844,400	1,352,376	507,976	933,500	2,407,234	1,473,734
						21,120	12,363	8,757
			725,850	242,043	483,807			
2,406,468	327,852	2,078,616	1,467,140	91,769	1,375,371	8,280,815	2,062,580	6,218,235
						146,720	146,718	2
						31,275	31,273	2
2,406,468	327,852	2,078,616	2,192,990	333,812	1,859,178	8,479,930	2,252,934	6,226,996
(987,268)	578,443	1,565,711	(1,348,590)	1,018,564	2,367,154	(7,546,430)	154,300	7,700,730
($987,268)	578,443	$1,565,711	($1,348,590)	1,018,564	$2,367,154	($7,546,430)	154,300	$7,700,730
	3,226,032			3,024,165			6,008,766	
	$3,804,475			$4,042,729			$6,163,066	

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INTERNAL SERVICE FUNDS

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

For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net 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, 2011

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
ASSETS					
Current Assets:					
Cash and investments	$758,273	$966,989	$10,088,526	$6,222,212	$18,036,000
Restricted cash and investments		48,962			48,962
Accounts receivable	20,051		65	26,951	47,067
Interest receivable	2,043	756	21,233	14,214	38,246
Employee notes receivable			108,884		108,884
Total Current Assets	780,367	1,016,707	10,218,708	6,263,377	18,279,159
Capital assets not being depreciated					
Capital assets (net of		49,752			49,752
accumulated depreciation)	633,214	1,028,820			1,662,034
Total Assets	1,413,581	2,095,279	10,218,708	6,263,377	19,990,945
LIABILITIES					
Current Liabilities:					
Accounts payable	119	17,689	18,809	38,928	75,545
Accrued liabilities		642	1,783,660		1,784,302
Compensated absences			105,601		105,601
Estimated claims liability				197,904	197,904
Capital lease obligations		92,873			92,873
Total Current Liabilities	119	111,204	1,908,070	236,832	2,256,225
Long-term Liabilities:					
Compensated absences			4,188,169		4,188,169
Estimated claims liability				2,854,339	2,854,339
Capital lease obligations		180,252			180,252
OPEB liability				85,106	85,106
Total Liabilities	119	291,456	6,096,239	3,176,277	9,564,091
NET ASSETS					
Invested in capital assets, net of related debt	633,214	854,409			1,487,623
Unrestricted	780,248	949,414	4,122,469	3,087,100	8,939,231
Total Net Assets	$1,413,462	$1,803,823	$4,122,469	$3,087,100	$10,426,854

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
OPERATING REVENUES					
Charges for services		$1,841,110	$70,401		$1,911,511
Insurance premium contribution from other funds				$1,456,639	1,456,639
Settlements				4,609	4,609
Miscellaneous			34,111	3,850	37,961
Total Operating Revenues		1,841,110	104,512	1,465,098	3,410,720
OPERATING EXPENSES					
Personnel services		656,568	89,168	325,151	1,070,887
Contractual services		39,153	37,884	54,173	131,210
Supplies		44,411		3,986	48,397
Utilities		11,127		490	11,617
Repairs and maintenance		512,287			512,287
Vehicle maintenance and operations		701		2,355	3,056
Interdepartmental	$461	1,950		8,320	10,731
Insurance		5,462		949,514	954,976
Claims				135,603	135,603
Depreciation	350,410	317,979			668,389
Miscellaneous		4,649		16,151	20,800
Total Operating Expenses	350,871	1,594,287	127,052	1,495,743	3,567,953
Total Operating Income (Loss)	(350,871)	246,823	(22,540)	(30,645)	(157,233)
NONOPERATING REVENUES (EXPENSES)					
Interest income	11,104	4,182	89,494	59,636	164,416
Loss from sale of capital assets	(11,519)				(11,519)
Interest (expense)		(12,789)			(12,789)
Total Nonoperating Revenues (Expenses)	(415)	(8,607)	89,494	59,636	140,108
Change in Net Assets	(351,286)	238,216	66,954	28,991	(17,125)
BEGINNING NET ASSETS	1,764,748	1,565,607	4,055,515	3,058,109	10,443,979
ENDING NET ASSETS	$1,413,462	$1,803,823	$4,122,469	$3,087,100	$10,426,854

CITY OF MANTECA

INTERNAL SERVICE FUNDS

COMBINING STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$100	$1,841,110	$110,985	$1,497,538	$3,449,733
Payments to suppliers	54	(607,350)	(27,427)	(1,018,140)	(1,652,863)
Payments to employees		(656,778)	15,545	(307,468)	(948,701)
Internal activity - payments to other funds	(461)	(1,950)		(8,320)	(10,731)
Receipts on employee notes receivable			(20,134)		(20,134)
Claims paid				(135,603)	(135,603)
Cash Flows from (used by) Operating Activities	(307)	575,032	78,969	28,007	681,701
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(10,247)	(390,415)			(400,662)
Payments on capital leases		(89,136)			(89,136)
Interest paid on capital lease obligations		(12,789)			(12,789)
Cash Flows from (used by) Capital and Related Financing Activities	(10,247)	(492,340)			(502,587)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	11,131	4,191	89,946	59,819	165,087
Cash Flows from Investing Activities	11,131	4,191	89,946	59,819	165,087
Net Cash Flows	577	86,883	168,915	87,826	344,201
Cash and investments at beginning of period	757,696	929,068	9,919,611	6,134,386	17,740,761
Cash and investments at end of period	$758,273	$1,015,951	$10,088,526	$6,222,212	$18,084,962
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	($350,871)	$246,823	($22,540)	($30,645)	($157,233)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	350,410	317,979			668,389
Change in assets and liabilities:					
Receivables, net	100		6,473	32,440	39,013
Related party notes receivable			(20,134)		(20,134)
Accounts and other payables	54	10,440	10,457	8,529	29,480
Accrued liabilities		(210)	34,312		34,102
Compensated absences			70,401		70,401
OPEB liability				17,683	17,683
Cash Flows from (used by) Operating Activities	($307)	$575,032	$78,969	$28,007	$681,701
NONCASH TRANSACTIONS					
Retirement of capital assets, net	$11,519				$11,519

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, 2011

AGENCY FUND	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and investments		$5,351		$5,351
Restricted cash and investments	$831,005		$831,005	
Total Assets	$831,005	$5,351	$831,005	$5,351
Liabilities				
Due to stakeholders	$831,005	$5,351	$831,005	$5,351
Total Liabilities	$831,005	$5,351	$831,005	$5,351

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 – Wastewater 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

Operating Information

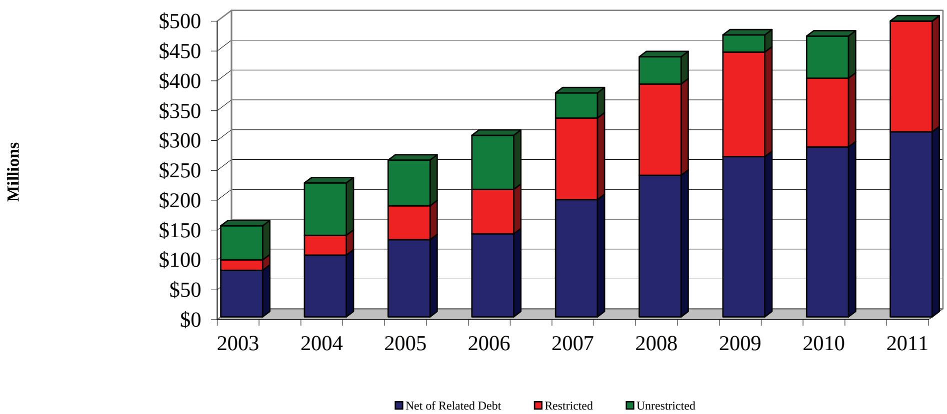
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. 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. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF MANTECA
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)



	June 30, 2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	$38,637,329	$62,763,823	$95,413,706	$82,465,803	$110,719,509	$141,625,313	$168,403,886	$171,675,891	$188,291,863
Restricted	17,049,578	33,103,490	26,535,767	53,336,395	128,104,351	144,023,997	148,127,615	89,276,875	160,477,438
Unrestricted	32,284,764	50,764,042	42,201,801	61,236,153	7,997,825	3,984,025	(2,956,474)	44,968,093	(26,952,930)
Total governmental activities net assets	$87,971,671	$146,631,355	$164,151,274	$197,038,351	$246,821,685	$289,633,335	$313,575,027	$305,920,859	$321,816,371
Business-type activities									
Invested in capital assets, net of related debt	$39,437,461	$40,791,251	$33,903,758	$56,612,330	$85,696,108	$95,592,559	$100,051,333	$113,151,440	$121,850,958
Restricted	430,025	0	30,266,406	21,251,239	8,576,196	8,978,403	27,090,732	25,829,377	24,790,703
Unrestricted	24,756,481	37,061,280	34,328,000	29,362,263	34,258,799	41,637,560	31,750,565	25,569,316	27,306,196
Total business-type activities net assets	$64,623,967	$77,852,531	$98,498,164	$107,225,832	$128,531,103	$146,208,522	$158,892,630	$164,550,133	$173,947,857
Primary government									
Invested in capital assets, net of related debt	$78,074,790	$103,555,074	$129,317,464	$139,078,133	$196,415,617	$237,217,872	$268,455,219	$284,827,331	$310,142,821
Restricted	17,479,603	33,103,490	56,802,173	74,587,634	136,680,547	153,002,400	175,218,347	115,106,252	185,268,141
Unrestricted	57,041,245	87,825,322	76,529,801	90,598,416	42,256,624	45,621,585	28,794,091	70,537,409	353,266
Total primary government net assets	$152,595,638	$224,483,886	$262,649,438	$304,264,183	$375,352,788	$435,841,857	$472,467,657	$470,470,992	$495,764,228

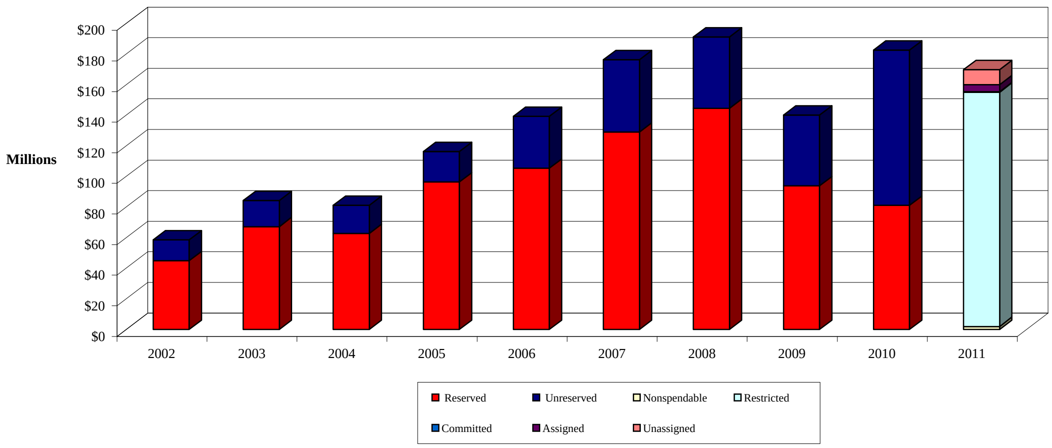
CITY OF MANTECA
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,					
	2003(1)	**2004(1)**	**2005**	**2006**	**2007**	**2008**
Expenses:						
Governmental Activities:						
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
Total Governmental Activities Expenses	32,859,630	36,913,663	39,761,376	45,243,419	51,901,475	60,452,461
Business-Type Activities:						
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
Total Business-Type Activities Expenses	15,473,131	21,260,521	23,214,634	29,138,696	29,772,016	31,692,148
Total Primary Government Expenses	$48,332,761	$58,174,184	$62,976,010	$74,382,115	$81,673,491	$92,144,609
Program Revenues:						
Governmental Activities:						
Charges for Services:						
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
Total Government Activities Program Revenues	32,185,313	25,867,030	21,498,953	30,795,773	43,476,881	46,969,846
Business-Type Activities:						
Charges for Services:						
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
Total Business-Type Activities Program Revenue	24,377,950	31,087,002	41,042,799	35,333,049	47,398,447	44,915,172
Total Primary Government Program Revenues	$56,563,263	$56,954,032	$62,541,752	$66,128,822	$90,875,328	$91,885,018
Net (Expense)/Revenue:						
Governmental Activities	($674,317)	($11,046,633)	($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
Total Primary Government Net Expense	$8,230,502	($1,220,152)	($434,258)	($8,253,293)	$9,201,837	($259,591)
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Taxes:						
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
Intergovernmental:						
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		(2,660,438)	33,780	(204,000)	(23,900)	
Total Government Activities	27,334,975	26,921,972	35,111,476	47,334,723	58,207,928	56,294,265
Business-Type Activities:						
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	
Total Business-Type Activities	2,770,119	3,402,083	2,817,468	2,533,315	3,678,840	4,454,395
Total Primary Government	$30,105,094	$30,324,055	$37,928,944	$49,868,038	$61,886,768	$60,748,660
Change in Net Assets:						
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
Total Primary Government	$38,335,596	$29,103,903	$37,494,686	$41,614,745	$71,088,605	$60,489,069

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

2009	2010	2011
$5,058,599	$3,109,047	$3,174,292
5,829,037	14,446,062	7,745,806
27,534,943	27,065,592	24,280,052
136,037	113,092	109,752
3,901,601	5,862,331	4,940,031
7,941,094	6,652,295	6,482,442
5,112,187	4,927,588	5,882,611
6,035,886	5,964,171	6,346,120
61,549,384	68,140,178	58,961,106
12,667,365	13,226,177	12,992,447
11,067,524	12,503,682	13,103,679
8,712,715	9,029,774	8,796,614
1,244,412	1,268,361	1,156,149
33,692,016	36,027,994	36,048,889
$95,241,400	$104,168,172	$95,009,995
$3,863,991	$2,939,727	$2,903,308
990,726	1,969,679	2,585,271
1,295,958	1,050,347	989,504
	2,003	2,003
1,657,534	1,667,858	1,615,658
164,000	164,000	164,000
4,317,151	4,177,794	6,560,679
25,070,949	8,229,819	20,103,722
37,360,309	20,201,227	34,924,145
13,291,670	13,235,259	13,207,371
15,084,085	16,332,422	19,001,593
7,994,026	8,037,838	8,159,479
1,196,998	1,202,991	1,113,968
4,480,489	338,640	2,305,694
42,047,268	39,147,150	43,788,105
$79,407,577	$59,348,377	$78,712,250
($24,189,075)	($47,940,954)	($24,036,961)
8,355,252	3,119,156	7,739,216
($15,833,823)	($44,821,798)	($16,297,745)
$27,225,355	$23,848,385	$23,066,757
9,278,231	9,653,398	10,067,580
3,854,252	3,270,746	4,171,694
4,641,537	2,257,961	1,381,906
244,605	151,915	236,814
418,794		
1,625,719	1,056,231	314,968
842,274	48,150	60,109
		192,760
		439,885
48,130,767	40,286,786	39,932,473
3,891,990	1,812,779	1,155,140
436,866	292,200	933,153
	433,368	10,100
		(439,885)
4,328,856	2,538,347	1,658,508
$52,459,623	$42,825,133	$41,590,981
$23,941,692	($7,654,168)	$15,895,512
12,684,108	5,657,503	9,397,724
$36,625,800	($1,996,665)	$25,293,236

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



	June 30,									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 (b)**
General Fund:										
Reserved	$1,082,779	$827,341	$709,085	$844,083	$1,214,042	$1,420,277	$1,681,076	$1,822,967	$1,917,928	
Unreserved	7,933,638	9,181,032	10,208,941	12,471,649	14,775,570	16,466,493	12,798,045	13,346,867	10,137,693	
Nonspendable										$1,716,914
Assigned										24,329
Unassigned										10,746,187
Total General Fund	$9,016,417	$10,008,373	$10,918,026	$13,315,732	$15,989,612	$17,886,770	$14,479,121	$15,169,834	$12,055,621	$12,487,430
All Other Governmental Funds:										
Reserved	$43,730,495	$66,323,489	$61,885,361	$95,429,682	$104,085,913	$127,534,384	$142,845,030	$91,946,949	$79,080,523	
Unreserved, reported in:										
Special revenue funds	5,707,602	7,691,926	8,325,077	7,510,708	18,239,405	28,916,559	31,681,735	26,977,907	25,237,443	
Capital project funds	117,313	104,247			869,510	1,931,318	2,054,083	5,923,572	66,218,838	
Nonspendable										$182,800
Restricted										153,102,767
Committed										383,968
Assigned										4,525,889
Unassigned										(980,085)
Total All Other Governmental Funds	$49,555,410	$74,119,662	$70,210,438	$102,940,390	$123,194,828	$158,382,261	$176,580,848	$124,848,428	$170,536,804	$157,215,339

(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.

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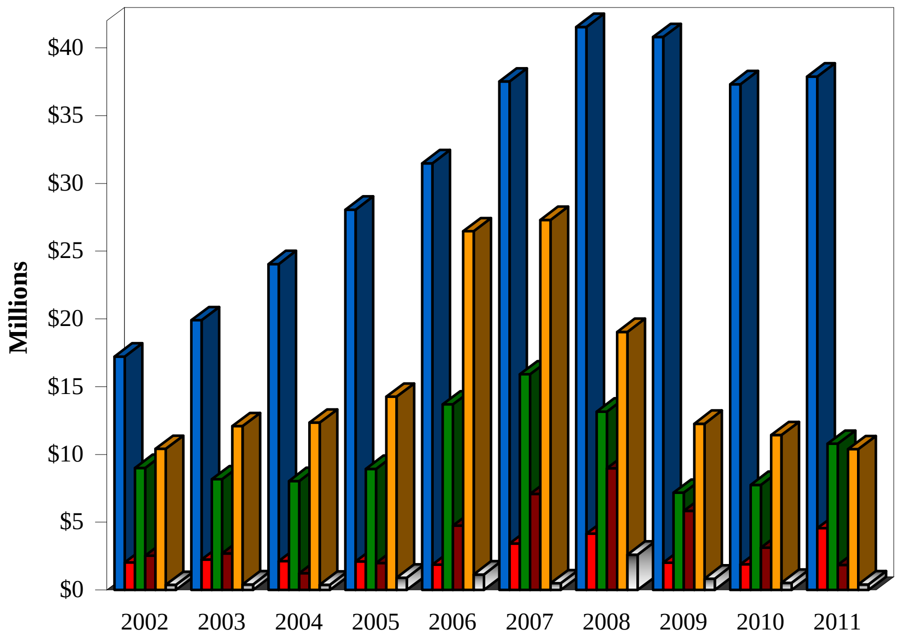
CITY OF MANTECA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Revenues					
Taxes	$17,224,500	$19,902,642	$24,051,682	$28,064,714	$31,488,644
Licenses, permits and fees	2,019,824	2,239,307	2,117,767	2,101,007	1,876,789
Fines and forfeitures	265,415	299,891	272,435	246,088	265,458
Use of money and property	2,533,570	2,701,760	1,237,990	1,992,315	4,748,065
Revenue from other agencies	9,008,029	8,163,279	8,032,506	8,930,535	13,689,426
Charges for services	10,406,939	12,079,900	12,347,427	14,260,891	26,472,384
Other	112,307	107,687	109,428	660,999	877,815
Total Revenues	41,570,584	45,494,466	48,169,235	56,256,549	79,418,581
Expenditures					
Current:					
General government	2,564,490	1,805,873	2,376,883	2,658,200	2,873,724
Community development	884,389	3,163,133	3,400,600	3,256,415	8,083,105
Public safety	10,884,572	13,334,962	15,181,807	17,335,511	18,520,266
Library	135,289	138,763	134,911	139,410	127,646
Public works	2,866,881	3,235,730	3,549,259	3,614,271	3,203,484
Parks and recreation	2,748,239	3,157,634	3,568,477	3,984,346	4,390,584
Streets and highways	1,751,014	1,890,231	2,663,894	2,849,672	2,237,078
Nondepartmental	2,076,285	475,405	545,039	527,452	695,662
Supplemental Educational Revenue Augmentation Fund payment					
Capital outlay	7,039,490	8,032,525	16,020,421	20,265,542	50,548,786
Debt service:					
Principal repayment	525,557	5,020,140	363,456	415,958	1,132,576
Interest and fiscal charges	1,274,107	3,508,454	2,033,639	3,124,877	5,596,017
Total Expenditures	32,750,313	43,762,850	49,838,386	58,171,654	97,408,928
Excess (deficiency) of revenues over (under) expenditures	8,820,271	1,731,616	(1,669,151)	(1,915,105)	(17,990,347)
Other Financing Sources (Uses)					
Transfers in	835,383	24,632,334	10,650,047	6,106,435	11,000,206
Transfers (out)	(903,322)	(24,004,786)	(12,330,468)	(6,071,571)	(11,204,206)
Issuance of long-term debt			350,000	31,235,000	50,760,000
Bond issuance premium				217,653	
Proceeds from issuance of loans	239,165				
Proceeds from capital lease obligations	947,049				
Proceeds from sale of property				5,555,245	
Proceeds from refunding bonds		31,431,840			
Payment to escrow agent		(4,631,877)			(9,637,335)
Total other financing sources (uses)	1,118,275	27,427,511	(1,330,421)	37,042,762	40,918,665
Net Change in Fund Balances	$9,938,546	$29,159,127	($2,999,572)	$35,127,657	$22,928,318
Debt service as a percentage of noncapital expenditures	(a)	24.2%	5.1%	6.5%	7.4%

NOTE:
(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30,				
2007	**2008**	**2009**	**2010**	**2011**
$37,519,811	$41,549,587	$40,802,726	$37,315,264	$37,885,239
3,421,479	4,154,266	2,018,165	1,887,780	4,550,326
189,764	292,224	289,147	227,372	182,835
7,074,383	8,974,771	5,833,346	3,126,330	1,851,487
15,910,594	13,160,419	7,173,063	7,750,146	10,792,463
27,309,138	19,036,847	12,260,805	11,423,374	10,379,307
307,132	2,307,519	538,817	295,478	222,860
91,732,301	89,475,633	68,916,069	62,025,744	65,864,517
3,379,358	4,988,101	4,320,817	3,096,572	2,741,890
7,239,389	6,142,052	6,495,974	7,169,691	18,246,166
19,719,694	23,235,778	24,182,106	23,849,627	23,015,102
141,817	147,961	131,234	120,917	112,092
4,226,997	4,009,469	4,214,766	4,091,100	3,636,835
4,665,686	5,724,593	6,090,427	5,132,634	4,864,431
2,761,592	2,818,412	2,533,710	1,970,408	1,978,593
936,759	1,213,134	1,393,965	1,904,961	2,334,370
			6,664,258	1,372,053
27,925,988	22,006,218	13,568,055	6,438,353	12,950,145
1,060,081	1,168,248	1,983,377	2,155,866	2,724,044
5,705,160	7,119,245	6,100,146	5,965,342	6,380,457
77,762,521	78,573,211	71,014,577	68,559,729	80,356,178
13,969,780	10,902,422	(2,098,508)	(6,533,985)	(14,491,661)
20,402,679	7,348,134	9,459,738	217,832	59,989,059
(21,191,440)	(8,071,719)	(9,459,738)	(217,832)	(59,549,174)
22,675,000				969,360
105,544				
	1,055,000	164,949		
1,123,028	3,557,101			192,760
23,114,811	3,888,516	164,949		1,602,005
$37,084,591	$14,790,938	($1,933,559)	($6,533,985)	($12,889,656)
9.5%	11.8%	14.3%	12.9%	13.2%

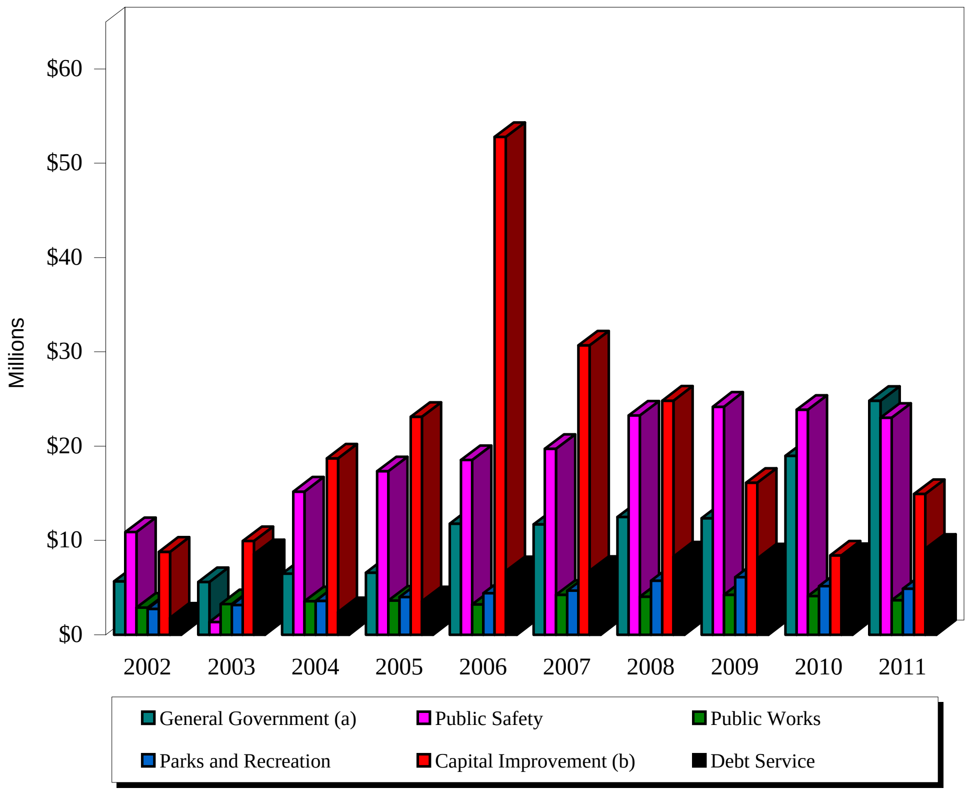
CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
2002	$17,224,500	$2,019,824	$9,008,029	$2,533,570	$10,406,939	$377,722	$41,570,584
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

Source: City Operating Budget and City Annual Financial Report

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

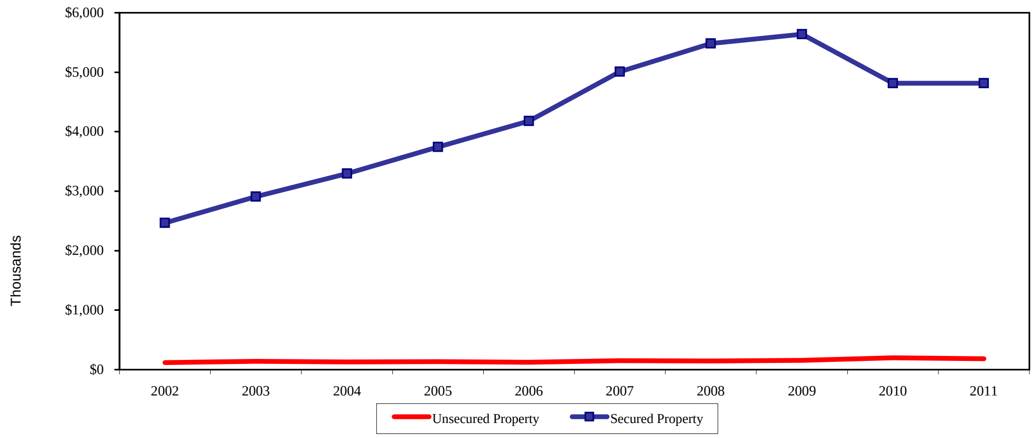


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
2002	$5,660,453	$10,884,572	$2,866,881	$2,748,239	$8,790,504	$1,799,664	$32,750,313
2003	5,583,174	1,334,962	3,235,730	3,157,634	9,922,756	8,528,594	31,762,850
2004	6,457,433	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

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 Land Property	Real Property Improvements Property	Real Property Personal 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)
2002	$805,064	$1,626,918	$29,414	$2,461,396	($111,309)	$1,936	$2,352,023	$116,528	$2,468,551	$2,468,551	1%
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%

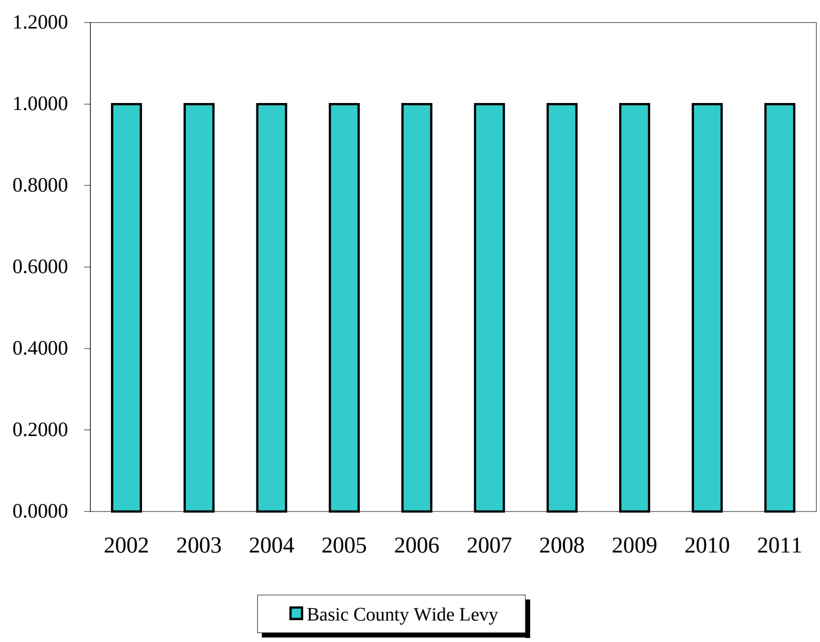
Source: San Joaquin County Auditor Controller Office Certificate of Assessed Valuations

(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

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



Fiscal Year	Basic County Wide Levy	Total
2002	1.0000	1.0000
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

Source: San Joaquin County Assessors Office

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

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

Taxpayer	2010-2011 Type of Business	2010-2011 Percentage of Total City Taxable Assessed Value	2001-2002 Type of Business	2001-2002 Percentage of Total City Taxable Assessed Value
Manteca Lifestyle Center LLC	Shopping Center	1.70%		
Pivotal 650 California St. LLC	Shopping Center	0.88%		
Millard Refrigerated Services Inc	Cold Storage	0.72%		
Pulte Home Corp	Residential Development	0.69%		
Paseo Apartments LLC	Apartments	0.64%		
Doctors Hospital of Manteca Inc.	Hospital	0.51%		
Edward J & Dolores M Cardoza	Shopping Center	0.51%		
Costco Wholesale Corporation	Commercial Store	0.51%		
Metropolitan Life Insurance Company	Warehouse	0.48%		
Prologis	Warehouse	0.46%		
SRB Investments LLC	Shopping Center	0.43%		
Western Properties Trust	Shopping Center	0.35%		
J.C. Penney Properties Inc.	Shopping Center	0.33%		
Stonegate Apts. LLC	Apartments	0.32%		
Commons at Woodbridge LLC	Office Building	0.31%		
John J & Eleanor L Vierra	Residential Properties	0.31%		
430 North Union Road LLC	Office Building	0.30%		
Manteca Ventures LLC	Office Building	0.30%		
Jackson Retail Venture LLC	Shopping Center	0.29%		
Assieh Development Corp	Light Industrial	0.27%		
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		10.31%		N/A

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, 2011

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% Total of Assessed Valuation
		2010-11 Project Area No. 1	$612,547,902	
1	Doctor's Hospital of Manteca, Inc	Hospital	$23,692,373	3.87
2	Stonegate Apts. LLC	Apartments	15,259,870	2.49
3	Edward J. & Dolores M. Cardoza	Shopping Center	11,500,091	1.88
4	Wal Mart Realty Company	Commercial Store	11,235,383	1.83
5	Laurel Glen LLC	Apartments	10,451,000	1.71
6	Raymus Development & Sales	Recreational	8,688,260	1.42
7	Lexington Tramk Manteca Remainderman LP	Commercial Store	8,563,031	1.40
8	VFT Properties LLC	Apartments	6,960,000	1.14
9	Carl Karcher Enterprises Inc.	Warehouse	5,344,751	0.87
10	MBLG LLC	Mini-Storage	5,263,314	0.86
11	Professional Maint Co. Inc.	Shopping Center	5,137,029	0.84
12	Hensley Investment Company LLC	Hospital Building	5,003,097	0.82
13	Khatri Brothers Partnership	Hotel/Motel	4,876,282	0.80
14	Eckert Engineering Corp.	Warehouse	4,875,530	0.80
15	North Main Storage LLC	Mini-Storage	4,479,894	0.73
16	Miner Joaquin Building Corp.	Banks	4,462,000	0.73
17	B.R. Funsten & Co.	Warehouse	4,254,885	0.69
18	Natalie Gianni	Commercial	4,100,483	0.67
19	SFP B LP	Commerical	3,917,970	0.64
20	Portfolio Yosemite LLC	Shopping Center	3,610,493	0.59
			$151,675,736	24.76%

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT PROJECT AREA NO. 2
TOP TWENTY ASSESSED VALUES
June 30, 2011

2010-11 Local Secured Valuation Project Area No. 2 — $1,081,928,547

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total Assessed Valuation
1	Pivotal 650 California St. LLC	Shopping Center	$40,893,765	3.78
2	Millard Refrigerated Services Inc.	Cold Storage	33,497,526	3.10
3	Costco Wholesale Corporation	Commerical Store	23,459,784	2.17
4	Metropolitan Life Insurance Co.	Warehouse	22,412,737	2.07
5	Prologis	Warehouse	21,173,600	1.96
6	Western Properties Trust	Shopping Center	16,338,221	1.51
7	Jackson Retail Venture LLC	Shopping Center	13,533,814	1.25
8	Kohl's Department Stores Inc	Shopping Center	11,414,678	1.06
9	Catellus Operating LP	Cold Storage	11,274,942	1.04
10	Target Corp.	Shopping Center	10,527,769	0.97
11	Inland Western MDS Portfolio LLC	Commercial Store	10,310,432	0.95
12	227 Commerce Ave LLC et al	Shopping Center	10,175,800	0.94
13	Manteca Associates LP	Light Industrial	10,000,000	0.92
14	HD Development of Maryland Inc.	Commercial Store	9,487,484	0.88
15	Stonehenge Manteca LLC	Shopping Center	9,460,643	0.87
16	BACM 2006 4 Historical Plaza Way LP	Shopping Center	8,531,571	0.79
17	Daniel M. Sarich	Light Industrial	8,231,220	0.76
18	Brocchini Family Partnership LP	Office Building	7,599,144	0.70
19	Cranbrook Realty Invest Fund LP	Warehouse	7,470,000	0.69
20	Ascendancy Manteca LLC	Office Building	6,999,106	0.65
			$292,792,236	27.06%

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
June 30, 2011

2010-11 Local Secured Valuation $17,547,668
2005 Merged Project Amended Area

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total Assessed Valuation
1	Gasspecs Inc.	Service Station	$1,688,165	9.62
2	Kelly Mah	Commercial Land	863,881	4.92
3	Major Singh Barr	Commercial Land	750,000	4.27
4	Chattarpal S. Pabla	Multi-Family Residential	717,250	4.09
5	David L. Peters	Truck Terminal	597,469	3.40
6	Jagohan S.& Jaspinder K. Kailey	Residential	587,568	3.35
7	Roadrunner Manufacturing Co.	Light Industrial	506,468	2.89
8	Robert L. & Dorthy F. Mack	Residential	236,436	1.35
9	Makhan Singh Sandhu	Commercial Land	320,802	1.83
10	Jose rene Diaz	Commercial Land	313,156	1.78
11	Dale A. & April D. Matts	Residential	310,443	1.77
12	Natalyn J. & Thomas E. Bergman, Jr.	Residential	305,000	1.74
13	James H. & Kristin Zimmerman	Residential	300,000	1.71
14	Roger O. Beugre	Residential	297,000	1.69
15	Ranjit and Jaswinder Khangura	Residential	278,000	1.58
16	R. D. & Maggie Voyer	Residential	199,000	1.13
17	John N. and Galatia Aretakis	Residential	270,000	1.54
18	Shiv D. & Sarla R. Kumar	Residential	269,853	1.54
19	Loan Anh Nguyen	Commercial	268,486	1.53
20	Robert E. and Gail A. Dorris	Residential	266,188	1.52
			$9,345,165	53.26%

Source: California Municipal Statistics, Inc

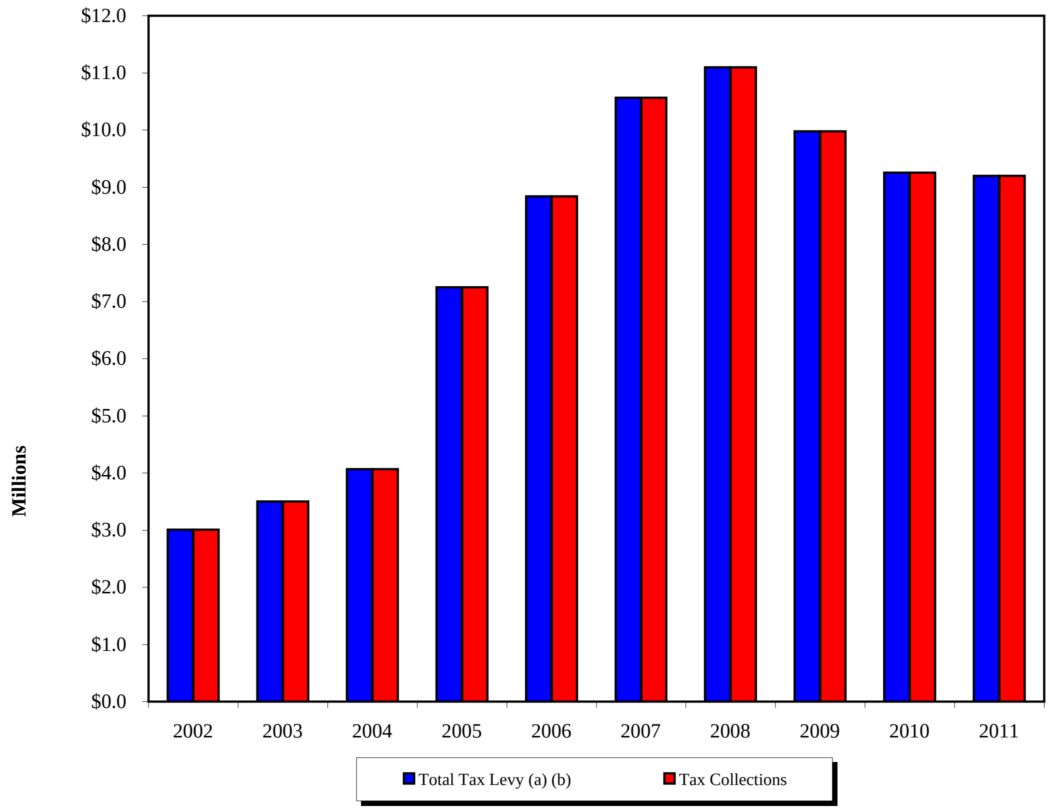
CITY OF MANTECA
MANTECA REDEVELOPMENT MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
June 30, 2011

2010-11 Local Secured Valuation $155,324,152
2004 Amended Area

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total Assessed Valuation
1	Manteca Lifestyle Center LLC	Shopping Center	$78,888,386	50.79
2	JC Penney Properties Inc	Shopping Center	15,301,644	9.85
3	Assieh Development	Light Industrial	12,306,945	7.92
4	Manteca Lodging LLC	Commercial	7,269,293	4.68
5	BS Family Partnership	Commercial	7,000,000	4.51
6	Lanting Family LLC	Truck Terminal	6,058,855	3.90
7	Sunny Valley Smoked Meats	Food Processing	3,402,269	2.19
8	Tesoro Commons	Residential Properties	2,358,000	1.52
9	Steve A. & Christine S. Martinez	Light Industrial	1,959,449	1.26
10	Ergonis Land Co. LP	Light Industrial	1,639,219	1.06
11	Gateway Storage of Manteca	Industrial Land	1,495,843	0.96
12	D' Ambrosio Brothers Investment Co. LP	Industrial Land	1,400,796	0.90
13	Kulvir Singh Cheema	Rural Residence	1,194,260	0.77
14	Yosemite Square Business Park LLC	Commercial Land	1,005,368	0.65
15	AT& T Communications of CA Inc.	Communications	690,000	0.44
16	John N. and Galatia Aretakis	Agricultural	636,332	0.41
17	Rajwinder Singh Bahia	Residential Properties	623,519	0.40
18	Harold & Dorothy Hahn Family LP	Light Industrial	611,727	0.39
19	Brent & Christine K. Stockwell	Industrial Land	463,708	0.30
20	Victor M. and Emma L. Marquez	Rural Residence	460,294	0.30
			$144,765,907	93.20%

Source: California Municipal Statistics, Inc

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



Fiscal Year	Total Tax Levy (a) (b)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2002	$3,010,461	$3,010,461	100.0000%	0	$3,010,461	100.0000%
2003	3,499,543	3,499,543	100.0000%	0	3,499,543	100.0000%
2004	4,066,347	4,066,347	100.0000%	0	4,066,347	100.0000%
2005	7,248,789	7,248,789	100.0000%	0	7,248,789	100.0000%
2006	8,840,647	8,840,647	100.0000%	0	8,840,647	100.0000%
2007	10,566,237	10,566,237	100.0000%	0	10,566,237	100.0000%
2008	11,100,442	11,100,442	100.0000%	0	11,100,442	100.0000%
2009	9,979,476	9,979,476	100.0000%	0	9,979,476	100.0000%
2010	9,253,641	9,253,641	100.0000%	0	9,253,641	100.0000%
2011	9,200,379	9,200,379	100.0000%	0	9,200,379	100.0000%

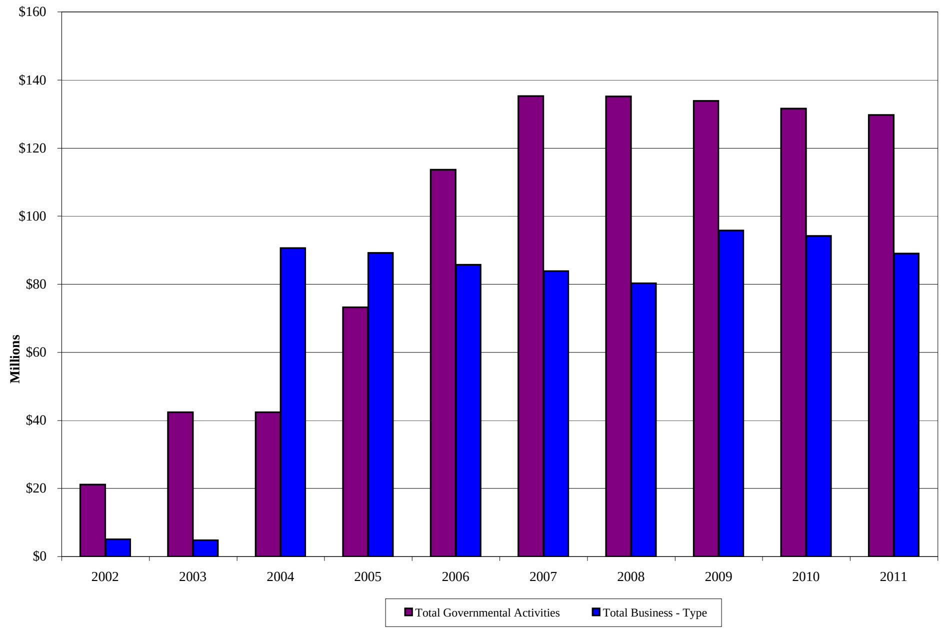
Source: City of Manteca Records

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



	Governmental Activities							
Fiscal Year	Tax Allocation Bonds	Capital Leases	Energy Conservation Assistance Loan	Installment Purchase Obligation	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2002	$18,620,000	$918,313	$239,165	$1,411,770	$21,189,248	$26,275,435	1.98%	$478
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)	3,088
2010	130,010,000	1,574,840			131,584,840	225,808,331	10.52%	3,088
2011	127,555,000	2,186,020			129,741,020	218,751,139	10.29%	3,177

	Business-Type Activities					
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asst Loan	Capital Leases	Lease Revenue Bonds	Total
2002		$885,000	$1,870,848	$608,897	$1,405,000	$5,086,187
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

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.

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

	General Bonded Debt Outstanding			
Fiscal Year	Tax Allocation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2002	$18,620,000	$18,620,000	0.75%	$338.70
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

CITY OF MANTECA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2011

2010-11 Assessed Valuation:	$4,814,919,412
Redevelopment Incremental Valuation:	1,565,386,642
Adjusted Assessed Valuation:	$3,249,532,770

OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2011	Percentage Applicable To City of Manteca (1)	City's Share of Debt 6/30/2011
San Joaquin Delta Community College District	$143,540,615	5.876%	$8,434,447
Manteca Unified School District	60,631,108	39.331%	23,846,821
Manteca Unified School District Community Facilities District No. 1989-2	34,920,000	81.167%	28,343,516
Manteca Unified School District Community Facilities District No. 2000-3	16,100,000	99.872%	16,079,392
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$255,191,723		$76,704,176

Ratios to 2010-11 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.59%

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Joaquin County Certificates of Participation	$183,520,000	6.517%	$11,959,998
City of Manteca General Fund Obligations	0	100%	0
South San Joaquin Irrigation District Certificates of Participation	2,140,000	50.685%	1,084,659
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			13,044,657
Less: South San Joaquin Irrigation District (100% self-supporting)			1,084,659
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$11,959,998
TOTAL DIRECT DEBT			$0
TOTAL GROSS OVERLAPPING DEBT			$89,748,833
TOTAL NET OVERLAPPING DEBT			$88,664,174
GROSS COMBINED TOTAL DEBT			$89,748,833 (2)
NET COMBINED TOTAL DEBT			$88,664,174

(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.

Ratios to Adjusted Assessed Valuation	
Total Direct Debt	0.00%
Gross Combined Total Debt	2.76%
Net Combined Total Debt	2.73%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11	$0

Source: California Municipal Statistics

CITY OF MANTECA
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2011

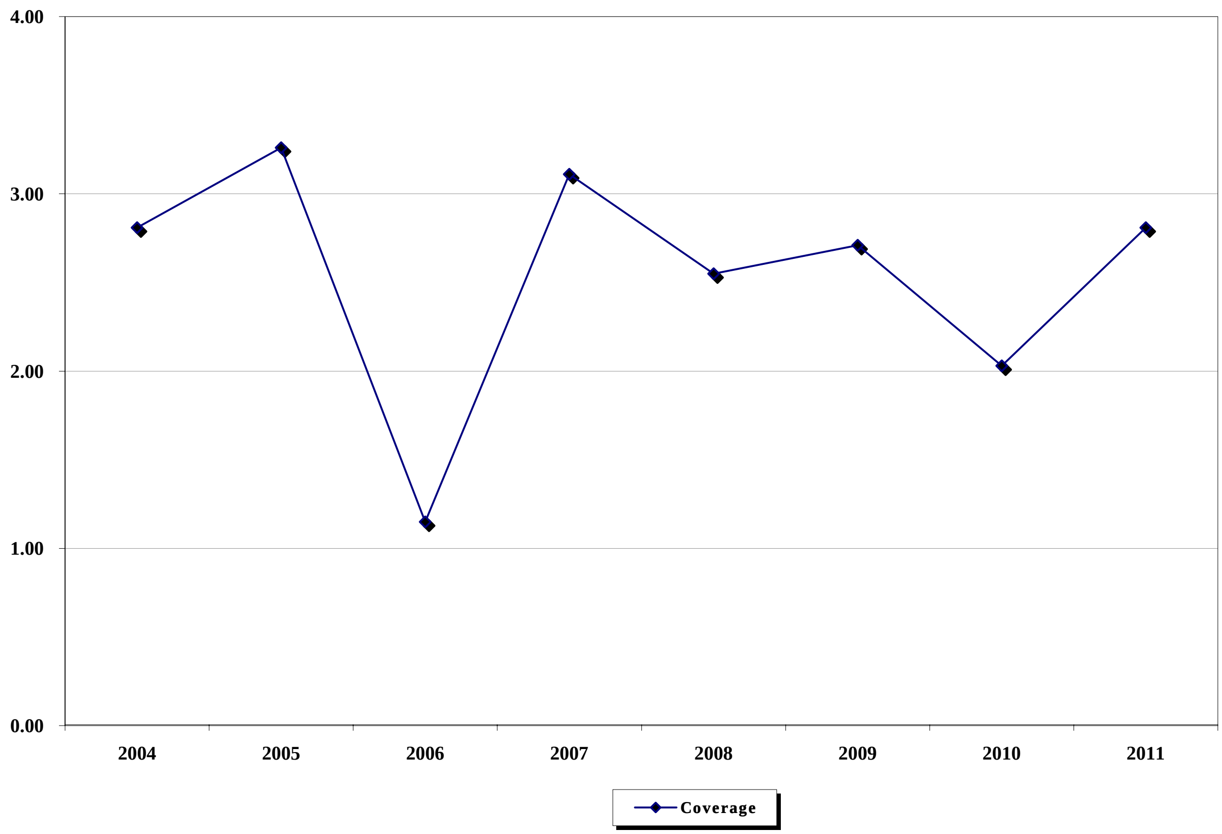
ASSESSED VALUATION:

Assessed Value	$4,814,919,412
Add back: Exempt real property	70,129,061
Total Assessed Valuation	$4,885,048,473

BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE)	$732,757,271
AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	$732,757,271

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
2002	$386,979,108	0	$386,979,108	0.00%
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%

CITY OF MANTECA
REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST EIGHT FISCAL YEARS

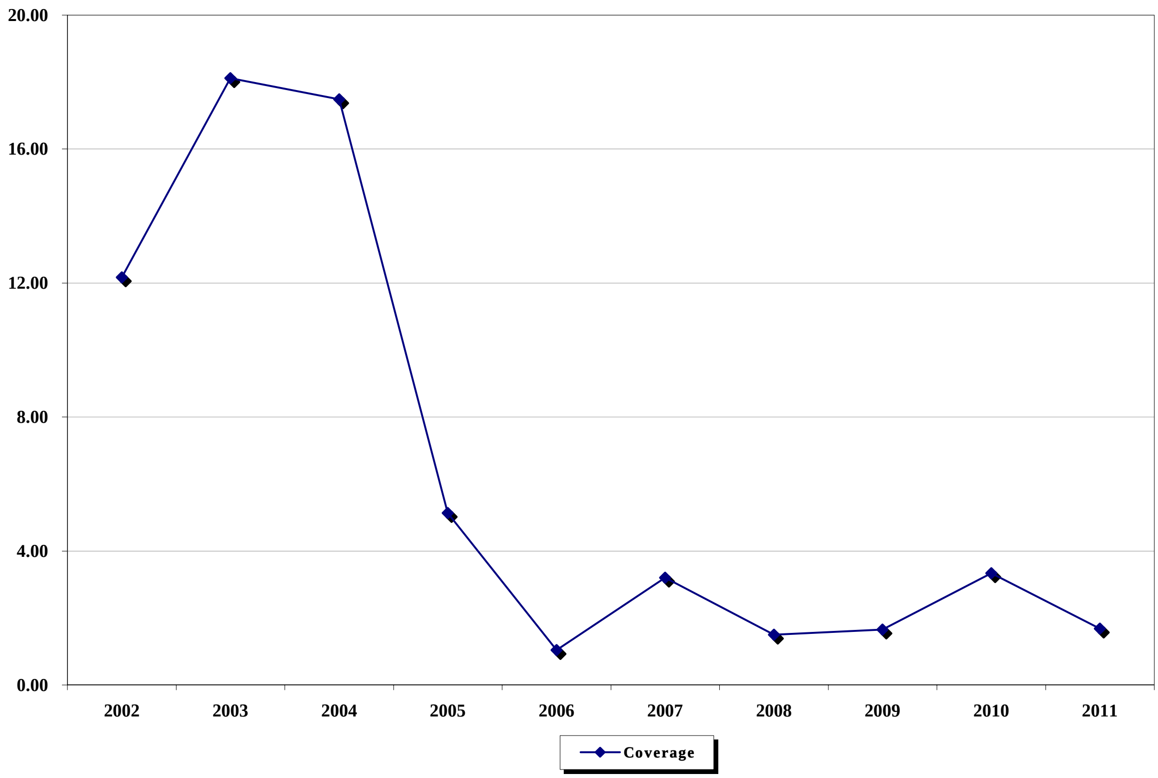


Fiscal Year (a)	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2004	$10,503,016	($4,376,643)	$1,326,099	$5,478,936	$0	$1,948,696	$1,948,696	2.81
2005	11,518,311	(4,677,420)	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

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

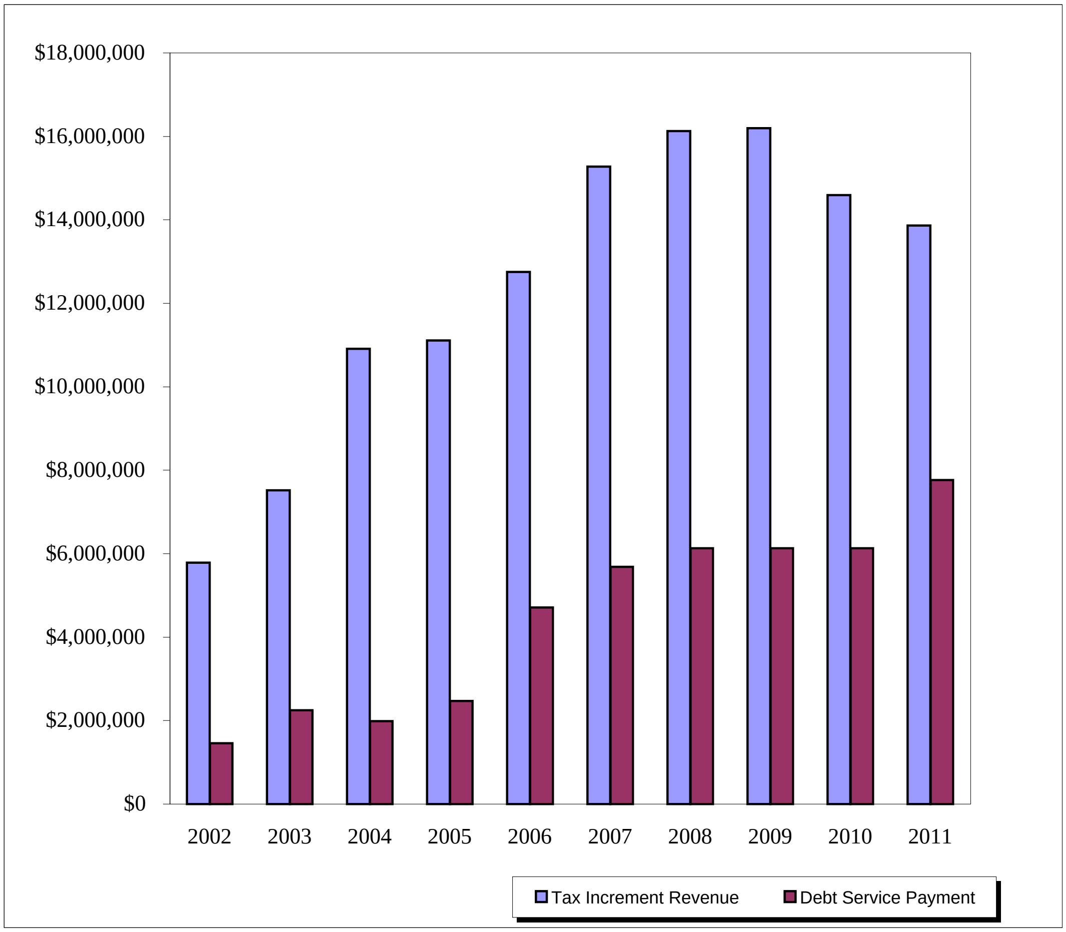


Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal		Interest	Total	Coverage
2002	$7,463,323	($4,323,119)	$1,644,038	$4,784,242	$255,000		$108,857	$375,061	12.17
2003	7,223,412	(4,812,347)	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

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

Source: City of Manteca Annual Financial Statements

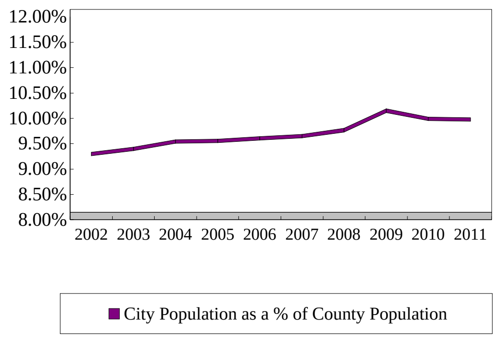
CITY OF MANTECA
BONDED DEBT PLEDGED-REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS

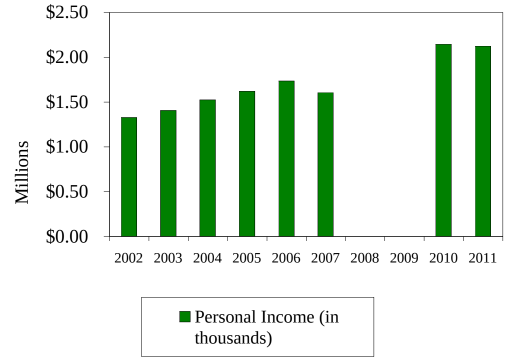


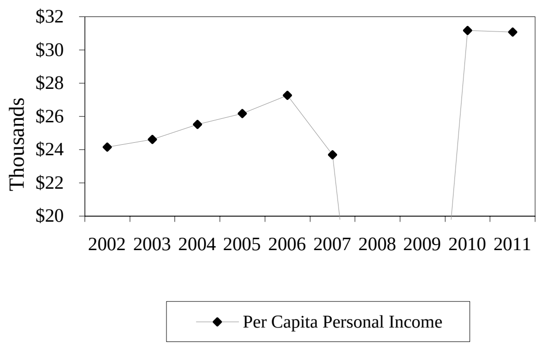
Fiscal Year	Tax Increment Revenue	Debt Service Requirements: Principal	Interest	Total	Coverage
2002	$5,781,959	$305,000	$1,150,806	$1,455,806	3.97
2003	7,519,404	75,000	2,171,358	2,246,358	3.35
2004	10,913,498	85,000	1,902,735	1,987,735	5.49
2005	11,107,845	90,000	2,383,913	2,473,913	4.49
2006	12,755,182	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

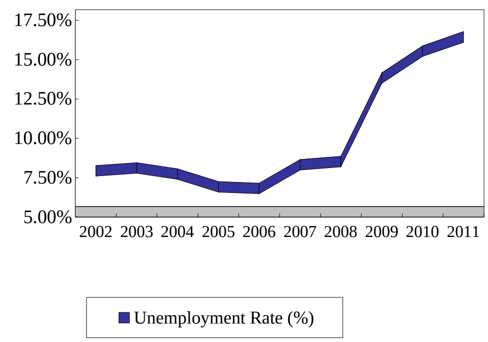
Source: City of Manteca Annual Financial Statements

CITY OF MANTECA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS









Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income [a]	Unemployment Rate (%)	San Joaquin County Population	City Population % of County
2002	54,975	$1,327,646	$24,150	7.6%	595,985	9.22%
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%

Source: California State Department of Finance
Bureau of Labor Statistics - Not Seasonally adjusted
Bureau of Economic Analysis
n/a -- data not available

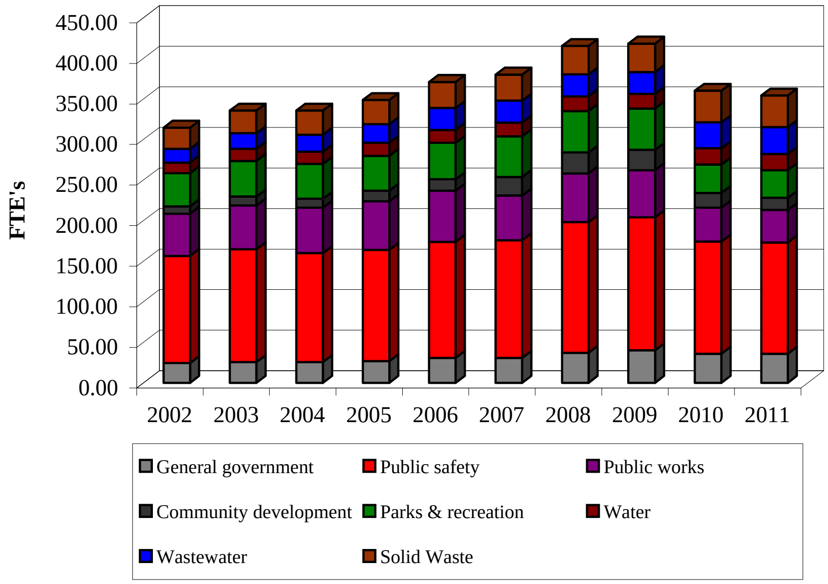
[a] Personal income is a product of the countywide per capita amount and the City's population

CITY OF MANTECA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND THREE YEARS AGO

	2010-2011			2007-08		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**(a) Number of Employees**	**Rank**	**Percentage of Total City Employment**
Manteca Unified School District	1,350	1	2.0%	2100+	1	3.3%
Kaiser Permanente Medical Offices & Hospital	590	2	0.9%	600-650	2	0.9%
Doctors Hospital of Manteca	370	3	0.5%	400-450	4	0.6%
City of Manteca	360	4	0.5%	350-399	6	0.6%
Wal-Mart	301	5	0.4%	300-349	7	0.5%
Eckert Cold Storage Co.	300	6	0.4%	200-249	9	0.4%
C. Overaa & Co.	250	7	0.4%	400-450	5	0.6%
Advance Packaging Distribution Specialist Inc	200	8	0.3%	300-349	8	0.5%
COSTCO Wholesale #1031	169	9	0.2%			
Target Corp.	151	10	0.2%			
Kenyon Plastering, Inc.				400-450	3	0.7%
The Home Depot Inc				200-249	10	0.3%
Total City Day Population	**68,847**			**65,076**		

Source: City of Manteca Community Development Department
Notes: Data not available for historical trend
[a] Data for employees is a range not specific number

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
General government	24.50	25.50	25.75	26.75	30.75	30.75	37.00	40.00	36.00	36.00
Public safety	132.00	139.00	134.00	137.00	143.00	145.00	161.00	164.00	138.00	137.00
Public works	52.00	54.00	56.00	60.00	63.00	55.00	60.00	58.00	42.00	40.00
Community development	9.00	11.00	11.00	13.00	14.00	23.00	26.00	25.00	18.00	15.00
Parks & recreation	41.00	44.00	43.00	43.00	45.00	50.00	51.00	51.00	35.00	34.00
Water	13.00	15.00	15.00	16.00	16.00	17.00	18.00	18.00	20.00	20.00
Wastewater	17.00	19.00	21.00	23.00	27.00	27.00	27.00	27.00	32.00	33.00
Solid Waste	26.00	28.00	29.75	29.75	32.00	32.00	35.00	35.00	39.00	39.00
Total	314.50	335.50	335.50	348.50	370.75	379.75	415.00	418.00	360.00	354.00

Source: City of Manteca Budget Document

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

	Fiscal Year			
	2002	2003	2004	2005
Population				
Citizens	54,975	57,200	59,700	61,927
Date of Incorporation	May 28, 1918	May 28, 1918	May 28, 1918	May 28, 1918
Form of Government	Council/Manager	Council/Manager	Council/Manager	Council/Manager
Area	15.98 Sq Miles	16.05 Sq Miles	16.13 Sq Miles	16.19 Sq. Miles
Registered Voters	21,557	21,579	23,788	25,575
Taxable Sales	602,934,900	589,162,700	635,916,900	698,218,600
Building Permits Issued	2,150	2,345	2,300	2,259
Employees from Budget Document	315	336	336	348
Fire Protection				
Number of Stations	3	3	3	3
Number of Reserve Personnel	20	20	12	21
Number of Sworn Fire Personnel	30	30	30	30
Number of Calls Answered	4,074	4,044	4,126	4,203
Police Protection				
Number of Stations	1	1	1	1
Number of Police Officers	65	68	68	68
Number of Volunteers	100	112	123	119
Number of Support Personnel	27	27	29	28
Number of Calls Answered	33,167	35,820	37,251	39,282
Parks & Recreation				
Park Sites	39	41	41	45
Acres of Parks	241	273	273	266
Senior Centers	1	1	1	1
Swimming Pools	1	1	1	1
Tennis Courts	8	8	8	8
Number of Park/Golf Trees	5,973	6,873	6,873	6,873
Number of Street Trees	4,768	5,288	5,288	7,000
Acres of Golf Course	122	122	122	122
Public Libraries	1	1	1	1
Landscape Maintenance Districts	12	14	14	14
Benefit Area District				
Public Works				
Miles of Streets	168	171	179	180
Number of Street Lights	3,050	3,134	3,314	3,314
Water Utility				
Number of Meters	15,203	16,037	16,687	17,199
Miles of Water Mains	166	168	214	212
Average Daily Consumptions (Gal)	10,161,293	10,597,002	11,542,356	10,493,809
Wastewater				
Number of Connections	19,214	20,043	20,556	21,248
Miles of Sewer Lines	166	168	163	169
Number of Treatment Plants	1	1	1	1
Average Daily Treatment	6.0 MGD	6.0 MGD	6.27 MGD	6.07 MGD
Treatment Capacity	6.95 MGD	6.95 MGD	8.11 MGD	7.50 MGD
Solid Waste				
Number of Accounts	14,940	15,866	16,442	17,073
Education				
Elementary Schools	17	17	17	19
High Schools	4	4	4	4
Adult Education	1	1	1	1
Teachers	1,031	1,031	1,144	1,133
Elementary Classrooms	851	851	821	869
High School Classrooms	259	259	291	304
Adult Education Classrooms	36	36	27	27
Current Enrollment	21,067	21,067	23,409	23,805

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.

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Population						
Citizens	63,703	65,076	66,451	67,754	68,847	64,810
Date of Incorporation	May 28, 1918	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	Council/Manager
Area	16.19 Sq. Miles	17.7 Sq Miles	17.52 Sq Miles	17.7 Sq Miles	17.9 Sq Miles	20.1 Sq Miles
Registered Voters	25,209	24,843	24,954	26,500	26,922	27,562
Taxable Sales	759,729,900	756,216,800	747,746,500	746,658,800	687,147,000	858,499,000
Building Permits Issued	2,302	2,596	1,816	1,459	1,843	1,675
Employees from Budget Document	370	380	415	418	360	354
Fire Protection						
Number of Stations	3	3	3	3	3	3
Number of Reserve Personnel	15	14	20	11	20	20
Number of Sworn Fire Personnel	30	36	42	43	42	41
Number of Calls Answered	n/a	n/a	4,589	4,823	4,787	4,800
Police Protection						
Number of Stations	1	1	1	1	1	1
Number of Police Officers	72	73	80	83	59	58
Number of Volunteers	114	69	74	153	100	211
Number of Support Personnel	28	30	33	36	26	28
Number of Calls Answered	39,435	38,763	37,122	37,345	35,902	35,331
Parks & Recreation						
Park Sites	46	46	47	47	52	53
Acres of Parks	275	275	326	335	335	335
Senior Centers	1	1	1	1	1	1
Swimming Pools	1	1	1	2	2	2
Tennis Courts	8	8	8	8	8	8
Number of Park/Golf Trees	6,925	7,320	7,596	7,600	7,320	7,320
Number of Street Trees	8,438	8,629	8,801	8,801	10,680	10,680
Acres of Golf Course	122	122	111	111	111	111
Public Libraries	1	1	1	1	1	1
Landscape Maintenance Districts	14	21	21	24	23	23
Benefit Area District		2	2	2	4	4
Public Works						
Miles of Streets	184	186	193	197	197	197
Number of Street Lights	3,800	4,300	4,800	4,800	4,800	4,800
Water Utility						
Number of Meters	17,428	21,950	22,172	19,800	19,700	20,071
Miles of Water Mains	279	251	254	244	236	257
Average Daily Consumptions (Gal)	11.96 MGD	13.7 MGD	13.82 MGD	12.62 MGD	12.68 MGD	11.83 MGD
Wastewater						
Number of Connections	21,383	21,967	22,212	22,461	23,053	
Miles of Sewer Lines	250	209	184	184	184	184
Number of Treatment Plants	1	1	1	1	1	1
Average Daily Treatment	6.50 MGD	6.28 MGD	5.95MGD	6.2 MGD	6.2 MGD	6.18MGD
Treatment Capacity	8.11 MGD	8.11 MGD	9.87 MGD	9.87 MGD	9.87 MGD	9.87MGD
Solid Waste						
Number of Accounts	17,310	17,630	17,799	18,262	18,765	19,400
Education						
Elementary Schools	19	21	20	23	23	24
High Schools	4	6	7	4	5	8
Adult Education	4	2	2	1	1	1
Teachers	1,132	1,236	1,157	1,012	989	953
Elementary Classrooms	869	939	934	900	895	900
High School Classrooms	330	331	330	390	375	390
Adult Education Classrooms	37	37	27	47	27	47
Current Enrollment	23,393	23,506	23,003	22,900	22,796	23,283

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
NOTARY AND SECURITY BONDS OF PRINCIPAL OFFICIALS
June 30, 2011

	Amount of Security Bond [1]
City Manger	$250,000
Deputy City Manager	250,000
City Attorney	250,000
City Clerk	250,000
City Treasurer [2]	1,000,000
Public Works Director	250,000
Police Chief	250,000
Fire Chief	250,000
Finance Director	250,000
Parks and Recreation Director	250,000
Community Development Director	250,000
Administrative Services Director	250,000
Executive Secretary (Notary)	10,000
City Clerk (Notary)	10,000

[1] City employees are covered by a fidelity bond amounting to a maximum if $250,000 with $1,000 deductible

[2] The City Treasurer is covered under a separate fidelity bond which has a $1,000,000 limit and no deductible

Source: City Administration Department

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Members of the Governing Board
Manteca Redevelopment Agency
Manteca, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Manteca Redevelopment Agency, a component unit of the City of Manteca, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic component unit financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these basic component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 basic component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic component unit 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 opinion.

In our opinion the basic component unit financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the Manteca Redevelopment Agency as of June 30, 2011 and the respective changes in the financial position and the respective budgetary comparison for the Low and Moderate Income Housing Fund for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 12, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 on our consideration of the Agency'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 or of our audit.

As of July 1, 2011, the Agency adopted the provisions of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. As discussed in Note 7 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

Management's Discussion and Analysis is not a required part of the basic financial statements but its supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associates

December 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Manteca Redevelopment Agency issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires that the financial statements include this overview of its financial activities for the fiscal year, and it should be read in conjunction with the accompanying Basic Financial Statements.

FISCAL 2011 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The Redevelopment Agency's total net assets at June 30, 2011 totaled $(73.1) million. This is a decrease of $56.3 million from the prior year.
- Total Agency revenues, including program and general revenues, were $15.8 million, while total expenses were $12.8 million in fiscal 2011. Transfers to the City totaled $59.3 million. Revenues increased by $.3 million, while expenses decreased $2.9 million.
- General revenues from property taxes were $13.9 million.

OVERVIEW OF THE BASIC COMPONENT UNIT FINANCIAL REPORT

This Basic Component Unit Financial Report is in four parts:

1) Independent Auditor's Report,
2) Management's Discussion and Analysis (this part),
3) The Basic Financial Statements, which include the Agency-wide and the Fund financial statements, along with the Notes to these financial statements,
4) Required Supplemental Information.

The Basic Financial Statements

The Basic Financial Statements comprise the Agency-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Agency-wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the Agency's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the Agency's activities are grouped into Government Activities as explained below.

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

Major Funds account for the major financial activities of the Agency. For Fiscal 2011 all of the Agency's funds have been categorized as major funds and are explained below.

The Government-wide Financial Statements

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

- Governmental activities - All of the Agency's basic services are considered to be governmental activities, including general government and community development. These services are supported by general Agency revenues such as property taxes, and by specific program revenues such as capital and operating grants and contributions.

- Since the City is financially accountable for the Agency, the activities of the Manteca Redevelopment Agency are additionally included in the governmental activities of the City.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Agency's most significant funds, called Major Funds. 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 Agency for the year, and may change from year to year as a result of changes in the pattern of Agency's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the Agency's Governmental Activities (Tables 1 and 2) presented in the Agency-wide Statement of Net Assets and Statement of Activities.

Net Assets

Table 1
Governmental Net Assets at June 30, 2011
(in Millions)

	Governmental Activities	
	2011	2010
Cash and investments	$ 17.4	$ 89.8
Other assets	33.7	22.7
Capital assets	12.0	10.8
Total assets	**63.1**	**123.3**
Long-term debt outstanding	127.6	130.0
Other liabilities	8.6	10.1
Total liabilities	**136.2**	**140.1**
Net assets:		
Invested in capital assets, net of debt	7.0	7.0
Restricted	20.7	93.6
Unrestricted	(100.8)	(117.4)
Total Net Assets	**(73.1)**	**(16.8)**

The Agency's net assets from governmental activities decreased from $(16.8) million in 2010 to $(73.1) million in 2011. Cash and investments decreased by $72.4 million as the result of transfers to the City of $58.3 million to fund transportation and infrastructure projects and the funding of a $12.8 million loan to Manteca Atherton Associates for the construction of Juniper Apartments. Restricted net assets of $20.7 million are available to finance on-going operations and other expenditures as approved by the Board of Commissioners for defined redevelopment activities.

Changes in Net Assets

The Statement of Activities presents programs revenues and expenses and general revenues in detail. All these are elements in the Changes in Government Net Assets. The increase in the Change in Net Assets reflected in the Statement of Activities, is shown in Table 2, and is explained below:

Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Capital contributions	$ 1.5	$ .0
Total program revenues	1.5	.0
General revenues:		
Property taxes	13.9	14.6
Interest income	.4	.9
Total general revenues	14.3	15.5
Total revenues	15.8	15.5
Expenses		
Community Development	6.5	12.8
Interest and fiscal charges	6.3	5.9
Transfers to City	59.3	.0
Total expenses	72.1	18.7
Change in net assets	**(56.3)**	**(3.2)**

Table 2 shows that total governmental activity revenues increased by $.3 million in fiscal year 2010-11. $13.9 million, or 88% of the Agency's fiscal 2011 revenue, came from property taxes. As a result of continuing problems in the housing market, property tax declined slightly by 5% as compared to fiscal year 2009-10 receipts. Interest income declined by $.5 million or 56%. The rate for the Local Agency Investment Fund was .448% in June 2011 as compared to .528% in June 2010. Transfers to the City of $59.3 million were primarily to fund transportation and infrastructure projects.

The Agency's Fund Financial Statements

Governmental Funds

At June 30, 2011, the Agency's governmental funds reported combined fund balances of $20.7 million, which is a decrease of $72.9 million compared with the prior year

Governmental fund revenues were $14.4 million this year, down 7% from prior year receipts. The Debt Service Fund accounted for 77% of the total revenues. Expenditures were $28 million this year. Of this total, $1.4 million was a mandatory payment to the State for the Agency's Supplemental Educational Revenue Augmentation Fund payment (Note 11). Additionally, $1.5 million was expended on capital projects and $8.8 million was expended on debt service.

Analyses of Major Governmental Funds

Low and Moderate Income Housing

This Fund accounts for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The City's residential and commercial loan program for low and moderate-income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund.

Principal payments, and in most cases interest payments, are deferred on these low and moderate income loans until the property is sold or re-financed. Principal and interest on loans to non-profit developers of such properties are typically at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing. All these loans are secured by deeds of trust on the underlying property, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

At the end of the fiscal year, the outstanding balances of such loans were $23.1 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2011. While additional interest may eventually be due on these loans, it is not accounted for as revenue in the current year because it is not collectible for some time to come, as explained above.

Since a portion of the monies used by this fund was obtained through borrowing, the fund is required to make principal and interest payments on its share of the debt. The fund's fiscal year end fund balance of $4.7 million is restricted, which means it is available to only fund future low and moderate income housing expenditures.

Debt Service

Fund balance in this fund was $15.8 million as of June 30, 2011, a decrease of $14.1 million. Revenue decreased 6.0% or by $.7 million due to declines in assessed valuations primarily in residential activity. $13.1 million was transferred to the City to fund transportation and infrastructure projects.

Capital Improvement and Economic Development

Fund balance in these funds decreased by $47.7 million. Current expenditures totaled $1.6 million. Transfers to the City in order to fund infrastructure projects totaled $46.1 million.

CAPITAL ASSETS

At the end of fiscal 2011 the Agency had $12 million in capital assets, net of depreciation, invested solely in land and improvements, as shown in Table 3 below (further detail may be found in Note 5 to the financial statements):

Table 3
Capital Assets at Year-end
(in Millions)

	Government Activities	
	2011	2010
Governmental Activities:		
Land and Improvements	$ 12.0	$ 10.8
Construction in progress	0.0	0.0
Machinery & Equipment	0.0	0.0
Less accumulated depreciation	0.0	0.0
Totals	**12.0**	**10.8**

DEBT ADMINISTRATION

Each of the Agency's debt issues is discussed in detail in Note 6 to the financial statements. At June 30, the Agency's debt comprised:

Table 4
Outstanding Debt
(in Millions)

	2011	2010
Governmental activities		
2002 Tax Allocation Revenue Bonds	$ 26.3	$ 27.1
2004 Subordinated Tax Allocation Revenue Bonds	23.9	24.6
2004 Tax Allocation (Housing Set Aside) Revenue Bonds	5.0	5.1
2005 Subordinated Tax Allocation Revenue Bonds	50.0	50.5
2006 Subordinated Tax Allocation Revenue Bonds	22.3	22.7
Total Outstanding Bonds	**127.5**	**130.0**

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities purpose is to summarize the entire Agency'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 Agency's assets and all its liabilities, as well as all its revenues and expenses.

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

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency'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.

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and investments	
available for operations (Note 2)	$3,849,420
Restricted cash and investments (Note 2)	13,508,550
Tax increment receivable	2,839,465
Interest receivable	25,107
Long-term notes receivable (Note 3)	22,647,358
Advance to the City of Manteca (Note 4)	1,700,000
Deferred outflow (Note 6B)	6,491,163
Capital assets not being depreciated (Note 5)	12,043,877
Total Assets	63,104,940
LIABILITIES	
Accounts payable	1,208,309
Accrued liabilities	918,012
Refundable deposits	5,000
Derivative instrument (Note 6B)	6,491,163
Long-term liabilities (Note 6):	
Due within one year	2,540,000
Due within more than one year	125,015,000
Total Liabilities	136,177,484
NET ASSETS (DEFICIT) (Note 7):	
Invested in capital assets, net of related debt	7,000,000
Restricted for:	
Low and moderate income housing	4,672,961
Capital projects	243,482
Debt service	15,792,790
Total Restricted Net Assets	20,709,233
Unrestricted	(100,781,777)
Total Net Assets (Deficit)	($73,072,544)

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	
Governmental Activities:	
Current:	
Community development	$6,549,421
Interest and fiscal charges	6,292,477
Total Program Expenses	12,841,898
Program revenue:	
Capital contribution	1,500,000
Net Program Expenses	11,341,898
General revenues:	
Property taxes	13,866,378
Interest income	466,491
Transfers to the City (Note 4)	(59,255,523)
Total General Revenues and Transfers	(44,922,654)
Change in Net Assets	(56,264,552)
Net Assets (Deficit)-Beginning	(16,807,992)
Net Assets (Deficit)-Ending	($73,072,544)

See accompanying notes to basic financial statements

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FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Agency in fiscal 2011. All of the Agency's funds are major funds.

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.

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.

CAPITAL PROJECTS 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 Agency long-term debt.

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 Agency long-term debt, and excess tax increment revenue.

MANTECA REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Economic Development	Total Governmental Funds
ASSETS					
Cash and investments available for operations (Note 2)	$1,255,589	$2,067,751	$456,723	$69,357	$3,849,420
Restricted cash and investments (Note 2)	3,517,862	9,990,688			13,508,550
Tax increment receivable		2,839,465			2,839,465
Interest receivable	8,643	12,973	1,385	2,106	25,107
Long-term notes receivable (Note 3)	23,110,189		1,487,437	338,040	24,935,666
Advance to the City (Note 4)		1,700,000			1,700,000
Total Assets	$27,892,283	$16,610,877	$1,945,545	$409,503	$46,858,208
LIABILITIES					
Accounts payable	$109,133	$813,087	$262,689	$23,400	$1,208,309
Deferred revenue (Note 3)	23,110,189		1,487,437	338,040	24,935,666
Refundable deposits		5,000			5,000
Total Liabilities	23,219,322	818,087	1,750,126	361,440	26,148,975
FUND EQUITY					
Fund balance (Note 7):					
Restricted for low and moderate income housing	4,672,961				4,672,961
Restricted for debt service		15,792,790			15,792,790
Restricted for capital projects			195,419		195,419
Restricted for economic development projects				48,063	48,063
Total Fund Balances	4,672,961	15,792,790	195,419	48,063	20,709,233
Total Liabilities and Fund Balances	$27,892,283	$16,610,877	$1,945,545	$409,503	$46,858,208

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
Reconciliation of
GOVERNMENTAL FUND BALANCE
with
GOVERNMENTAL NET ASSETS
JUNE 30, 2011

Total fund balances reported on the governmental funds balance sheet	$20,709,233
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.	12,043,877
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.	24,935,666
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 and accrued liabilities	(128,473,012)
Allowance for conditional grants	(2,288,308)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	($73,072,544)

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Economic Development	Total Governmental Funds
REVENUES					
Property taxes	$3,201,975	$10,664,403			$13,866,378
Use of money and property	95,075	380,001	$14,323	$7,096	496,495
Other revenue	1,000				1,000
Total Revenues	3,298,050	11,044,404	14,323	7,096	14,363,873
EXPENDITURES					
Current:					
Community development	13,975,418	2,324,522	13,299	127,557	16,440,796
Supplemental Educational Revenue Augmentation Fund payment (Note 11)		1,372,053			1,372,053
Capital outlay:					
Capital projects			1,147,796	302,405	1,450,201
Debt service:					
Principal	154,540	2,300,460			2,455,000
Interest and fiscal charges	294,138	6,031,845			6,325,983
Total Expenditures	14,424,096	12,028,880	1,161,095	429,962	28,044,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,126,046)	(984,476)	(1,146,772)	(422,866)	(13,680,160)
OTHER FINANCING SOURCES (USES)					
Transfers (out) to the City (Note 4B)		(13,129,795)	(43,670,205)	(2,455,523)	(59,255,523)
Total Other Financing Sources (Uses)		(13,129,795)	(43,670,205)	(2,455,523)	(59,255,523)
NET CHANGE IN FUND BALANCES	(11,126,046)	(14,114,271)	(44,816,977)	(2,878,389)	(72,935,683)
BEGINNING FUND BALANCES	15,799,007	29,907,061	45,012,396	2,926,452	93,644,916
ENDING FUND BALANCES	$4,672,961	$15,792,790	$195,419	$48,063	$20,709,233

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
Reconciliation of the
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
with the
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

The schedule below reconciles the Net Changes 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	($72,935,683)
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 is therefore added back to fund balance.	297,405
The contribution of land is added to fund balance	1,500,000
Retirements are deducted from the fund balance	(572,405)
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	2,455,000
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	13,307,604
Interest payable	33,506
Amortization of conditional grants	(349,979)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	($56,264,552)

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
LOW AND MODERATE INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	$3,174,225	$3,174,225	$3,201,975	$27,750
Use of money and property	103,000	103,000	95,075	(7,925)
Other revenue			1,000	1,000
Total Revenues	3,277,225	3,277,225	3,298,050	20,825
EXPENDITURES				
Current:				
General government	1,596,230	15,994,290	13,975,418	2,018,872
Debt service:				
Principal	154,540	154,540	154,540	
Interest and fiscal charges	294,140	294,140	294,138	2
Total Expenditures	2,044,910	16,442,970	14,424,096	2,018,874
NET CHANGE IN FUND BALANCE	$1,232,315	($13,165,745)	(11,126,046)	$2,039,699
BEGINNING FUND BALANCE			15,799,007	
ENDING FUND BALANCE			$4,672,961	

See accompanying notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Organization and Purpose

The Manteca Redevelopment Agency was created on September 3, 1985 under the provisions of the Redevelopment Law (California Health and Safety Code) to clear and rehabilitate areas determined to be in a declining condition in the Project Areas. Redevelopment Project Area #1 was adopted in June of 1986 and Redevelopment Project Area #2 was adopted in December 1993 to provide an improved physical, social and economic environment in the Project Areas. The Agency merged these two project areas in fiscal 2000. Redevelopment Project Area #3 was adopted in May 2011, but did not have any revenues or expenditures during fiscal year 2011. The City Council serves as the governing body of the Agency and the City Manager serves as the Executive Director.

The Agency is an integral part of the City of Manteca and, accordingly, 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 Agency's basic component unit 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.

Agency-Wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency 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 Agency'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 Agency's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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. All of the Agency's funds are major funds, and the Agency reported the following major governmental funds in the accompanying financial statements:

LOW AND MODERATE INCOME HOUSING FUND - Established by the 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.

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.

CAPITAL PROJECTS 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 Agency long-term debt.

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 Agency long-term debt, and excess tax increment revenue.

D. Basis of Accounting

The agency-wide 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.

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 Agency 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

The Agency 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 Agency's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

E. Revenues

The Agency's primary source of revenue is incremental property taxes. Incremental property taxes allocated to the Agency are computed in the following manner:

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role as the base year.

2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the base year assessed valuation of the property are allocated to all other districts receiving taxes from the project area, including the City.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City and any increased tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and Federal governments, interest income and the issuance of Agency debt.

F. Property Tax

San Joaquin County assesses properties and it bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies retaining interest and penalties. Secured and unsecured property taxes are levied 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 Agency in the fiscal year they are assessed, provided they become available as defined above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

G. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts in the financial statements are as originally adopted, or as amended by the Agency Board. Individual amendments were not material in relation to the original appropriations.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. 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. Encumbrances outstanding at year end are reported as restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities and are reappropriated in the following year.

H. Expenditures in Excess of Appropriations

The Debt Service Fund had expenditures in excess of budget in the amount of $265,288. Sufficient resources were available to fund the excess.

I. 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 - CASH AND INVESTMENTS

The Agency's dependence on incremental 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 Agency pools cash from all sources and all funds with the City of Manteca, 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 and Agency invest 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 and Agency employ the Trust Department of a bank as the custodian of all City and Agency managed investments, regardless of their forms.

NOTE 2 - CASH AND INVESTMENTS (Continued)

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City and Agency cash on deposit or first trust deed mortgage notes with a value of 150% of the Agency'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 or Agency's name and places the City and Agency ahead of general creditors of the institution pledging the collateral.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency 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 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments or Agency agreements. Cash and investments as of June 30, 2011 are as follows:

Cash and investments available for operations	$3,849,420
Restricted cash and investments	13,508,550
Total cash and investments	$17,357,970

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

The Investment Policy of the City and Agency, and the California Government Code, allow the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Agency'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%

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The 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 Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Agency 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	None
United States Government Agency Obligations	5 years	None
Federal Securities	5 years	None
Bankers' Acceptances	30 days to 1 year	A-1
Commercial Paper	270 days	A-1
Certificates of Deposit	30 days to 5 years	None to A
Repurchase Agreements	None	A
Local Agency Investment Fund	n/a	n/a
Money Market Funds	n/a	AA-m
Investment Agreements	None	None to AA
Prefunded Municipal Obligations	None	AAA
State Obligations	None	A
State Obligations - Direct Short-Term	None	A-1
State Obligations - Special Revenue Bonds	None	AA

E. Interest Rate Risk

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Agency'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 Agency's investments by maturity:

Investment Type	12 Months or less	25 to 36 Months	More than 36 Months	Total
Held by Agency:				
California Local Agency Investment Fund	$6,330,982			$6,330,982
Money Market Funds (U.S. Securities)	753,641			753,641
City of Manteca Investment Pool (Overdraft)	(3,235,203)			(3,235,203)
Held by Trustees:				
U.S. Government Agency Obligations	995,965	$994,130	$1,319,560	3,309,655
Money Market Funds (U.S. Securities)	3,750,191			3,750,191
Guaranteed Investment Contracts	1,428,034		5,020,670	6,448,704
Total Investments	$10,023,610	$994,130	$6,340,230	$17,357,970

The Agency 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 Agency 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, 2011, these investments have an average maturity of 237days.

Money market funds are available for withdrawal on demand and at June 30, 2011, have an average maturity of 7 to 43 days.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2011 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA	AAAm	Total
Held by Agency:			
Money Market Funds (U.S. Securities)		$753,641	$753,641
Held by Trustees:			
U.S. Government Agency Obligations	$3,309,655		3,309,655
Money Market Funds (U.S. Securities)		3,750,191	3,750,191
Totals	$3,309,655	$4,503,832	7,813,487
Not rated:			
California Local Agency Investment Fund			6,330,982
Guaranteed Investment Contracts			6,448,704
City of Manteca Investment Pool (Overdraft)			(3,235,203)
Total Investments			$17,357,970

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the Agency's investments in these agencies that were subject to the downgrade were as follows: FHLB $2,313,690, FFCB $995,965.

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. 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
Agency-Wide:			
	IXIS	Guaranteed Investment Contract	$5,020,670
	Federal Home Loan Bank	United States Government Agency Obligations	2,313,690
	MBIA	Guaranteed Investment Contract	1,428,034
	Federal Farm Credit Bank	United States Government Agency Obligations	995,965
Major Funds:			
Low and Moderate Income Housing	IXIS	Guaranteed Investment Contract	356,635
Debt Service Fund	IXIS	Guaranteed Investment Contract	4,664,035
	MBIA	Guaranteed Investment Contract	1,428,034
	Federal Home Loan Bank	United States Government Agency Obligations	2,313,690
	Federal Farm Credit Bank	United States Government Agency Obligations	995,965

H. Fair Market Value of Investments

GASB Statement 31 requires governments to present investments at fair value. The Agency adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2011, the cost of investments was $33,817 less than the Agency's fair market value. The Agency has included the following net increases in the fair value of investments in income as follows:

Fund	Unrealized Gain on Investments
Low and Moderate Income Housing Fund	$26,782
Debt Service Fund	2,196
Capital Projects Fund	4,479
Economic Development Fund	360
Total	$33,817

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE

A. Summary of Notes Receivable and Deferred Revenue

The Agency 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, 2011, these notes totaled:

HOPE Shelter	$581,528
Habitat for Humanity	10,000
Owner Participation Agreements	1,433,357
Down Payment Assistance Program	1,809,045
Residential Rehabilitation	278,934
First-Time Homebuyer Program	90,000
AKF Development, LLC	54,080
Mid-Peninsula Housing Coalition	2,500,000
Eden Housing Inc. - Union Court Apartments	2,593,742
Eden Housing Inc. - Senior Housing	1,680,932
Cabral Western Motors	338,040
Manteca Senior Housing, LLC - Affirmed Housing	750,000
Senior Rehabilitation Loans	66,008
Manteca Atherton Associates - Juniper Apartments	12,750,000
Total notes receivable	24,935,666
Less: Allowance for conditional grants	2,288,308
Net long-term notes receivable	$22,647,358

Deferred revenue at June 30, 2011 consisted of the outstanding balances of the above notes.

B. HOPE Shelter

On October 19, 1992 the Agency loaned $75,000 to the Helping Others Provide Encouragement (HOPE) Shelter, to purchase a facility for rent to very-low-income tenants. HOPE has signed a promissory note secured by a deed of trust which is due if the facility is sold or used for any other purpose. If the facility is used for the stated purpose for fifteen years, the Agency will forgive the Loan. As of June 30, 2011 the loan has been forgiven. Subsequently in fiscal year 1998, an additional $14,842 was loaned to the Shelter for the replacement of windows and $150,000 was loaned for the rehabilitation of a different property leased by HOPE; these amounts are subject to the terms of the original loan, and extended the due date or potential forgiveness date to June 1, 2013.

On August 3, 2010, the Agency entered into a Predevelopment Loan Agreement with HOPE to fund the design phase of the rehabilitation of the Shelter and to create seven new units with thirty-five beds in the amount of $188,750. The loan is forgivable if all design work is completed by March 4, 2011. The design work was completed on August 13, 2010 and the loan was forgiven.

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

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 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. As of June 30, 2011, HOPE had drawn down $416,686 of the loan funds and the remaining balance to be drawn down was $826,754.

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.

D. Owner Participation Agreements

During fiscal year 2005 the Redevelopment Agency entered into four Owner Participation Agreements under which it made loans totaling $204,464 to real property owners in the Redevelopment Area for the purpose of making property improvements. As of June 30, 2010, three of the loans had been repaid. The remaining loan was fully repaid during fiscal year 2011.

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 June 30, 2011, the total outstanding balance on this loan was $1,433,357.

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, 2011, 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.

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

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, 2011, loans receivable under this program totaled $252,207.

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, 2011, 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, 2011 was $90,000.

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 June 30, 2011, the developer had not met all of the forgiveness provisions of the loan agreement, but the City has not yet required repayment of the loan and the principal balance outstanding was $54,080.

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

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, 2011, Eden Housing had drawn down the loan in the amount of $1,680,932.

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 June 30, 2011, the principal outstanding is $338,040.

M. Slender Lady

On January 27, 2006 the Agency agreed to loan Slender Lady, a local business, $25,000 at seven percent interest to assist with advertising, signage, inventory, equipment, booth rental fees, insurance, and working capital. The loan was forgiven during the fiscal year.

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

N. 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. At June 30, 2011, $750,000 has been drawn down from the loan and remains outstanding, and $2,000,000 of the grant has been drawn down.

O. 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 dependant upon the income of the applicants. At June 30, 2011, loans receivable under this program totaled $66,008.

P. 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 $5,059,290 at June 30, 2011, but the Agency has recorded the entire loan disbursement of $12,750,000 as an expenditure and loan receivable as of June 30, 2011.

Q. Conditional Grants

The Agency 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 Agency 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 4 – INTERFUND TRANSACTIONS WITH THE CITY

A. Advance to the City

During fiscal year 2010 the Redevelopment Debt Service Fund made an advance of $1,700,000 to the City's Development Services Special Revenue Fund to establish the fund. The advance is to be repaid when funds become available.

B. Transfers to the City

During the fiscal year ended June 30, 2011, the Agency made the following transfers to the City's Special Apportionment Streets Fund:

Fund Making Transfers	Amount Transferred
Debt Service Fund	$13,129,795
Capital Improvement Fund	43,670,205
Economic Development Fund	1,700,000
	$58,500,000

The above transfers were made to fund capital projects. The City expends funds on capital projects on behalf of the Agency and the Agency occasionally transfers the required funds to the City prior to the start of the project. Any unspent funds are returned to the Agency upon completion of the project. As of June 30, 2011, the balance of unspent project funds held by the City on behalf of the Agency totaled $57,366,220.

The Economic Development Fund also transferred $755,523 to the City's General Fund for the purchase of two parcels of land as discussed in Note 5 below.

NOTE 5 - CAPITAL ASSETS

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.

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 asset constructed, net of interest earned on the invested proceeds over the same period.

The Agency is required to record all its capital assets, including infrastructure, at their historical cost, and to depreciate these assets over their estimated useful lives. However, titles to all capital assets, except for land acquired or projects constructed by the Agency are turned over to the City of Manteca during the fiscal year the assets are acquired or the projects are constructed. Accordingly, capital outlay expenditures are reported in the Agency's funds and reclassified as program expenditures at the Agency-wide financial statements.

NOTE 5 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2011 were as follows:

	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011
Capital assets not being depreciated:				
Land	$10,818,877	$1,797,405	($572,405)	$12,043,877

In August 2010, the Agency purchased two parcels of land from the City for $940,000, however Governmental Accounting Standards Board Statement requires that the land be recorded at the City's original cost, which was $184,477 and the difference of $755,523 is recorded as a transfer.

In March 2011, the Agency made required findings in accordance with Health and Safety Code Sections 33445 and 33430 to allow the conveyance of three parcels, including the two parcels mentioned above that had been recorded as capital assets with a book value of $459,477 to the City.

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.

NOTE 6 - TAX ALLOCATION BONDS PAYABLE

A. Composition and Changes

The Agency normally uses long-term tax allocation bonds (TABs) to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The Agency's TAB transactions and balances are summarized below and discussed in detail subsequently.

Tax Allocation Bond Issue	Original Issue Amount	Balance June 30, 2010	Retirements	Balance June 30, 2011	Current Portion
Series 2002 Subordinated Tax Allocation Refunding Bonds	$30,765,000	$27,110,000	$785,000	$26,325,000	$820,000
Series 2004 Subordinated Tax Allocation Bonds	25,925,000	24,615,000	690,000	23,925,000	705,000
Series 2004 Tax Allocation (Housing Set-Aside) Subordinated Bonds	5,310,000	5,085,000	120,000	4,965,000	120,000
Series 2005 Subordinated Tax Allocation Bonds	50,760,000	50,525,000	475,000	50,050,000	490,000
Series 2006 Subordinated Tax Allocation Bonds	22,675,000	22,675,000	385,000	22,290,000	405,000
	$135,435,000	$130,010,000	$2,455,000	$127,555,000	$2,540,000

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

On September 5, 2002, the 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 in the amount of $25,925,000. The proceeds were used to finance ongoing redevelopment activities. The 2004 TAB's 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.

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 that all future tax increment revenues are 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 $10,325,430 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. For fiscal year 2011, housing set-aside tax increment revenue amounted to $3,201,975, which represented coverage of 718% over the $445,978 of debt service.

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 B below. Principal payments are due annually beginning October 1, 2010 through October 1, 2042.

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

The 2005 Subordinate 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 0.65% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 10% of the outstanding principal amount of the Bonds.

On December 1, 2006, the Agency issued Amended Merged Project Area Subordinate Tax Allocation Bonds Series 2006 in the amount of $22,675,000. The proceeds were used to finance ongoing redevelopment activities. The 2006 TAB's 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 $209,169,726 on the Bonds above, which is scheduled to occur in 2042. Projected tax increment revenues are expected to provide coverage over debt service of 100% over the life of the Bonds. For fiscal year 2011, net tax increment revenues amounted to $10,664,403, which represented coverage of 144% over the $7,406,611 of debt service of the Bonds.

B. 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 3.269%. 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, 2011, 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.

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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	$50,050,000	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

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, 2011, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of ($6,491,163), an increase of $1,741,466 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, 2011, the Agency was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, if the fair value of the swap were to become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates decline in the future. The swap counterparty is Piper Jaffray Financial Products, Inc. with a credit guarantee provided by Morgan Stanley Capital Services and is rated 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.

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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.

Swap payments and associated debt. Using rates as of June 30, 2011, 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 at Note 6C below:

For the Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swap, Net	Total
2012	$490,000	$25,025	$1,599,146	$2,114,171
2013	690,000	24,780	1,578,469	2,293,249
2014	725,000	24,435	1,555,399	2,304,834
2015	745,000	24,073	1,531,569	2,300,642
2016	830,000	23,700	1,505,503	2,359,203
2017-2021	6,840,000	109,376	6,874,076	13,823,452
2022-2026	7,900,000	92,143	5,738,625	13,730,768
2027-2031	5,180,000	73,441	4,601,210	9,854,651
2032-2036	6,330,000	61,208	3,785,462	10,176,670
2037-2041	13,605,000	38,868	2,168,796	15,812,664
2042-2043	6,715,000	5,068	161,615	6,881,683
Totals	$50,050,000	$502,117	$31,099,870	$81,651,987

C. Debt Service Requirements

Annual debt service requirements, including the effect of the swap agreement as discussed above, are shown below:

For the Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2012	$2,540,000	$5,247,738
2013	2,640,000	5,147,855
2014	2,750,000	5,036,341
2015	2,875,000	4,916,865
2016	3,000,000	4,794,686
2017-2021	16,515,000	21,952,509
2022-2026	17,780,000	18,475,741
2027-2031	22,165,000	14,300,063
2032-2036	27,530,000	8,645,460
2037-2041	21,185,000	3,171,389
2042-2043	8,575,000	251,509
Total	$127,555,000	$91,940,156

NOTE 7 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the Agency's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Agency-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 Agency'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 as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency 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 Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency 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 Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

NOTE 7 – NET ASSETS AND FUND BALANCES (Continued)

Assigned fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; nonspendables, when it is the Agency's intent to use proceeds or collections for a specific purpose, and residual deficit fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds.

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.

NOTE 8 - 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. To date, increments totaling $9,990,137 have been passed through directly to these taxing agencies.

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.

NOTE 9 – AUTHORIZED BUT UNISSUED DEBT

At October 18, 2004, the Agency 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, 2011, the Agency 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 10 – COMMITMENTS AND CONTINGENCIES

Litigation

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency Attorney there is no pending litigation, other than that discussed in Note 12, which is likely to have a material adverse effect on the financial position of the Agency.

Grant Programs

The Agency participates in Federal and State grant programs. These programs have been audited by the Agency'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 Agency expects such amounts, if any, to be immaterial.

Encumbrances

The Agency 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 as of June 30, 2011 were: $901 in the Capital Projects Fund.

NOTE 11 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of $6,664,258 in fiscal year 2009-10, and its second payment in the amount of $1,372,053 in fiscal year 2010-11.

NOTE 12 – PROPOSED DISSOLUTION OF REDEVELOPMENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26. Although the City introduced an Ordinance to opt-in to the voluntary program on August 16, 2011, it was not able to enact the Ordinance due to the Court stay discussed below.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit 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. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 25, 2011.

In addition, the suspension provisions require 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 State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

NOTE 12 – PROPOSED DISSOLUTION OF REDEVELOPMENT (Continued)

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $5,767,111. The City filed an appeal of that amount in accordance with the provisions of Health and Safety Code Section 34194(b)(2)(L), and the State Department of Finance revised the remittance payment to $5,344,012.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Notes 4 and 5, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of December 16, 2011 the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

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MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

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.

CAPITAL PROJECTS 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 general long-term debt.

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 general long-term debt, and excess tax increment revenue.

MANTECA REDEVELOPMENT AGENCY
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	$10,558,490	$10,664,403	$105,913
Use of money and property	534,475	380,001	(154,474)
Total Revenues	11,092,965	11,044,404	(48,561)
EXPENDITURES			
Current:			
Community development	2,358,192	2,324,522	33,670
Supplemental Educational Revenue Augmentation Fund payment	1,370,730	1,372,053	(1,323)
Debt Service:			
Principal	2,300,460	2,300,460	
Interest and fiscal charges	5,734,210	6,031,845	(297,635)
Total Expenditures	11,763,592	12,028,880	(265,288)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(670,627)	(984,476)	(313,849)
OTHER FINANCING SOURCES (USES)			
Transfers (out) to the City	(550,000)	(13,129,795)	(12,579,795)
Total Other Financing Sources (Uses)	(550,000)	(13,129,795)	(12,579,795)
NET CHANGE IN FUND BALANCE	($1,220,627)	(14,114,271)	($12,893,644)
BEGINNING FUND BALANCE		29,907,061	
ENDING FUND BALANCE		$15,792,790	

MANTECA REDEVELOPMENT AGENCY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$10,000	$14,323	$4,323
Total Revenues	10,000	14,323	4,323
EXPENDITURES			
Current:			
Community development	405,789	13,299	392,490
Public works	396,950		396,950
Capital outlay:			
Capital projects	4,711,821	1,147,796	3,564,025
Total Expenditures	5,514,560	1,161,095	4,353,465
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,504,560)	(1,146,772)	4,357,788
OTHER FINANCING SOURCES (USES)			
Transfers (out) to the City		(43,670,205)	(43,670,205)
Total Other Financing Sources (Uses)		(43,670,205)	(43,670,205)
NET CHANGE IN FUND BALANCE	($5,504,560)	(44,816,977)	($39,312,417)
BEGINNING FUND BALANCE		45,012,396	
ENDING FUND BALANCE		$195,419	

MANTECA REDEVELOPMENT AGENCY
ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	$20,000	$7,096	($12,904)
Total Revenues	20,000	7,096	(12,904)
EXPENDITURES			
Current:			
Community development	775,670	127,557	648,113
Capital outlay	1,055,000	302,405	752,595
Total Expenditures	1,830,670	429,962	1,400,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,810,670)	(422,866)	1,387,804
OTHER FINANCING SOURCES (USES)			
Transfers (out) to the City		(2,455,523)	(2,455,523)
Total Other Financing Sources (Uses)		(2,455,523)	(2,455,523)
NET CHANGE IN FUND BALANCE	($1,810,670)	(2,878,389)	($1,067,719)
BEGINNING FUND BALANCE		2,926,452	
ENDING FUND BALANCE		$48,063	

MANTECA REDEVELOPMENT AGENCY
EXCESS SURPLUS CALCULATION
JUNE 30, 2011

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of $1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus.

	Low and Moderate Income Housing Funds -- Manteca Project Area July 1, 2010	
Opening Fund Balance -- July 1, 2010		$15,799,007
Less Unavailable Amounts:		
Unspent debt proceeds (Section 33334.12(g)(3)(B))	($3,526,165)	
		(3,526,165)
Available Low and Moderate Income Housing Funds		12,272,842
Limitation (greater of $1,000,000 or four years set-aside)		
Set-Aside for last four years - fiscal years ended:		
June 30, 2010	$3,366,746	
June 30, 2009	3,733,266	
June 30, 2008	3,744,642	
June 30, 2007	3,578,118	
Total	$14,422,772	
Base limitation	$1,000,000	
Greater amount		14,422,772
Computed Excess Surplus - July 1, 2010		None

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

Members of the Governing Board of the
Redevelopment Agency of the
City of Manteca, California

We have audited the financial statements of the City of Manteca, which include the funds of the Redevelopment Agency of the City of Manteca as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and a paragraph discussing the implementation of Governmental Accounting Standards Boards Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in our separately issued Memorandum on Internal Control dated December 16, 2011.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated December 16, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

December 16, 2011

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
CALIFORNIA HEALTH AND SAFETY CODE
AS REQUIRED BY SECTION 33080.1**

Members of the Governing Board of the
Redevelopment Agency of the
City of Manteca, California

Compliance

We have audited the Redevelopment Agency of the City of Manteca's compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June, 30, 2011. However, the results of our audit procedures disclosed instances of noncompliance that are required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, which are described in the accompanying Schedule of Current Year Findings.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We did not audit the Agency's responses to the findings included in the Schedule of Current Year Findings and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

December 16, 2011

SCHEDULE OF CURRENT YEAR FINDINGS

Major Compliance Violations, as defined in Health and Safety Code Section 33080.8(j):

None

Other Compliance Violations:

Finding 2011-01: <u>Excess Surplus Calculation</u>

Criteria: Health and Safety Code Section 33334.12(b) requires the Agency to calculate the excess surplus as a part of, or in addition to, the Low and Moderate Income Housing Fund on a yearly basis in order to determine the timing of expenditure or transfer mandates.

Condition: During our tests of the Agency's excess surplus calculation for the year ended June 30, 2010, we found that the calculation did not agree with the audited financial statements for that fiscal year as follows: beginning balance of the calculation did not agree by $130,430, the components of revenue and expenditures did not agree to the financial statements, and outstanding encumbrances did not agree to the financial statements by $14.5 million.

Effect: The Agency is not in compliance with Health and Safety Code Section 33334.12(b).

Cause: In preparing the June 30, 2010, staff inadvertently failed to update a beginning balance when using the HCD reports.

Recommendation: Although the Agency did not have an excess surplus at June 30, 2010 using the amounts in the audited financial statements, the Agency should implement procedures to ensure it properly calculates the excess surplus each fiscal year in order to be in compliance with the requirements of the California Health and Safety Code.

Management's Response: Procedures have been put in place for all final work to be reviewed before submission to the State Controller's Office. The error will be corrected on the 2011 calculation in order to ensure compliance with Health and Safety Code Section 33334.12(b).

Finding 2011-02: <u>Monitoring of Low and Moderate Income Housing</u>

Criteria: Health and Safety Code Section 33418 requires the Agency monitor low - and moderate - income housing. In accordance with the law, the Agency is to require property owners or managers of such housing to submit an annual report to the Agency, and the Agency must have records of each affordable housing unit along with the income, size, and rent payments of each occupying family. This monitoring requirement is related to low and moderate income housing projects that are funded by the Agency.

Condition: During our tests of the Agency's compliance with the requirements of the Health and Safety Code we found the Agency has not been monitoring all of the applicable low and moderate income housing.

Effect: The Agency is not in compliance with Health and Safety Code section 33418.

Cause: We understand that the Agency monitors only senior housing and is currently implementing procedures to record the income, size, and rent payments for each occupying low- and moderate-income family into a database that will facilitate the monitoring of all other applicable projects.

Other Compliance Violations:

Finding 2011-02: <u>Monitoring of Low and Moderate Income Housing (Continued)</u>

Recommendation: We recommend that the Agency implement these procedures as soon as possible to comply with the requirements of the Health and Safety Code.

Management's Response: While staff implemented procedures to meet compliance with Health and Safety code section 33418, staff did not retain adequate documentation to eliminate the finding. Staff has now revised procedures so that all critical documentation will be retained in order to ensure compliance.

STATUS OF PRIOR YEAR FINDINGS
Prepared by Management

Finding 10-01: Monitoring of Low and Moderate Income Housing

Health and Safety Code Section 33418 requires that the Agency monitor low- and moderate-income housing. In accordance with the law, the Agency is to require property owners or managers of such housing to submit an annual report to the Agency, and the Agency must have records of each affordable housing unit along with the income, size, and rent payments of each occupying family. This monitoring requirement is related to low and moderate income housing projects that are funded by the Agency.

During our tests of the Agency's compliance with the requirements of the Health and Safety Code using the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, we found that the Agency has not been monitoring all of the applicable low and moderate income housing. We understand that the Agency monitors only senior housing and is currently implementing procedures to record the income, size, and rent payments for each occupying low- and moderate-income family into a database that will facilitate the monitoring of all other applicable projects. We recommend that the Agency implement these procedures as soon as possible to comply with the requirements of the Health and Safety Code.

> ***Current Status:***
> See 2011-02

Finding 10-02: Resolution for Planning and Administrative Expenses from the Housing Fund

Health and Safety Code Section 33334.3(d) requires that the Agency annually prepare a written determination showing that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing. We noted that the Agency did charge planning and administrative costs to the low and moderate income housing fund, but did not prepare a written determination showing that the planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing for 2009-2010.

We understand that the Agency thought it was in compliance because planning and administrative expenses are approved in the budget. However, the budget does not state that the expenses are necessary for the production, improvement, or preservation of low- and moderate-income housing. We recommend that the Agency prepare the required written determination showing that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing, on an annual basis.

> ***Current Status:***
> As part of the 2010-11 budget adoption process, the Agency passed a resolution determining that planning and administrative expenditures were necessary for the production, improvement, or preservation of low and moderation income housing.

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INDEPENDENT AUDITOR'S REPORT ON BASIC COMPONENT UNIT FINANCIAL STATEMENTS

To the Board of Directors of the Manteca Financing Authority
Manteca, California

We have audited the financial statements of the business-type activities and 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, 2011, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

In our opinion the financial statements referred to above present fairly in all material respects, the respective financial position of the business-type activities and each major fund of the Manteca Financing Authority as of June 30, 2011 and the respective changes in the financial position and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Authority has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic component unit financial statements.

Maze & Associates

December 16, 2011

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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, 2011

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
ASSETS					
Current Assets:					
Investments held by trustee (Note 2)		$3,837,488	$5,046,950	$1,058,992	$9,943,430
Interest receivable		107,123	964,362	88,230	1,159,715
Total Current Assets		3,944,611	6,011,312	1,147,222	11,103,145
Receivable from the City of Manteca (Note 4)		23,772,512	37,188,050	17,941,008	78,901,570
Total Assets		27,717,123	43,199,362	19,088,230	90,004,715
LIABILITIES					
Current Liabilities:					
Accrued interest payable		107,123	964,362	88,230	1,159,715
Lease revenue bonds payable (Note 5)					
Due within one year		755,000	610,000		1,365,000
Total Current Liabilities		862,123	1,574,362	88,230	2,524,715
Non-Current Liabilities:					
Lease revenue bonds payable (Note 5)					
Due in more than one year		26,855,000	41,625,000	19,000,000	87,480,000
Total Liabilities		27,717,123	43,199,362	19,088,230	90,004,715
NET ASSETS					
Restricted for Debt Service					
Total Net Assets					

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
OPERATING REVENUE					
Interest on base rental payments		$1,237,488	$1,681,656	$970,970	$3,890,114
Operating Revenue		1,237,488	1,681,656	970,970	3,890,114
OPERATING EXPENSES					
Interest and fiscal fees		1,398,826	1,928,724	971,022	4,298,572
Total Operating Expenses		1,398,826	1,928,724	971,022	4,298,572
Operating (Loss)		(161,338)	(247,068)	(52)	(408,458)
NONOPERATING INCOME					
Interest on investments		161,338	247,068	52	408,458
Net Nonoperating Income		161,338	247,068	52	408,458
Income (Loss) Before Transfers					
Transfers (Out) to the City (Note 3)	($217,639)				(217,639)
Change in net assets	(217,639)				(217,639)
Net assets at beginning of year	217,639				217,639
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, 2011

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from the City		$5,644,658	$2,373,706		$8,018,364
Payments to bond trustees		(1,415,996)	(1,934,964)	($1,058,763)	(4,409,723)
Cash Flows from Operating Activities		4,228,662	438,742	(1,058,763)	3,608,641
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Long-term debt payment - principal		(4,390,000)	(480,000)		(4,870,000)
Transfer to the City	($217,639)				(217,639)
Cash Flows from Noncapital Financing Activities	(217,639)	(4,390,000)	(480,000)		(5,087,639)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment interest received		161,338	247,068	52	408,458
Cash Flows from Investing Activities		161,338	247,068	52	408,458
Net Cash Flows	(217,639)		205,810	(1,058,711)	(1,070,540)
Cash and investments at beginning of period	217,639	3,837,488	4,841,140	2,117,703	11,013,970
Cash and investments at end of period		$3,837,488	$5,046,950	$1,058,992	$9,943,430
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)		($161,338)	($247,068)	($52)	($408,458)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Change in assets and liabilities:					
Receivable from City of Manteca		4,390,000	685,810	(1,058,711)	4,017,099
Interest receivable		17,170	6,240	87,741	111,151
Accrued interest payable		(17,170)	(6,240)	(87,741)	(111,151)
Cash Flows from Operating Activities		$4,228,662	$438,742	($1,058,763)	$3,608,641

See accompanying notes to financial statements

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1994 LEASE REVENUE BONDS – To account for Bond transactions.

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.

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.

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

NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)

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
Held by Trustees:			
Money Market Funds (U.S. Securities)	$1,570,230		$1,570,230
Guaranteed Investment Contracts		$6,798,838	6,798,838
Cash in bank	1,574,362		1,574,362
Total Cash and Investments	$3,144,592	$6,798,838	$9,943,430

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, 2011 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, 2011, have an average maturity of 7 to 43 days. The Guaranteed Investment Contracts were not rated as of June 30, 2011.

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

Fund	Issuer	Investment Type	Reported Amount
Major Funds:			
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 – TRANSFER TO THE CITY OF MANTECA

During the fiscal year ended June 30, 2011, the Agency transferred the remaining $217,639 from the 1994 Lease Revenue Bond Fund to the City.

NOTE 4 – 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
2012	$1,365,000	$3,843,711	$5,208,711
2013	1,570,000	3,795,390	5,365,390
2014	1,795,000	3,736,978	5,531,978
2015	1,930,000	3,693,531	5,623,531
2016	2,165,000	3,579,441	5,744,441
2017-2021	13,575,000	17,811,857	31,386,857
2022-2026	17,625,000	14,154,435	31,779,435
2027-2031	22,275,000	9,480,846	31,755,846
2032-2036	23,010,000	3,361,219	26,371,219
2037	3,535,000	101,630	3,636,630
	$88,845,000	$63,559,038	152,404,038
Less:			
		Investments held by trustee	9,943,430
		Amount representing interest	63,559,038
		Receivable from the City of Manteca at June 30, 2011	$78,901,570

NOTE 5 – LONG TERM DEBT

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

Year	Principal	Interest	Total
2012	$1,365,000	$4,252,115	$5,617,115
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
2017-2021	13,575,000	18,220,261	31,795,261
2022-2026	17,625,000	14,562,839	32,187,839
2027-2031	22,275,000	9,889,250	32,164,250
2032-2036	23,010,000	3,769,623	26,779,623
2037	3,535,000	101,630	3,636,630
Total	$88,845,000	$67,234,674	$156,079,674

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. 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. During the fiscal year ended June 30, 2011 the City made two prepayments on the Series 2003B bonds totaling $3,700,000.

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 $85,824,614. The Sewer Enterprise Fund’s principal and interest paid for the current year and total customer net revenues were $6,864,759 and $9,033,081, respectively.

NOTE 5 – 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 $70,255,060. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $2,414,964 and $6,485,423, respectively.