



# *City of Manteca California*

## Comprehensive Annual Financial Report

**Fiscal Year Ended  
June 30, 2010**

**CITY OF MANTECA, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

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**CITY OF MANTECA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2010**

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# CITY OF MANTECA

FINANCE DEPARTMENT

December 1, 2010

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, 2010 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.

The Manteca Redevelopment Agency (RDA) and Manteca Financing Authority sections include the component unit financial statements for each entity. As explained in Note 1 to the financial statements, the financial activities of both the RDA and the Authority have been "blended" into

## PROFILE OF THE GOVERNMENT

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 68,847 residents as of January 1, 2010. 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 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 offices of City Clerk and City Treasurer are appointed positions. The City Treasurer is appointed by the City Council and the City Clerk is appointed by the City Manager.

these financial statements. The RDA and the Authority are required to issue audited financial statements on an annual basis.

The City is required to undergo 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 this 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.

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  
General Fund  
Special Revenue Funds  
Capital Improvement Funds

Proprietary Funds  
Enterprise Funds  
Internal Service Funds

## **LOCAL ECONOMY**

Throughout the nation, we are facing unprecedented challenges to our economy. California is still among the highest states in the nation for foreclosures. The current recession has reduced consumer spending and increased unemployment. Unemployment in the valley has reached double digits, with the City of Manteca averaging 15%. Sales tax throughout the region continues to reflect the conditions of the sagging economy. During the past twelve months, consumer spending in key economic areas such as construction, car sales and retail has continued to deteriorate throughout the region.

Helping to combat these trends, the City has established an aggressive economic development program to ensure the creation and maintenance of a strong, diverse local economic base. This program includes business retention, expansion and recruitment efforts, implementing the City's growth management plans, using development agreements and implementing a financing plan for needed infrastructure.

Through strong economic development, current information indicates that sales tax is 6.2% higher than revenues for the same period last year. 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 and AMC Showplace 16. 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. Other additions to the project include Red Robin, Matsu Sushi, and the Hampton Inn.

Additionally, in spite of increasing foreclosure trends, residential home construction has continued. In 2009-10, the Building Safety division issued 423 permits for new residential construction compared to 303 permits in 2008-09, and 353 permits for fiscal year 2007-08.

Both the new residential and commercial growth have helped mitigate the impact to assessed valuation for the City. While the City experienced a 15% decline in property tax assessments as of January 1, 2009, the County Assessor's Office is indicating that no further declines in assessed valuation should occur for fiscal year 2010-2011.

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

## **LONG TERM FINANCIAL PLANNING**

After nearly a decade of strong economic growth, the City of Manteca is facing unprecedented fiscal challenges as the landscape of the national, state and; local economies has dramatically

### **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 fall of 2009, City leaders met with all employee bargaining units to amend existing Memoranda of Understanding in order to address increasing personnel expenditures. Agreements were reached forgoing negotiated cost of living increases and increasing employee contributions to retirement through December 31, 2011.

#### **Community Development**

The EIR and Master Plan are under way for 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. The EIR was approved in November 2010 and an annexation application has been forwarded to LAFCo.

Additionally, work continues on the Austin Road Business Park. This proposed mixed-use development will include an industrial park of between 100 and 200 acres plus a residential community. The EIR was approved by Council November 2010.

#### **Public Works**

Progress continues on the final phase of the upgrade and expansion of the City's Wastewater Quality Control Facility (WQCF). At completion the capacity will be increased from 6.95 MGD to 9.87 MGD and will add facilities necessary to remove ammonia and significantly reduce nitrogen.

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.

#### **Parks and Recreation**

The City is slated to develop a Parks and Recreation Master Plan that will serve as a blueprint for the development of specific parks, buildings, and other facilities needed and implementation of programs and services to meet the needs of the community for the next 20 years. Funding options will be studied and recommendations made regarding the financing of long-term projects and programs.

changed. Beginning in January 2009, the City Council began to hold annual strategy and goal setting sessions. Through the sessions, the City will continue to develop long-term financial planning strategies which meet Council's goals and priorities.

The City continues to be dedicated to reviewing and updating rates and fees on a 3-5 year cycle to ensure that all fund have the resources necessary to provide our citizens with anticipated levels of service.

## **FINANCIAL INFORMATION**

***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. The audit of CalPERS investment performances in the fiscal year ended June 30, 2010 shows an annual return of 13.3%. Marginal increases to employer rates are anticipated to begin in June 2011.



#### **GASB 45**

The Governmental Accounting Standards Board (GASB) issued statement #45 which requires that governments account for other post employment benefits (OPEB). This requirement has various implementation dates based upon the size of revenues of the government. The larger governments have the earliest implementation dates followed by medium size, followed by smaller governments. The City of Manteca implemented the GASB 45 requirement beginning with June 30, 2009.

GASB 45 is an effort for governments to identify their obligations for expenses associated with post employment benefits other than pensions. Governments have pension obligations to their current and retired employees and these are calculated and accounted for. However, other post employment benefits such as health insurance have not been accounted for by most governments. As these expenses can represent a significant liability of the government, identification of their costs is essential. GASB 45 requires the government have an actuarial study completed in order to identify the cost of the other post employment benefits.

Since the City of Manteca provides health benefits to its retirees an actuarial study was conducted by Bartel and Associates. The results of this study can be found in footnote #11.

#### **OTHER INFORMATION**

***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, 2009. This was the twenty-first 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*



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# CITY OF MANTECA CITY COUNCIL



**Debby Moorhead**  
Councilwoman



**John Harris**  
Councilman



**Willie Weatherford**  
Mayor



**Steve DeBrum**  
Councilman



**Vincent Hernandez**  
Councilman

## ADMINISTRATIVE PERSONNEL

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

Steven J. Pinkerton  
John Brinton  
Joann Tilton  
Joe Kriskovich  
Suzanne Mallory  
Frederic Clark  
Mark Houghton  
Kirk Waters  
David Bricker





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

Finance Services

Parks and  
Recreation

Information  
Technology

Mark Houghton

Suzanne Mallory

Fire

Administrative  
Services

City Clerk

Community  
Development

Police

Kirk Waters

Joe Kriskovich

Joann Tilton

Frederic Clark

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, 2009

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.



President

Executive Director



**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, 2010 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, 2010 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2010 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 described in Note 8, the City implemented the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* effective in fiscal 2009-10.

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.

*Maye & Associates*

November 17, 2010

## **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 Financial Report (CAFR) include this overview of its financial activities for the fiscal year, and should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

### **FISCAL 2010 FINANCIAL HIGHLIGHTS**

Financial highlights for the year include the following:

- The City's total net assets at June 30, 2010 totaled \$470 million. This is a decrease of \$2 million from the prior year.
- Total City revenues, including program and general revenues, were \$102 million, while total expenses were \$104 million in fiscal 2010. This is a 9.5% increase in expense totaling \$9 million, while revenues decreased by 23% or \$30 million.
- Net assets in Governmental funds decreased \$7.6 million, while net assets in Business activities increased \$5.6 million.
- Governmental Activities Program Revenues were \$20 million, a decrease of \$17 million from fiscal 2009's \$37 million.
- Governmental Activities Program Expenses were \$68.1 million in fiscal 2010, an increase of \$6.6 million from 2009's \$61.5 million.
- Program revenues from Business-Type activities decreased to \$39 million in fiscal 2010, down \$3 million from the prior year.
- Expenses of Business-Type Activities increased to \$36 million in fiscal 2010, a \$2.3 million increase from the prior year.
- General Fund revenues excluding transfers were \$27 million, a decrease of \$3.9 million from the prior year amounts.
- General Fund expenditures excluding transfers were \$30 million, a decrease of \$6 million over the prior year amounts.
- General Fund ending fund balance as of June 30, 2010 was \$12.1 million compared to the prior year's fund balance of \$15.2 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. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, 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, 2010**  
(in Millions)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 190.3	\$ 195.8
Other assets	37.2	28.8
Capital assets	<u>249.7</u>	<u>250.8</u>
<b>Total assets</b>	477.2	475.4
Long-term debt outstanding	131.6	133.8
Other liabilities	<u>39.7</u>	<u>28.1</u>
<b>Total liabilities</b>	171.3	161.9
Net assets:		
Invested in capital assets, net of debt	171.7	168.4
Restricted	89.3	89.4 *
Unrestricted	<u>44.9</u>	<u>55.5 *</u>
<b>Total Net Assets</b>	<u>\$ 305.9</u>	<u>\$ 313.5</u>

Net assets are one indicator of a government's financial position. The City of Manteca's net assets from governmental activities decreased 2.4% from \$313 million in 2009 to \$306 million in 2010. Of this amount, \$171.7 million or 56% 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 decreased by \$1.1 million as the City continues to invest heavily in road and transportation projects, storm drain improvements, and parks improvements. \$7.2 million in assets were added during fiscal year 2010, while \$.7 million were retired and \$7.6 million in depreciation was recorded. Of net assets that are available for future spending, \$89.3 million are restricted in how they may be used.

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\* For the year ended June 30, 2010, certain account classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2009-10 presentation.

## 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	
	2010	2009
<b>Revenues</b>		
Program revenues:		
Charges for services	7.8	8.0
Operating contributions and grants	4.2	4.3
Capital Grants and Contributions	8.2	25.0
Total program revenues	<u>20.2</u>	<u>37.3</u>
General revenues:		
Taxes:		
Property taxes	23.8	27.2
Sales taxes	9.6	9.3
Other taxes	3.3	3.9
Motor Vehicle in Lieu	.2	.2
Interest income	2.3	4.6
Intergovernmental	.1	.4
Development Agreements, Unrestricted	.0	.9
Other Revenue	1.0	1.6
Transfers	0	0
Total general revenues	<u>40.3</u>	<u>48.1</u>
Total revenues	<u>60.5</u>	<u>85.4</u>
<b>Expenses</b>		
General government	3.1	5.1
Community Development	14.4	5.8
Public Safety	27.0	27.5
Library	.1	.1
Public Works	5.9	3.9
Parks and Recreation	6.7	8.0
Streets and Highways	4.9	5.1
Interest and fiscal charges	6.0	6.0
Total expenses	<u>68.1</u>	<u>61.5</u>
<b>Change in net assets</b>	<u><b>(\$ 7.6)</b></u>	<u><b>\$ 23.9</b></u>

The City's net assets decreased by \$7.6 million or 2.4%. The largest decrease in net assets was a result of the decline in revenues associated with Capital Grants and Contributions of \$16.8 million. In prior years, the City was in a strong residential construction mode. As a result, as new subdivisions were accepted, large amounts of infrastructure related assets were received as capital contributions. While residential construction continues, the majority of subdivision improvements have already been accepted and

recorded by the City. This has resulted in the large decline in capital contributions received. Additionally, the City's Redevelopment Agency was required to make a \$6.7 million payment to the State related to the Supplemental Educational Revenue Augmentation Fund (SERAF). Further information can be found in Note 17. The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets.

**Table 2** shows that total governmental activity revenues decreased in fiscal year 2010 by \$24.9 million. \$16.8 million of the decline is related to decreases in capital grants as discussed above. \$3.4 million was associated with declining property tax and another \$2.3 million reduction in revenues is related to declines in investment earnings as returns on investments declined. The rate for the Local Agency Investment Fund was .528 % in June 2010 as compared to 1.377% in June 2009 and 2.894% in June 2008.

**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	
	<u>From Services</u>	
	<u>2010</u>	<u>2009</u>
General government	\$ (.2)	\$ (1.2)
Community Development	(12.4)	(4.8)
Public Safety	(24.6)	(25.3)
Library	(.1)	(.1)
Public Works	(3.4)	(2.0)
Parks and Recreation	(4.0)	(5.5)
Streets and Highways	2.7	20.8
Interest and Fiscal Charges	<u>(6.0)</u>	<u>(6.0)</u>
 Totals	 <u>\$ (48.0)</u>	 <u>\$ (24.1)</u>

Net revenues for general government, public safety, and parks and recreation have increased from 2009 by \$3.2 million as a result of decreases in personnel expenditures. In fall of 2009, the City renegotiated Memoranda of Understanding through December 31, 2011 with all employees to address projected declines in revenues. Net Revenues for Community Development declined as a result of the \$6.7 million SERAF payment discussed above. The net revenues for Streets and Highways declined by \$18.1 million, which is reflective of the decrease in capital grant revenues.

*Business-Type Activities Financial Analysis*

Net Assets

**Table 4**  
**Business-Type Net Assets**  
**(in Millions)**

	<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>
Cash and investments	93.3	\$ 90.5
Other current assets	2.4	2.7
Capital assets	<u>181.5</u>	<u>177.7</u>
<b>Total assets</b>	<b>277.2</b>	<b>270.9</b>
Long-term debt outstanding	94.2	95.8
Other liabilities	<u>18.5</u>	<u>16.2</u>
<b>Total liabilities</b>	<b>112.7</b>	<b>112.0</b>
Net assets:		
Invested in capital assets, net of debt	113.1	100.1
Restricted	25.8	27.1
Unrestricted	<u>25.6</u>	<u>31.7</u>
<b>Total net assets</b>	<b><u>\$ 164.5</u></b>	<b><u>\$ 158.9</u></b>

The net assets of business-type activities were \$164.5 million in fiscal 2010. This was a \$5.6 million or 3.5% increase over the beginning balance of net assets. This increase was largely due to increased cash and investments of \$2.8 million. \$113.1 million or 69% of net assets are invested in capital assets. \$25.6 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	
	2010	2009
<b>Revenues</b>		
Program revenues:		
Charges for services	38.8	\$ 37.5
Operating contributions and grants	0	0
Capital grants and contributions	.3	4.5
Total program revenues	<u>39.1</u>	<u>42.0</u>
General revenues:		
Interest income	1.8	3.9
Gain from sale of capital assets	.4	0
Other revenue	.3	.4
Transfers	0	0
Total general revenues	<u>2.5</u>	<u>4.3</u>
Total revenues	<u>41.6</u>	<u>46.3</u>
<b>Expenses</b>		
Water	13.2	12.7
Sewer	12.5	11.1
Solid Waste	9.0	8.7
Golf	1.3	1.2
Total expenses	<u>36.0</u>	<u>33.7</u>
<b>Change in net assets</b>	<u>\$ 5.6</u>	<u>\$ 12.6</u>

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

	Business-type Activities	
	2010	2009
Net Revenues (Expense) from Business-type activities:		
Water	\$ .2	\$3.6
Sewer	4.0	5.6
Solid Waste	(1.0)	(.7)
Golf	(.1)	(.1)
Total Business-type Activities	<u>\$3.1</u>	<u>\$8.4</u>

Net revenues of Business-type Activities decreased \$5.3 million primarily as a result of declines in the Water and Sewer Funds' charges for services. These declines were primarily attributable to decrease in capital contributions related to infrastructure. Program expenditures showed slight increases, with the

exception of the Sewer Fund which experienced increased debt service expenditures associated with issuance of the 2009 Sewer Revenue Bonds.

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

#### **Governmental Funds**

At June 30, 2010, the City's governmental funds reported combined fund balances of \$182.6 million, which is a decrease of \$6.5 million or 3.4% compared with the prior year. Governmental fund revenues were \$62 million this year. The General Fund accounted for 44% of this total. Expenses were \$68.6 million this year. Of this total, \$29.9 million was in the General Fund, \$20.3 million was in the RDA Funds, \$2.6 million was in other major funds and \$15.8 million was in non-major funds.

#### **Proprietary Funds**

Proprietary Fund net assets totaled \$164.6 million at June 30, 2010. Proprietary operating revenues were \$39.1 million. Operating expenses were \$31.3 million in fiscal 2010, up \$1.8 million from the prior year.

### *Analyses of Major Governmental Funds*

#### **General Fund**

General Fund revenues declined by \$3.1 million, or 10.3% as compared to fiscal year end 2009. Property taxes declined by 15% due to region-wide reassessments of property values resulting from the downturn in the housing market. Sales tax revenue remained static. This trend was positive compared to the declines experienced throughout the region and the State resulting from continued weakening in the economy.

General Fund expenditures decreased by \$6.1 million to \$29.9 million in fiscal year 2010. This is in part to the creation of the Development Services Fund which transferred \$1.7 million of expenditures related to Community Development from the General Fund to the newly created fund. Additional reductions in expenditures were related to decreases in personnel expenditures as previously discussed.

At June 30, 2010, the General Fund balance was comprised of \$2.1 million in unreserved, undesignated balances, \$8 million in unreserved but designated balances, and \$1.9 million reserved for encumbrances, advances, asset seizure, and debt service. Only the unreserved portion represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders.

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

##### **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 typically are 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 \$9.8 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2010. 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 \$15.8 million is reserved, which means it is available to only fund future low and moderate income housing expenditures.

### **Redevelopment Debt Service**

Fund balance in these funds was \$29.9 million as of June 30, 2010, a decrease of \$4.1 million. Revenue decreased 12% or by \$1.6 million due to declines in assessed valuations primarily in residential activity.

### **Redevelopment Capital Improvement and Economic Development**

Fund balance in these funds decreased by \$1.3 million. Interest revenues declined sharply by \$1 million as rates of return on investments decreased. Current expenditures totaled \$1.4 million with \$1.2 million in funding was spent on transportation projects to support economic development.

### **Public Facilities Implementation Plan**

The fund balance in this fund shows a slight increase of \$.4 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.

### **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 \$63.6 million in the current year. This total comprised \$13.4 million in Operating Revenues for the current year, plus \$1.5 million in non-operating revenues and capital contributions.

Approximately \$29.5 million of the \$63.6 million in this 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 2009 to forgo scheduled rate increases. It was determined at that time, that there were sufficient unrestricted net assets to cover anticipated expenses and capital investments without the need to increase user rates.

Operating expenditures increased from \$10.7 million in 2009 to \$11.2 million in 2010, or by 4.7%. Slight increases to personnel expenditures related to benefit costs, as well as marginal increases to supplies and utilities contributed to the variance.

### **Sewer**

Net assets of the Sewer Funds are \$92.4 million for the current year. The City is completing the final of four phases of the expansion of the Wastewater Control Facility. Operating revenues for fiscal year 2010 have increased by 8% due to scheduled rate increases. Operating expenditures increased by \$.8 million or 9% from fiscal year 2009. A major component of the increase was related to utilities which increased by 33% due to the expansion of the plant. A total of \$78.7 million of the \$92.4 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 \$8.2 million. Operating expenses were \$9 million, an increase of 3.4%. Net Assets for Solid Waste decreased slightly by \$.7 million. A total of \$4.9 million in Net Assets were unrestricted at year-end.

### **Golf**

The operating revenue and operating expenses remained constant this year. 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 2010 this contribution was \$124,000.

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 2010 the City had \$431 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	
	2009	2009
<b><i>Governmental Activities:</i></b>		
Land and Improvements	\$ 28	\$ 28
Construction in progress	47	57
Buildings and improvements	16	15
Machinery & Equipment	14	13
Storm Drain	38	35
Streets	113	101
Parks	52	52
Less accumulated depreciation	<u>(58)</u>	<u>(50)</u>
Totals	<u>250</u>	<u>251</u>
<b><i>Business-type Activities</i></b>		
Land and Improvements	4	4
Construction in Progress	52	47
Sewer Lines and Improvements	42	41
Water Wells and Pipelines	87	84
Buildings and Improvements	8	7
Machinery and Equipment	16	16
Infrastructure	0	0
Sewer Plant Expansion	41	41
Less accumulated depreciation	<u>(68)</u>	<u>(62)</u>
Totals	<u>\$182</u>	<u>\$178</u>

## **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)**

	<u>2010</u>	<u>2009</u>
<i><b>Governmental activities</b></i>		
Tax Allocation Bonds (issued by the Redevelopment Agency)	130.0	131.8
Installment Purchase Obligations	0	.1
Capital Lease	<u>1.6</u>	<u>1.9</u>
	<u>131.6</u>	<u>133.8</u>
 <i><b>Business-type Activities</b></i>		
Sewer Revenue Bonds	51.0	51.6
Water Revenue Bonds	42.7	43.1
Lease Revenue Bonds	0	.2
Energy Conservation Assistance Loans	.3	.6
Capital Lease	<u>.2</u>	<u>.3</u>
	<u>94.2</u>	<u>95.8</u>

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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**CITY OF MANTECA**

**STATEMENT OF NET 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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$132,025,173	\$67,484,667	\$199,509,840
Restricted cash and investments (Note 3)	58,301,530	25,829,377	84,130,907
Accounts receivables, net	9,196,030	5,532,409	14,728,439
Taxes receivable	4,959,428		4,959,428
Interest receivable	327,170	186,576	513,746
Internal balances (Note 4D)	4,572,163	(4,572,163)	
Prepaid items and deposits	169,521		169,521
Long-term notes receivable (Note 5)	9,689,733		9,689,733
Employee notes receivable (Note 6)	88,750		88,750
Bond issue costs, net of amortization		1,231,600	1,231,600
Deferred outflow (Note 8C)	8,232,629		8,232,629
Capital assets, not being depreciated (Note 7)	75,395,559	55,610,544	131,006,103
Capital assets, being depreciated (net) (Note 7)	174,306,586	125,935,010	300,241,596
<b>Total Assets</b>	<b>477,264,272</b>	<b>277,238,020</b>	<b>754,502,292</b>
<b>LIABILITIES</b>			
Accounts payable	2,292,373	2,080,039	4,372,412
Contracts payable	5,700,570	10,923,717	16,624,287
Refundable deposits	5,326,017	1,843,843	7,169,860
Accrued liabilities	2,726,143	1,278,905	4,005,048
Unearned revenue	561,883		561,883
Derivative instrument (Note 8C)	8,232,629		8,232,629
Compensated absences (Note 1G):			
Due within one year	757,350		757,350
Due in more than one year	3,466,019		3,466,019
Estimated claims liability (Note 13):			
Due within one year	291,413		291,413
Due in more than one year	2,760,830		2,760,830
Long-term debt (Note 8):			
Due within one year	2,813,253	1,513,373	4,326,626
Due in more than one year	128,771,587	92,710,118	221,481,705
OPEB liability (Note 11)	7,643,346	2,337,892	9,981,238
<b>Total Liabilities</b>	<b>171,343,413</b>	<b>112,687,887</b>	<b>284,031,300</b>
<b>NET ASSETS (Note 9):</b>			
Invested in capital assets, net of related debt	171,675,891	113,151,440	284,827,331
Restricted for:			
Capital projects	54,178,150	25,829,377	80,007,527
Debt service	19,978,196		19,978,196
Redevelopment projects	2,319,703		2,319,703
Special Revenue projects	12,800,826		12,800,826
<b>Total Restricted Net Assets</b>	<b>89,276,875</b>	<b>25,829,377</b>	<b>115,106,252</b>
Unrestricted	44,968,093	25,569,316	70,537,409
<b>Total Net Assets</b>	<b>\$305,920,859</b>	<b>\$164,550,133</b>	<b>\$470,470,992</b>

See accompanying notes to basic financial statements



CITY OF MANTECA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
General government	\$3,109,047	\$2,939,727		
Community development	14,446,062	1,969,679	\$99,235	
Public safety	27,065,592	1,050,347	1,008,295	\$447,456
Library	113,092			
Public works	5,862,331		360,089	2,082,337
Parks and recreation	6,652,295	1,667,858	556	931,589
Streets and highways	4,927,588	164,000	2,709,619	4,768,437
Interest and fiscal charges	5,964,171			
<b>Total Governmental Activities</b>	<b>68,140,178</b>	<b>7,791,611</b>	<b>4,177,794</b>	<b>8,229,819</b>
<b>Business-type Activities:</b>				
Water	13,226,177	13,235,259		153,290
Sewer	12,503,682	16,332,422		185,350
Solid waste	9,029,774	8,037,838		
Golf	1,268,361	1,202,991		
<b>Total Business-type Activities</b>	<b>36,027,994</b>	<b>38,808,510</b>		<b>338,640</b>
<b>Total</b>	<b>\$104,168,172</b>	<b>\$46,600,121</b>	<b>\$4,177,794</b>	<b>\$8,568,459</b>

**General revenues:**  
Taxes:  
Property taxes  
Sales taxes  
Other taxes  
Interest income  
Intergovernmental, unrestricted:  
Motor vehicle-in-lieu  
Grants  
Development agreements, unrestricted  
Gain from sale of capital assets  
Other revenue

**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
(\$169,320)		(\$169,320)
(12,377,148)		(12,377,148)
(24,559,494)		(24,559,494)
(113,092)		(113,092)
(3,419,905)		(3,419,905)
(4,052,292)		(4,052,292)
2,714,468		2,714,468
(5,964,171)		(5,964,171)
<u>(47,940,954)</u>		<u>(47,940,954)</u>
	\$162,372	162,372
	4,014,090	4,014,090
	(991,936)	(991,936)
	(65,370)	(65,370)
	<u>3,119,156</u>	<u>3,119,156</u>
<u>(47,940,954)</u>	<u>3,119,156</u>	<u>(44,821,798)</u>
23,848,385		23,848,385
9,653,398		9,653,398
3,270,746		3,270,746
2,257,961	1,812,779	4,070,740
151,915		151,915
48,150		48,150
	433,368	433,368
1,056,231	292,200	1,348,431
<u>40,286,786</u>	<u>2,538,347</u>	<u>42,825,133</u>
(7,654,168)	5,657,503	(1,996,665)
<u>313,575,027</u>	<u>158,892,630</u>	<u>472,467,657</u>
<u>\$305,920,859</u>	<u>\$164,550,133</u>	<u>\$470,470,992</u>

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<b>FUND FINANCIAL STATEMENTS</b>
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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the City in fiscal 2010. 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.

CITY OF MANTECA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
<b>ASSETS</b>					
Cash and investments (Note 3)	\$9,987,466	\$11,104,724	\$12,265,206	\$15,704,395	\$1,740,945
Restricted cash and investments (Note 3)			3,526,165	9,928,865	43,669,144
Accounts receivables (net of allowance for estimated uncollectible accounts)	828,541				
Taxes receivable	1,414,011			3,053,871	
Interest receivable	51,874	31,493	17,033	25,568	2,730
Due from other funds (Note 4B)	135,457				
Advances to other funds (Note 4C)	1,285,678			1,700,000	
Prepaid items	169,521				
Long-term notes receivable (Note 5)			9,777,005		1,487,437
<b>Total Assets</b>	<b>\$13,872,548</b>	<b>\$11,136,217</b>	<b>\$25,585,409</b>	<b>\$30,412,699</b>	<b>\$46,900,256</b>
<b>LIABILITIES</b>					
Accounts payable	\$695,433	\$42,180	\$9,397	\$500,638	\$400,423
Contracts payable					
Accrued liabilities	998				
Refundable deposits	1,120,496			5,000	
Due to other funds (Note 4B)					
Advances from other funds (Note 4C)					
Deferred revenue (Note 5)			9,777,005		1,487,437
<b>Total Liabilities</b>	<b>1,816,927</b>	<b>42,180</b>	<b>9,786,402</b>	<b>505,638</b>	<b>1,887,860</b>
<b>FUND BALANCES</b>					
<b>Fund balance (Note 9):</b>					
<b>Reserved for:</b>					
Encumbrances	52,129	11,022			801
Revolving fund, prepaid items, and advances	1,473,485			1,700,000	
Assets seizure	43,314				
Debt service	349,000			28,207,061	
Low and moderate income housing			15,799,007		
Capital outlay					
<b>Unreserved:</b>					
<b>Designated for:</b>					
Subsequent years' expenditures	1,577,000				
PFIP excise tax expenditures	6,329,596				
Unrealized increase in fair value of investments	112,225				
<b>Undesignated, reported in:</b>					
General Fund	2,118,872				
Special Revenue Funds		11,083,015			
Capital Projects Fund					45,011,595
<b>Total Fund Balances</b>	<b>12,055,621</b>	<b>11,094,037</b>	<b>15,799,007</b>	<b>29,907,061</b>	<b>45,012,396</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,872,548</b>	<b>\$11,136,217</b>	<b>\$25,585,409</b>	<b>\$30,412,699</b>	<b>\$46,900,256</b>

See accompanying notes to basic financial statements

Redevelopment Economic Development	Public Facilities Implementation Plan	Other Governmental Funds	Total Governmental Funds
\$2,925,834	\$25,852,750	\$34,752,054 1,128,394	\$114,333,374 58,252,568
	3,393,151	4,888,258 491,546	9,109,950 4,959,428
4,114	70,500	84,941 362,012	288,253 497,469
	4,011,508	28,000	7,025,186 169,521
363,620			11,628,062
<u>\$3,293,568</u>	<u>\$33,327,909</u>	<u>\$41,735,205</u>	<u>\$206,263,811</u>
\$3,496	\$18,654 929,793	\$576,087 27,833	\$2,246,308 957,626 998
	3,392,861	807,660	5,326,017
	879,770	370,722 1,700,000	370,722 2,579,770
363,620		561,883	12,189,945
<u>367,116</u>	<u>5,221,078</u>	<u>4,044,185</u>	<u>23,671,386</u>
	4,011,508	199,927 28,000	263,879 7,212,993 43,314
	23,883,434	5,239,763	28,556,061 15,799,007 29,123,197
	211,889	225,704	1,577,000 6,329,596 549,818
		14,045,983	2,118,872 25,128,998
2,926,452		17,951,643	65,889,690
<u>2,926,452</u>	<u>28,106,831</u>	<u>37,691,020</u>	<u>182,592,425</u>
<u>\$3,293,568</u>	<u>\$33,327,909</u>	<u>\$41,735,205</u>	<u>\$206,263,811</u>

CITY OF MANTECA  
 Reconciliation of the  
 GOVERNMENTAL FUNDS-- BALANCE SHEET  
 with the  
 GOVERNMENTAL ACTIVITIES NET ASSETS  
 JUNE 30, 2010

Total fund balances reported on the Governmental Funds Balance Sheet \$182,592,425

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.

247,711,113

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	17,691,799
Restricted cash and investments	48,962
Accounts receivable	86,080
Interest receivable	38,917
Employee notes receivable	88,750
Capital assets (net of accumulated depreciation)	1,991,032
Contracts and accounts payable	(46,065)
Accrued liabilities	(1,750,200)
Compensated absences	(4,223,369)
Long-term debt	(362,261)
Estimated claims liability	(3,052,243)
Net OPEB liability	(67,423)

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.

11,628,062

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	(131,222,579)
Interest payable	(974,945)
Net OPEB liability	(7,575,923)
Contracts payable	(4,742,944)
Amortization of conditional grants	(1,938,329)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$305,920,859

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, 2010

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
<b>REVENUES</b>					
Property taxes	\$9,253,640		\$3,366,746	\$11,227,999	
Sales taxes	5,930,642				
Other taxes	3,813,481				
Licenses and permits	1,262,221				
Fines and forfeitures	227,372				
Use of money and property	297,339	\$267,334	190,871	494,978	\$18,259
Revenue from other agencies	503,427				
Charges for current services	5,665,586				
Other revenue	85,022	48,150	155,736		
<b>Total Revenues</b>	<b>27,038,730</b>	<b>315,484</b>	<b>3,713,353</b>	<b>11,722,977</b>	<b>18,259</b>
<b>EXPENDITURES</b>					
Current:					
General government	3,096,572				
Community development		33,262	2,644,455	1,602,911	96,432
Public safety	18,871,971	11,440			
Library	90,916	30,001			
Public works	2,833,542	67,359			
Parks and recreation	3,288,527	8,698			
Streets and highways					
Nondepartmental	1,578,547			326,414	
Supplemental Educational Revenue					
Augmentation Fund payment (Note 17)				6,664,258	
Capital outlay		527,284		22,415	1,200,566
Debt service:					
Principal	161,694		148,660	1,631,340	
Interest and fiscal charges	13,342		296,112	5,598,643	
<b>Total Expenditures</b>	<b>29,935,111</b>	<b>678,044</b>	<b>3,089,227</b>	<b>15,845,981</b>	<b>1,296,998</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,896,381)</b>	<b>(362,560)</b>	<b>624,126</b>	<b>(4,123,004)</b>	<b>(1,278,739)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Note 4A)					
Transfers (out) (Note 4A)	(217,832)				
<b>Total Other Financing Sources (Uses)</b>	<b>(217,832)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,114,213)</b>	<b>(362,560)</b>	<b>624,126</b>	<b>(4,123,004)</b>	<b>(1,278,739)</b>
<b>BEGINNING FUND BALANCES</b>	<b>15,169,834</b>	<b>11,456,597</b>	<b>15,174,881</b>	<b>34,030,065</b>	<b>46,291,135</b>
<b>ENDING FUND BALANCES</b>	<b>\$12,055,621</b>	<b>\$11,094,037</b>	<b>\$15,799,007</b>	<b>\$29,907,061</b>	<b>\$45,012,396</b>

See accompanying notes to basic financial statements

<u>Redevelopment Economic Development</u>	<u>Public Facilities Implementation Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$23,848,385
		\$3,722,756	9,653,398
			3,813,481
		625,559	1,887,780
			227,372
\$28,561	\$591,215	1,237,773	3,126,330
		7,246,719	7,750,146
	1,627,848	4,129,940	11,423,374
	740	5,830	295,478
<u>28,561</u>	<u>2,219,803</u>	<u>16,968,577</u>	<u>62,025,744</u>
			3,096,572
81,594		2,711,037	7,169,691
		4,966,216	23,849,627
			120,917
	442,303	747,896	4,091,100
		1,835,409	5,132,634
		1,970,408	1,970,408
			1,904,961
			6,664,258
	1,414,507	3,273,581	6,438,353
		214,172	2,155,866
		57,245	5,965,342
<u>81,594</u>	<u>1,856,810</u>	<u>15,775,964</u>	<u>68,559,729</u>
<u>(53,033)</u>	<u>362,993</u>	<u>1,192,613</u>	<u>(6,533,985)</u>
		217,832	217,832
			(217,832)
		217,832	
(53,033)	362,993	1,410,445	(6,533,985)
2,979,485	27,743,838	36,280,575	189,126,410
<u>\$2,926,452</u>	<u>\$28,106,831</u>	<u>\$37,691,020</u>	<u>\$182,592,425</u>

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, 2010

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 (\$6,533,985)

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.	5,632,184
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$579,318 which has already been allocated to serviced funds).	(7,061,178)
Retirements are deducted from the fund balance	(601,011)
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.	746,184

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.	2,155,866
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ACCRUAL OF NON-CURRENT ITEMS

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

Deferred revenue	(575,481)
Contracts and accounts payable	1,357,957
Interest payable	1,171
Allowance for conditional grants	380,579
Net OPEB liability	(3,691,778)

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	535,324
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$7,654,168)
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See accompanying notes to basic financial statements

CITY OF MANTECA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$9,369,500	\$9,369,500	\$9,253,640	(\$115,860)
Sales taxes	5,590,000	5,590,000	5,930,642	340,642
Other taxes	4,101,000	4,101,000	3,813,481	(287,519)
Licenses and permits	1,002,200	1,002,200	1,262,221	260,021
Fines and forfeitures	293,500	293,500	227,372	(66,128)
Use of money and property	575,000	575,000	297,339	(277,661)
Revenue from other agencies	505,000	505,000	503,427	(1,573)
Charges for current services	5,674,100	5,674,100	5,665,586	(8,514)
Other revenue	76,500	76,500	85,022	8,522
<b>Total Revenues</b>	<b>27,186,800</b>	<b>27,186,800</b>	<b>27,038,730</b>	<b>(148,070)</b>
<b>EXPENDITURES:</b>				
Current:				
General government				
Legislative	531,400	531,400	491,815	39,585
City Attorney	153,072	153,072	165,494	(12,422)
Administration	686,970	686,970	604,902	82,068
Administrative services	448,320	448,320	445,499	2,821
Financial services	810,380	810,380	806,325	4,055
Information systems	597,920	597,920	582,537	15,383
<b>Total general government</b>	<b>3,228,062</b>	<b>3,228,062</b>	<b>3,096,572</b>	<b>131,490</b>
Public safety				
Police	14,345,685	14,392,917	12,658,473	1,734,444
Fire	5,817,535	5,817,535	5,899,198	(81,663)
Animal control	333,150	333,150	314,300	18,850
<b>Total public safety</b>	<b>20,496,370</b>	<b>20,543,602</b>	<b>18,871,971</b>	<b>1,671,631</b>
Library	91,510	91,510	90,916	594
Public works				
Engineering	1,438,312	1,442,772	1,167,627	275,145
Street maintenance	300,160	300,160	284,662	15,498
Storm drain maintenance and operation	401,310	314,995	369,935	(54,940)
Vehicle maintenance	383,415	383,415	351,246	32,169
Building maintenance	688,715	688,715	660,072	28,643
<b>Total public works</b>	<b>3,211,912</b>	<b>3,130,057</b>	<b>2,833,542</b>	<b>296,515</b>
Parks and recreation				
Park facility maintenance	3,376,395	3,376,395	3,023,243	353,152
Senior center	241,470	241,470	265,284	(23,814)
<b>Total parks and recreation</b>	<b>3,617,865</b>	<b>3,617,865</b>	<b>3,288,527</b>	<b>329,338</b>
Nondepartmental charges	1,764,000	1,806,535	1,578,547	227,988

(Continued)

CITY OF MANTECA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Capital outlay	20,000	128,723		128,723
Debt service:				
Principal	161,770	161,770	161,694	76
Interest and fiscal charges	13,400	13,400	13,342	58
Total Expenditures	<u>32,604,889</u>	<u>32,721,524</u>	<u>29,935,111</u>	<u>2,786,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,418,089)</u>	<u>(5,534,724)</u>	<u>(2,896,381)</u>	<u>2,638,343</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(217,832)</u>	<u>(17,832)</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(217,832)</u>	<u>(17,832)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$5,618,089)</u></u>	<u><u>(\$5,734,724)</u></u>	<u>(3,114,213)</u>	<u><u>\$2,620,511</u></u>
BEGINNING FUND BALANCE			<u>15,169,834</u>	
ENDING FUND BALANCE			<u><u>\$12,055,621</u></u>	

See accompanying notes to basic financial statements

CITY OF MANTECA  
 DEVELOPMENT MITIGATION FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$485,000	\$485,000	\$267,334	(\$217,666)
Other revenue	<u>56,500</u>	<u>56,500</u>	<u>48,150</u>	<u>(8,350)</u>
Total Revenues	<u>541,500</u>	<u>541,500</u>	<u>315,484</u>	<u>(226,016)</u>
EXPENDITURES:				
Current:				
General government		42,410		42,410
Community development		500,380	33,262	467,118
Public safety	21,700	21,700	11,440	10,260
Library	30,000	30,000	30,001	(1)
Public works	416,160	511,480	67,359	444,121
Parks and recreation		23,000	8,698	14,302
Capital outlay	<u>137,695</u>	<u>4,329,687</u>	<u>527,284</u>	<u>3,802,403</u>
Total Expenditures	<u>605,555</u>	<u>5,458,657</u>	<u>678,044</u>	<u>4,780,613</u>
NET CHANGE IN FUND BALANCE	<u>(\$64,055)</u>	<u>(\$4,917,157)</u>	(362,560)	<u>\$4,554,597</u>
BEGINNING FUND BALANCE			<u>11,456,597</u>	
ENDING FUND BALANCE			<u>\$11,094,037</u>	

See accompanying notes to basic financial statements

CITY OF MANTECA  
REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$3,204,800	\$3,204,800	\$3,366,746	\$161,946
Use of money and property	184,500	184,500	190,871	6,371
Other revenue			155,736	155,736
			<u>155,736</u>	<u>155,736</u>
Total Revenues	<u>3,389,300</u>	<u>3,389,300</u>	<u>3,713,353</u>	<u>324,053</u>
EXPENDITURES:				
Current:				
Community development	2,785,385	4,793,825	2,644,455	2,149,370
Debt service:				
Principal	148,660	148,660	148,660	
Interest and fiscal charges	296,115	296,115	296,112	3
			<u>296,112</u>	<u>3</u>
Total Expenditures	<u>3,230,160</u>	<u>5,238,600</u>	<u>3,089,227</u>	<u>2,149,373</u>
NET CHANGE IN FUND BALANCE	<u>\$159,140</u>	<u>(\$1,849,300)</u>	624,126	<u>\$2,473,426</u>
BEGINNING FUND BALANCE			<u>15,174,881</u>	
ENDING FUND BALANCE			<u>\$15,799,007</u>	

See accompanying notes to basic financial statements



<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

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 2010, 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, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
<b>ASSETS</b>						
Current assets						
Cash and investments (Note 3)	\$42,031,865	\$20,502,165	\$4,950,637		\$67,484,667	\$17,691,799
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,868,725	2,686,299	944,580	\$32,805	5,532,409	86,080
Interest receivable	119,270	51,199	16,107		186,576	38,917
<b>Total current assets</b>	<b>44,019,860</b>	<b>23,239,663</b>	<b>5,911,324</b>	<b>32,805</b>	<b>73,203,652</b>	<b>17,816,796</b>
Non-current assets						
Restricted cash and investments (Note 3)	4,936,158	20,675,580		217,639	25,829,377	48,962
Advances to other funds (Note 4C)	403,154	907,091			1,310,245	
Employee notes receivable (Note 6)						88,750
Bond issue costs/premium, net	59,218	1,172,382			1,231,600	
Capital assets not being depreciated (Note 7)	2,417,703	52,170,438		1,022,403	55,610,544	
Capital assets (net of accumulated depreciation) (Note 7)	64,592,173	57,302,559	2,871,493	1,168,785	125,935,010	1,991,032
<b>Total non-current assets</b>	<b>72,408,406</b>	<b>132,228,050</b>	<b>2,871,493</b>	<b>2,408,827</b>	<b>209,916,776</b>	<b>2,128,744</b>
<b>Total Assets</b>	<b>116,428,266</b>	<b>155,467,713</b>	<b>8,782,817</b>	<b>2,441,632</b>	<b>283,120,428</b>	<b>19,945,540</b>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	1,306,448	593,192	156,541	23,858	2,080,039	46,065
Contracts payable	3,717,564	7,206,153			10,923,717	
Accrued liabilities						1,750,200
Refundable deposits	1,046,576	797,267			1,843,843	
Interest payable	973,707	305,198			1,278,905	
Due to other funds (Note 4B)				126,747	126,747	
Compensated absences (Note 1G)						757,350
Estimated claims liability (Note 13)						291,413
Revenue bonds (Note 8)	480,000	690,000			1,170,000	
Energy conservation assistance loans payable (Note 8)		283,139			283,139	
Capital lease obligations (Note 8)	24,816	35,418			60,234	89,209
<b>Total current liabilities</b>	<b>7,549,111</b>	<b>9,910,367</b>	<b>156,541</b>	<b>150,605</b>	<b>17,766,624</b>	<b>2,934,237</b>
Long-term liabilities						
Advances from other funds (Note 4C)	2,423,769	2,018,214		1,313,678	5,755,661	
Compensated absences (Note 1G)						3,466,019
Estimated claims liability (Note 13)						2,760,830
Revenue bonds (Note 8)	42,235,000	50,310,000			92,545,000	
Capital lease obligations (Note 8)	68,027	97,091			165,118	273,052
OPEB liability (Note 11)	601,757	711,599	883,514	141,022	2,337,892	67,423
<b>Total long-term liabilities</b>	<b>45,328,553</b>	<b>53,136,904</b>	<b>883,514</b>	<b>1,454,700</b>	<b>100,803,671</b>	<b>6,567,324</b>
<b>Total Liabilities</b>	<b>52,877,664</b>	<b>63,047,271</b>	<b>1,040,055</b>	<b>1,605,305</b>	<b>118,570,295</b>	<b>9,501,561</b>
<b>NET ASSETS (Note 9):</b>						
Invested in capital assets, net of related debt	29,138,191	78,732,929	2,871,493	2,408,827	113,151,440	1,677,733
Restricted for capital projects	4,936,158	20,675,580		217,639	25,829,377	
Unrestricted	29,476,253	(6,988,067)	4,871,269	(1,790,139)	25,569,316	8,766,246
<b>Total Net Assets</b>	<b>\$63,550,602</b>	<b>\$92,420,442</b>	<b>\$7,742,762</b>	<b>\$836,327</b>	<b>\$164,550,133</b>	<b>\$10,443,979</b>

See accompanying notes to basic financial statements

CITY OF MANTECA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
<b>OPERATING REVENUES</b>						
Charges for services	\$13,235,259	\$16,332,422	\$8,037,838	\$1,202,991	\$38,808,510	\$1,804,320
Insurance premium contribution from other funds						1,675,225
Miscellaneous	125,132	9,343	156,974	751	292,200	31,834
<b>Total Operating Revenues</b>	<b>13,360,391</b>	<b>16,341,765</b>	<b>8,194,812</b>	<b>1,203,742</b>	<b>39,100,710</b>	<b>3,511,379</b>
<b>OPERATING EXPENSES</b>						
Personnel services	3,039,500	3,671,744	4,526,760	775,480	12,013,484	868,965
Contractual services	224,997	644,540	1,899,620	105,897	2,875,054	428,987
Supplies	2,923,983	501,165	327,557	51,723	3,804,428	18,912
Utilities	596,842	1,181,864	10,490	66,178	1,855,374	872
Repairs and maintenance	27,991	112,081	6,696	30,089	176,857	
Vehicle maintenance and operations	38,550	37,834	647,727	37,858	761,969	1,612
Interdepartmental	1,167,838	1,525,248	933,523	6,595	3,633,204	40,827
Insurance	149,226	211,146	165,259	7,962	533,593	1,169,124
Claims						170,894
Depreciation	3,016,095	1,723,520	497,956	119,726	5,357,297	12,439
Miscellaneous	80,703	170,152	14,186	1,458	266,499	579,318
<b>Total Operating Expenses</b>	<b>11,265,725</b>	<b>9,779,294</b>	<b>9,029,774</b>	<b>1,202,966</b>	<b>31,277,759</b>	<b>3,291,950</b>
<b>Operating Income (Loss)</b>	<b>2,094,666</b>	<b>6,562,471</b>	<b>(834,962)</b>	<b>776</b>	<b>7,822,951</b>	<b>219,429</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	1,087,304	590,691	134,784		1,812,779	332,066
Gain from sale of capital assets	432,762	33		573	433,368	155
Interest (expense)	(1,960,452)	(2,724,388)		(13,395)	(4,698,235)	(16,326)
Lease (expenses)				(52,000)	(52,000)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(440,386)</b>	<b>(2,133,664)</b>	<b>134,784</b>	<b>(64,822)</b>	<b>(2,504,088)</b>	<b>315,895</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,654,280</b>	<b>4,428,807</b>	<b>(700,178)</b>	<b>(64,046)</b>	<b>5,318,863</b>	<b>535,324</b>
<b>Contributions</b>	<b>153,290</b>	<b>185,350</b>			<b>338,640</b>	
<b>Net Contributions</b>	<b>153,290</b>	<b>185,350</b>			<b>338,640</b>	
<b>Change in net assets</b>	<b>1,807,570</b>	<b>4,614,157</b>	<b>(700,178)</b>	<b>(64,046)</b>	<b>5,657,503</b>	<b>535,324</b>
<b>BEGINNING NET ASSETS</b>	<b>61,743,032</b>	<b>87,806,285</b>	<b>8,442,940</b>	<b>900,373</b>	<b>158,892,630</b>	<b>9,908,655</b>
<b>ENDING NET ASSETS</b>	<b>\$63,550,602</b>	<b>\$92,420,442</b>	<b>\$7,742,762</b>	<b>\$836,327</b>	<b>\$164,550,133</b>	<b>\$10,443,979</b>

See accompanying notes to basic financial statements

CITY OF MANTECA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$13,540,440	\$16,341,398	\$8,151,994	\$1,204,965	\$39,238,797	\$3,493,310
Payments to suppliers	(3,204,289)	(2,867,351)	(3,104,179)	(298,903)	(9,474,722)	(1,684,898)
Payments to employees	(2,723,386)	(3,293,028)	(4,059,245)	(703,678)	(10,779,337)	(407,070)
Internal activity - payments to other funds	(1,167,838)	(1,525,248)	(933,523)	(6,595)	(3,633,204)	(40,827)
Receipts on employee notes receivable						26,668
Claims paid						(170,894)
<b>Cash Flows from Operating Activities</b>	<b>6,444,927</b>	<b>8,655,771</b>	<b>55,047</b>	<b>195,789</b>	<b>15,351,534</b>	<b>1,216,289</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund receipts and payments	(42,594)	42,594		126,748	126,748	
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(42,594)</b>	<b>42,594</b>		<b>126,748</b>	<b>126,748</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets, net	(4,108,644)	(4,064,246)	(671,479)	(28,469)	(8,872,838)	(771,855)
Proceeds from sale of capital assets	432,762	33		573	433,368	155
Long-term debt payment - principal	(438,954)	(943,445)		(225,000)	(1,607,399)	
Long-term debt payment - interest	(1,960,476)	(2,587,931)		(17,641)	(4,566,048)	(16,326)
Lease payments				(52,000)	(52,000)	(85,694)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(6,075,312)</b>	<b>(7,595,589)</b>	<b>(671,479)</b>	<b>(322,537)</b>	<b>(14,664,917)</b>	<b>(873,720)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	1,189,613	676,309	149,842		2,015,764	370,975
<b>Cash Flows from Investing Activities</b>	<b>1,189,613</b>	<b>676,309</b>	<b>149,842</b>		<b>2,015,764</b>	<b>370,975</b>
<b>Net Cash Flows</b>	<b>1,516,634</b>	<b>1,779,085</b>	<b>(466,590)</b>		<b>2,829,129</b>	<b>713,544</b>
Cash and investments at beginning of period	45,451,389	39,398,660	5,417,227	217,639	90,484,915	17,027,217
Cash and investments at end of period	<u>\$46,968,023</u>	<u>\$41,177,745</u>	<u>\$4,950,637</u>	<u>\$217,639</u>	<u>\$93,314,044</u>	<u>\$17,740,761</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>						
Operating income (loss)	\$2,094,666	\$6,562,471	(\$834,962)	\$776	\$7,822,951	\$219,429
<b>Adjustments to reconcile operating income (loss) to cash flows from operating activities:</b>						
Depreciation	3,016,095	1,723,520	497,956	119,726	5,357,297	579,318
<b>Change in assets and liabilities:</b>						
Accounts receivables (net of allowance for estimated uncollectible accounts)	89,733	(89,926)	(42,818)	1,223	(41,788)	(18,069)
Related party notes receivable						26,668
Prepaid items	693	693	693		2,079	
Accounts payable and other accrued expenses	1,252,198	539,302	(33,337)	2,262	1,760,425	(52,952)
Contracts payable	(324,572)	(459,005)			(783,577)	
Accrued liabilities						(78,733)
Compensated absences						504,900
OPEB liability	316,114	378,716	467,515	71,802	1,234,147	35,728
<b>Cash Flows from Operating Activities</b>	<b>\$6,444,927</b>	<b>\$8,655,771</b>	<b>\$55,047</b>	<b>\$195,789</b>	<b>\$15,351,534</b>	<b>\$1,216,289</b>
<b>Noncash transactions:</b>						
Contributions of capital assets, net	\$153,290	\$185,350			\$338,640	

See accompanying notes to basic financial statements

<b>FIDUCIARY FUNDS</b>
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***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, 2010

<u>Assets</u>	
Restricted cash and investments (Note 3)	<u>\$831,005</u>
Total Assets	<u><u>\$831,005</u></u>
<u>Liabilities</u>	
Due to stakeholders	<u>\$831,005</u>
Total Liabilities	<u><u>\$831,005</u></u>

See accompanying notes to basic financial statements

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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.

Financial statements for the above component units may be obtained from the City of Manteca at 1001 West Center Street, Manteca, California, 95337.

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

**B. Basis of Presentation**

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

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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:

**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.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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.

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

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

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

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

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

The City also reports the following fund types:

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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.

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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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.

Changes in compensated absences were as follows:

Beginning Balance	\$3,718,469
Additions	5,798,308
Payments	<u>(5,293,408)</u>
Ending Balance	<u><u>\$4,223,369</u></u>
 Current Portion	 <u><u>\$757,350</u></u>

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

**H. New Fund**

The Development Services Special Revenue Fund was established during the fiscal year to record revenues and expenditures directly related to development services, including planning and building safety. These services, previously accounted for in the General Fund, were segregated in 2010 to provide a clearer picture of the results of this activity, and the impact of those results on the City’s finances.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, Debt Service Funds, and Capital Improvement Funds.
6. Formal budgetary integration is employed as a management control device during the year in all funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**B. *Encumbrances***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as 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 Public Safety Endowment Special Revenue Fund had expenditures in excess of budget in the amount of \$92,965. Sufficient resources were available to fund the excess.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 3 - CASH AND INVESTMENTS**

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

**A. Policies**

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

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

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

**B. Classification**

Cash and investments as of June 30, 2010 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	\$199,509,840
Restricted cash and investments	84,130,907
Total City cash and investments of primary government	283,640,747
Cash and investments in Fiduciary Funds	831,005
Total cash and investments	\$284,471,752

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$3,275
Deposits with financial institutions	5,096,731
Investments	279,371,746
Total cash and investments	\$284,471,752

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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%

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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

**E. Interest Rate Risk**

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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

Investment Type	12 Months or less	13 to 24 Months	25 to 36 Months	More than 36 Months	Total
<b><i>Held by City:</i></b>					
U.S. Government Agency Obligations:					
Non-callable		\$28,879,326	\$23,390,970		\$52,270,296
Callable	\$23,974,307				23,974,307
U.S. Treasury Notes	5,678,694	23,617,761			29,296,455
Corporate Notes		19,160,145	10,211,840		29,371,985
California Local Agency Investment Fund	58,853,518				58,853,518
Money Market Mutual Funds (U.S. Securities)	792,056				792,056
<b><i>Held by Trustees:</i></b>					
U.S. Government Agency Obligations:					
Non-callable		997,826	996,167	\$1,269,282	3,263,275
California Local Agency Investment Fund	1,123,592				1,123,592
Money Market Mutual Funds (U.S. Securities)	66,347,715				66,347,715
Guaranteed Investment Contracts		1,428,034		11,819,508	13,247,542
California Asset Management Program	831,005				831,005
Total Investments	<u>\$157,600,887</u>	<u>\$74,083,092</u>	<u>\$34,598,977</u>	<u>\$13,088,790</u>	<u>\$279,371,746</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments have an average maturity of 203 days.

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2010, the fair value approximated is the City's cost. At June 30, 2010, these investments have an average maturity of 48 days.

Money market funds are available for withdrawal on demand and at June 30, 2010, have an average maturity of 33 to 49 days.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 3 - 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, 2010 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA	AA-	A+	AAAm	Total
<b><i>Held by City:</i></b>					
U.S. Government Agency Obligations:					
Non-callable	\$52,270,296				\$52,270,296
Callable	23,974,307				23,974,307
Corporate Notes	19,160,145	\$3,478,020	\$6,733,820		29,371,985
Money Market Mutual Funds (U.S. Securities)				\$792,056	792,056
<b><i>Held by Trustees:</i></b>					
U.S. Government Agency Obligations:					
Non-callable	3,263,275				3,263,275
California Asset Management Program				831,005	831,005
Money Market Mutual Funds (U.S. Securities)				66,347,715	66,347,715
<b>Totals</b>	<b>\$98,668,023</b>	<b>\$3,478,020</b>	<b>\$6,733,820</b>	<b>\$67,970,776</b>	<b>176,850,639</b>
<b><i>Not rated:</i></b>					
California Local Agency Investment Fund					59,977,110
Guaranteed Investment Contracts					13,247,542
<b><i>Exempt from credit rating disclosure:</i></b>					
U.S. Treasury Notes					29,296,455
<b>Total Investments</b>					<b>\$279,371,746</b>

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

Reporting Unit	Issuer	Investment Type	Reported Amount
<b>Entity Wide:</b>			
	Federal National Mortgage Association	United States Government Agency Obligations	#####
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	44,473,720
<b>Major Funds:</b>			
Redevelopment Debt Service	IXIS Fund Corporation	Guaranteed Investment Contract	2,533,121
Water	MBIA	Guaranteed Investment Contract	3,472,588
Sewer	MBIA	Guaranteed Investment Contract	3,326,250

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. *Transfers Between Funds***

With Council approval, resources may be transferred from one City fund to another. During the fiscal year ended June 30, 2010 the General Fund transferred \$217,832 to non-major governmental funds to fund the City's portion of a required grant match, to fund recreation activities, and to fund equipment purchases.

**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, 2010, interfund balances were as follows:

Due To Funds	Due From Funds	Amount
General Fund	Golf Enterprise Fund	\$126,747
	Non-Major Governmental Funds	8,710
Non-Major Governmental Funds	Non-Major Governmental Funds	362,012
	Total Current Interfund Balances	\$497,469

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**C. Long-Term Interfund Advances**

At June 30, 2010 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	\$1,285,678
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	1,975,620
Water Enterprise Fund	Public Facilities Implementation Plan Fund	360,560
Water Enterprise Fund	Sewer Enterprise Fund	42,594
Sewer Enterprise Fund	Public Facilities Implementation Plan Fund	519,210
	Water Enterprise Fund	387,881
Non-Major Governmental Funds	Golf Enterprise Fund	28,000
	Total Advances	<u>\$8,335,431</u>

*Golf Advances*

Advances above in the amount of \$1,313,678 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 \$5,321,753 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 sixteen years.

*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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, 2010, these Notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,433,937
Down Payment Assistance Program	1,780,545
Residential Rehabilitation	262,055
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
Slender Lady	25,000
Manteca Senior Housing, LLC - Affirmed Housing	750,000
Senior Rehabilitation Loans	<u>19,889</u>
Total notes receivable	11,628,062
Less: Allowance for conditional grants	<u>1,938,329</u>
Net long-term notes receivable	<u><u>\$9,689,733</u></u>

Deferred revenue at June 30, 2010 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. Subsequently in fiscal year 1998, an additional \$14,842 was loaned to the Shelter for the replacement of windows; this amount is subject to the terms of the original loan, and extended the due date or potential forgiveness date to June 1, 2013.

**C. Habitat for Humanity**

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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 loans had been repaid. The terms of the remaining loan call for an interest rate of 5 percent; the loan is due in 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, 2010, the total outstanding balance on these loans was \$1,433,937.

**E. *Cedar Glen Down Payment Assistance Program***

The Low and Moderate Income Housing Down Payment Assistance Program was established in 1993 to provide financing for homebuyers in the Cedar Glen and Golf Villas developments with moderate income or less who are unable to qualify for a home purchase without down payment assistance. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due fifteen years from the date each unit was purchased, but will be forgiven at maturity if the unit was owner occupied for the full fifteen years. As of June 30, 2010, these loans have been forgiven.

**F. *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, 2010, loans related to this Program in the amount of \$1,780,545 had been extended. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due if the home is sold, equity is removed, home is non-owner occupied, or after 40 years.

**G. *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, 2010, loans receivable under this program totaled \$235,329.

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, 2010, loans receivable under this program totaled \$26,726.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**H. *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 \$30,000 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, 2010 was \$90,000.

**I. *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, 2010, 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.

**J. *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.

**K. *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.

**L. *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, 2010, Eden Housing had drawn down the loan in the amount of \$1,680,932.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**M. 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, 2010, the principal balance outstanding was \$338,040.

**N. 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 is secured by a promissory note.

**O. 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, 2010, \$750,000 has been drawn down from the loan and remains outstanding, and \$1,949,133 of the grant has been drawn down.

**P. Manteca Unified School District Community Gymnasium**

On September 23, 2008 the Agency agreed to loan the Manteca Unified School District (MUSD) \$1,000,000 for installation and construction of a community gym at the Neil Hafley Elementary School and the installation and construction of a community gymnasium facility at the Shasta Elementary School. The Agency agreed to withhold the tax increment pass through for the MUSD until the loan is paid off. During fiscal year 2010 the Agency withheld \$304,312 of the tax increment from MUSD and that money was used to pay off the remaining loan balance.

**Q. Senior Rehabilitation Loans**

During fiscal year 2010 the Redevelopment 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, 2010, loans receivable under this program totaled \$19,889.

**R. 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, 2010, 90 employees had notes totaling \$88,750 due to the City.

**NOTE 7 - CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are valued at their estimated fair market value on the date contributed.

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

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

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



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**A. Capital Asset Additions and Retirements**

Capital assets activities for the year ended June 30, 2010 were as follows:

<i>Governmental activities</i>	Balance at June 30, 2009	Additions	Retirements	Transfers and Adjustments	Balance at June 30, 2010
Capital assets not being depreciated:					
Land and improvements	\$27,599,193	\$454,465		\$313,024	\$28,366,682
Construction in progress	57,124,517	2,721,126	(\$601,011)	(12,215,755)	47,028,877
Total capital assets not being depreciated	<u>84,723,710</u>	<u>3,175,591</u>	<u>(601,011)</u>	<u>(11,902,731)</u>	<u>75,395,559</u>
Capital assets being depreciated:					
Buildings and improvements	14,945,769	85,717	(\$11,936)	578,274	15,597,824
Machinery and equipment	12,808,035	1,496,568	(112,480)		14,192,123
Storm drain	35,544,007	490,550		1,569,039	37,603,596
Streets	101,253,626	1,739,868		9,624,379	112,617,873
Parks	51,847,226	163,712		131,039	52,141,977
Total capital assets being depreciated	<u>216,398,663</u>	<u>3,976,415</u>	<u>(124,416)</u>	<u>11,902,731</u>	<u>232,153,393</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,737,661)	(493,252)	11,936		(6,218,977)
Machinery and equipment	(7,578,430)	(1,203,306)	110,697		(8,671,039)
Storm drain	(5,229,668)	(742,452)			(5,972,120)
Streets	(26,288,314)	(3,552,299)			(29,840,613)
Parks	(5,494,871)	(1,649,187)			(7,144,058)
Total accumulated depreciation	<u>(50,328,944)</u>	<u>(7,640,496)</u>	<u>122,633</u>		<u>(57,846,807)</u>
Net capital assets being depreciated	<u>166,069,719</u>	<u>(3,664,081)</u>	<u>(1,783)</u>	<u>11,902,731</u>	<u>174,306,586</u>
Governmental activity capital assets, net	<u>\$250,793,429</u>	<u>(\$488,490)</u>	<u>(\$602,794)</u>		<u>\$249,702,145</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

<i>Business-type activities</i>	Balance at June 30, 2009	Additions	Retirements	Transfers and Adjustments	Balance at June 30, 2010
Capital assets not being depreciated:					
Land and improvements	\$4,059,848				\$4,059,848
Construction in progress	46,687,425	\$5,902,396		(\$1,039,125)	51,550,696
Total capital assets not being depreciated	<u>50,747,273</u>	<u>5,902,396</u>		<u>(1,039,125)</u>	<u>55,610,544</u>
Capital assets being depreciated:					
Sewer lines and improvements	40,981,490	185,350		690,017	41,856,857
Water wells, pipelines and water rights	84,072,781	2,012,211		851,668	86,936,660
Buildings and improvements	7,384,415	177,232		385	7,562,032
Machinery and equipment	15,729,500	934,287	(\$56,314)	(502,945)	16,104,528
Infrastructure	48,211				48,211
Sewer plant expansion	40,912,342				40,912,342
	<u>189,128,739</u>	<u>3,309,080</u>	<u>(56,314)</u>	<u>1,039,125</u>	<u>193,420,630</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(11,184,924)	(829,652)			(12,014,576)
Water wells, pipelines and water rights	(22,263,005)	(2,760,345)		(2,926)	(25,026,276)
Buildings and improvements	(2,767,659)	(272,065)			(3,039,724)
Machinery and equipment	(9,838,849)	(874,768)	56,314	2,926	(10,654,377)
Infrastructure	(10,327)	(1,621)			(11,948)
Sewer plant expansion	(16,119,873)	(618,846)			(16,738,719)
	<u>(62,184,637)</u>	<u>(5,357,297)</u>	<u>56,314</u>		<u>(67,485,620)</u>
Net capital assets being depreciated	<u>126,944,102</u>	<u>(2,048,217)</u>		<u>1,039,125</u>	<u>125,935,010</u>
Total Business-type activity capital assets, net	<u>\$177,691,375</u>	<u>\$3,854,179</u>			<u>\$181,545,554</u>

**B. Capital Asset Contributions**

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

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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:

<b>Governmental Activities</b>	
General government	\$140,512
Community development	44,414
Public safety	688,314
Public works	735,778
Parks and recreation	1,833,632
Streets and highways	3,618,528
Internal Service Funds	579,318
<b>Total Governmental Activities</b>	<u><u>\$7,640,496</u></u>
 <b>Business-Type Activities</b>	
Water	\$3,016,095
Sewer	1,723,520
Solid waste	497,956
Golf	119,726
<b>Total Business-Type Activities</b>	<u><u>\$5,357,297</u></u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, 2009	Retirements	Balance June 30, 2010	Current Portion
<b>Governmental Activity Debt:</b>					
<b>Redevelopment Agency Tax</b>					
<b>Allocation Bonds -</b>					
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$30,765,000	\$27,875,000	\$765,000	\$27,110,000	\$785,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	25,925,000	25,280,000	665,000	24,615,000	690,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	5,310,000	5,200,000	115,000	5,085,000	120,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	50,760,000	50,760,000	235,000	50,525,000	475,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	22,675,000	22,675,000		22,675,000	385,000
<b>Installment Purchase Obligations -</b>					
Storm Drain, 5.85%	1,911,200	108,758	108,758		
<b>Energy Conservation Assistance</b>					
<b>Loans, 3%</b>					
	239,165	32,350	32,350		
<b>Capital Leases -</b>					
Iron Project, 5.3%	947,049	426,081	86,213	339,868	90,842
Fire Engine, 4.60%	1,055,000	856,307	140,195	716,112	146,718
Telephone System, 4.025% (Internal Service)	460,462	447,955	85,694	362,261	89,209
Boom Truck, 4.48%	164,949	164,949	8,350	156,599	31,484
<b>Total Governmental Activity Debt</b>	<b>\$140,212,825</b>	<b>\$133,826,400</b>	<b>\$2,241,560</b>	<b>\$131,584,840</b>	<b>\$2,813,253</b>
<b>Business-type Activity Debt:</b>					
<b>Sewer Revenue Bonds</b>					
Series 2003-A Bonds, 2.35-4.50%	\$18,155,000	\$17,920,000	\$635,000	17,285,000	\$690,000
Series 2003-B Bonds, 5.00%	25,665,000	14,715,000		14,715,000	
Series 2009 Bonds, 4.875-5.75%	19,000,000	19,000,000		19,000,000	
<b>2003 Water Revenue Bonds, 2.00-5.00%</b>	<b>43,325,000</b>	<b>43,075,000</b>	<b>360,000</b>	<b>42,715,000</b>	<b>480,000</b>
<b>Lease Revenue Bonds, 6.625-8.10%</b>	<b>2,200,000</b>	<b>225,000</b>	<b>225,000</b>		
<b>Energy Conservation Assistance</b>					
<b>Loans, 3%</b>					
	2,401,332	613,373	330,234	283,139	283,139
<b>Capital Lease, 5.3%</b>	<b>627,951</b>	<b>282,517</b>	<b>57,165</b>	<b>225,352</b>	<b>60,234</b>
<b>Total Business - Type Activity Debt</b>	<b>\$111,374,283</b>	<b>\$95,830,890</b>	<b>\$1,607,399</b>	<b>\$94,223,491</b>	<b>\$1,513,373</b>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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 \$10,771,405 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 2010, housing set-aside tax increment revenue amounted to \$3,276,376, which represented coverage of 737% over the \$444,772 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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 \$216,376,612 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 2010, net tax increment revenues amounted to \$11,622,681, which represented coverage of 171% over the \$6,797,608 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 3.256 %. 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, 2010, 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	\$50,525,000	12/13/2005	Piper Jaffray Financial Products Inc, with credit guarantee by Morgan Stanley	A2 / A	3.636%	63% of one month LIBOR plus 30 basis points	10/1/2042

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, 2010, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$8,232,629), a decrease of \$2,309,277 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, 2010, 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.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

*Swap payments and associated debt.* Using rates as of June 30, 2010, 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 **8J** below:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swap, Net	Total
	Principal	Interest		
2011	\$475,000	\$70,735	\$1,562,509	\$2,108,244
2012	490,000	70,070	1,547,344	2,107,414
2013	690,000	69,384	1,527,195	2,286,579
2014	725,000	68,418	1,504,843	2,298,261
2015	745,000	67,403	1,481,767	2,294,170
2016-2020	6,580,000	315,462	6,859,497	13,754,959
2021-2025	7,200,000	268,079	5,789,918	13,257,997
2026-2030	6,095,000	214,165	4,617,119	10,926,284
2031-2035	5,655,000	179,298	3,851,947	9,686,245
2036-2040	11,985,000	125,608	2,502,598	14,613,206
2041-2043	9,885,000	28,028	382,369	10,295,397
Totals	<u>\$50,525,000</u>	<u>\$1,476,650</u>	<u>\$31,627,106</u>	<u>\$83,628,756</u>

**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.

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

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2003 and 2009 Sewer Revenue Bonds through 2036. Projected net customer revenues are expected to provide coverage over debt service of at least 125% over the life of the bonds. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$98,004,498. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,190,902 and \$8,869,305 respectively.



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**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 \$72,670,024. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,305,164 and \$6,212,476, respectively.

**F. *Lease Revenue Bonds***

The 1994 Lease Revenue Bonds were issued to refinance the cost of improvements to the City's municipal golf course. The Bonds were special obligations of the City payable solely from and secured by all golf course revenues derived by the City from the golf course. Principal and interest were payable semi-annually each March 15, and September 15, through March 15, 2010. The bonds were fully repaid during the fiscal year.

**G. *Installment Purchase Obligation***

The City purchased storm drain improvements on the installment basis. The Storm Drain obligation was paid from General Fund revenues. The obligation was fully repaid during the fiscal year.

**H. *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 agreement with the Contractor provides a guarantee of savings for as long as the City elects to contract with the Contractor for the monitoring and verification of the program. In the event the City does not experience energy savings at the level guaranteed by the Contractor, the Contractor is required to pay the City the difference between what was guaranteed and the actual savings. The projects are 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. Debt service on the \$648,780 loan is funded by the General Fund, the Special Apportionment Streets Capital Improvement Fund, and the Water Enterprise Fund based on the debt proceeds that each of these funds received. The portion of the loan that was funded by the General Fund and Special Apportionment Streets Capital Improvement Fund was fully repaid during the fiscal year.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**I. 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 H 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 9<sup>th</sup> of each month with the final payment on April 9, 2014.

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

**J. 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 Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$2,813,253	\$5,396,777	\$1,513,373	\$4,492,270
2012	2,915,062	5,291,615	1,428,468	4,445,036
2013	3,032,665	5,174,215	1,636,879	4,393,308
2014	3,090,114	5,044,391	1,829,771	4,331,304
2015	2,983,746	4,912,720	1,930,000	4,406,935
2016-2020	16,400,000	22,601,452	12,650,000	20,344,649
2021-2025	17,025,000	19,166,510	17,380,000	16,883,962
2026-2030	21,190,000	15,228,552	22,610,000	12,008,407
2031-2035	26,625,000	9,858,661	26,370,000	5,283,638
2036-2040	22,905,000	4,032,906	6,875,000	400,917
2041-2043	12,605,000	598,273		
Total	<u>\$131,584,840</u>	<u>\$97,306,072</u>	<u>\$94,223,491</u>	<u>\$76,990,426</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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**

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance, which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and may never be legally authorized or result in expenditures.

**Reserves**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2010, reserves included:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Improvement Funds
Encumbrances	\$52,129	\$190,858		\$20,892
Revolving fund, prepaid items, and advances	1,473,485		\$1,700,000	4,039,508
Assets seizure	43,314			
Debt service	349,000		28,207,061	
Low and moderate income housing		15,799,007		
Capital outlay				29,123,197
Total Reserves	<u>\$1,917,928</u>	<u>\$15,989,865</u>	<u>\$29,907,061</u>	<u>\$33,183,597</u>

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserves for **revolving fund, prepaid items, and advances** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

Reserve for **assets seizure** is the value of assets forfeited in connection with drug-law violations; these assets may only be used to enhance the City’s police activities.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

Reserve for **low and moderate-income housing** is the portion of redevelopment fund balance legally required to be set-aside for low and moderate-income housing expenditures.

Reserve for **capital outlay** is the portion of fund balance or fund equity legally restricted for use on capital outlay projects.

***Designations***

Designations are imposed by the City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council Action. At June 30, 2010, designations included:

	General Fund	Capital Improvement Funds
Subsequent Years’ Expenditures	\$1,577,000	
PFIP Excise Tax Expenditures	6,329,596	
Unrealized Increase in Fair Value of Investments	112,225	\$437,593
Total Designations	\$8,018,821	\$437,593

Designated for **Subsequent Years’ Expenditures** is the portion of fund balance to be used for unbudgeted subsequent years’ expenditures.

Designated for **PFIP Excise Tax Expenditures** is the portion of fund balance to be used for oversizing public improvements (infrastructure) as outlined in the City’s Public Facilities Implementation Plan.

Designated for **Unrealized Increase in Fair Value of Investments** is the portion of fund balance that represents the unrealized gains in the current fair market value of investments.

Unreserved undesignated fund balances in the Special Revenue and Capital Projects Funds are to be spent in accordance with the Fund’s stated purpose.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**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, 2010, are summarized as follows:

	Safety		Miscellaneous
	Police	Fire	
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	26.140%	26.140%	16.798%

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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b><i>Safety Plan</i></b>			
June 30, 2008	\$2,806,287	100%	\$0
June 30, 2009	3,023,218	100%	0
June 30, 2010	2,901,637	100%	0
<b><i>Miscellaneous Plan</i></b>			
June 30, 2008	\$2,585,214	100%	\$0
June 30, 2009	2,840,710	100%	0
June 30, 2010	2,691,417	100%	0

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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
2006	\$63,490,257	\$50,301,248	\$13,189,009	79.2%	\$8,531,094	154.6%
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%

*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
2006	\$63,098,036	\$52,112,167	\$10,985,869	82.6%	\$14,145,236	77.7%
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%

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.

**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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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, 2010, five employees and three retirees were participating in these plans and the City's required contribution of \$176,134 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, 2010 there were 119 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:

	Manteca Police Officers Association	Fire	Manteca Police Employees Association	Technical Support Services	General Services	Mid Management	Management
Benefit Types Provided	Medical only	Medical only	Medical only	Medical only	Medical only	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Required Service:							
Basic				Retirement under CALPERS			
Supplemental							
Minimum Age	50	50	50	50	50	50	50
Dependent Coverage	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic)	\$580 for single \$1,090 for two party \$1,330 for family	\$580 for single \$1,085 for two party \$1,380 for family	Greater of 100% Kaiser or \$605 for single \$960 for two party \$1,235 for family	\$605 for single \$1,120 for two party \$1,450 for family	\$625 for single \$1,101 for two \$1,425 for family	\$635 for single \$1,240 for two party \$1,635 for family	\$635 for single \$1,240 for two party \$1,635 for family



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

**Funding Policy and Actuarial Assumptions**

The annual required contribution (ARC) was determined as part of a June 30, 2008 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) 4.5% to 10.1% 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, 2010, 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

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

Annual required contribution (ARC)	\$5,664,000
Interest on net OPEB obligation	200,783
Adjustment to annual required contribution	<u>(304,173)</u>
Annual OPEB cost	5,560,610
Contributions made:	
City portion of current year premiums paid	<u>(598,957)</u>
Total contributions	<u>(598,957)</u>
Change in net OPEB (obligation)/asset	4,961,653
Net OPEB Obligation at June 30, 2009	<u>5,019,585</u>
<b>Net OPEB Obligation at June 30, 2010</b>	<b><u><u>\$9,981,238</u></u></b>



**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2008	\$0	\$43,225,000	(\$43,225,000)	0.00%	\$24,936,000	-173%

**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 (\$5,000)	1,000,000,000
Boiler and Machinery (\$5,000)	100,000,000
Vehicle Physical Damage (\$3,000 police; \$2,000 others)	250,000
Workers' Compensation (no deductible)	Statutory Limit

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

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

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

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

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

**B. Liability for Uninsured Claims**

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

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

	Workers' Compensation Claims	General Liability Claims	Total
Balance June 30, 2008	\$1,571,267	\$1,480,976	\$3,052,243
Net change in:			
Liability for current fiscal year claims		30,393	30,393
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	118,855	12,210	131,065
Claims paid	(118,855)	(42,603)	(161,458)
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 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	<u>\$1,571,267</u>	<u>\$1,480,976</u>	<u>\$3,052,243</u>
Claims liability, due within one year	<u>\$86,464</u>	<u>\$204,949</u>	<u>\$291,413</u>

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 14 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA AND SECURITIZATION**

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the \$1,034,872 it borrowed from the City, plus interest, by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forego interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

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

The City participates in Federal and State grant programs. These programs have been audited by the City’s independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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

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

The Redevelopment Agency Project Area #2 has property tax pass-through agreements executed December 1993 with the County of San Joaquin, San Joaquin County Superintendent of Schools, San Joaquin Delta Community College District, and Manteca Unified School District, the taxing agencies in existence when the Project Area was formed. Under these agreements, the Agency passes through to these taxing agencies a portion of the property tax increments it would otherwise have received. To date, increments totaling \$9,303,317 have been passed through directly to these taxing agencies.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)**

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, 2010, the City had outstanding reimbursement commitments totaling \$15,380,261.

**C. *Wastewater Quality Control Facility***

The City is currently undergoing a \$75 million upgrade and expansion of its Wastewater Quality Control Facility (WQCF) to accommodate growth and to meet newly established treatment standards. The City has received a net allocation of \$8.56 million in Proposition 13 grant money from the State Water Resources Control Board (State Board) for wastewater treatment improvement projects.

**D. *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.

**NOTE 16 – 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, 2010, 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, 2010, 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.

**CITY OF MANTECA**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 17 – 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, based on the property taxes received in fiscal year 2006-07, 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.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be \$710,522 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

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

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

**REDEVELOPMENT CAPITAL IMPROVEMENT FUND**

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

**REDEVELOPMENT ECONOMIC DEVELOPMENT FUND**

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

**PUBLIC FACILITIES IMPLEMENTATION PLAN FUND**

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

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$10,638,200	\$11,227,999	\$589,799
Use of money and property	655,500	494,978	(160,522)
	<u>11,293,700</u>	<u>11,722,977</u>	<u>429,277</u>
<b>EXPENDITURES</b>			
Current:			
Community development	2,067,075	1,602,911	464,164
Nondepartmental	350,000	326,414	23,586
Supplemental Educational Revenue			
Augmentation Fund payment	6,657,835	6,664,258	(6,423)
Capital outlay	37,000	22,415	14,585
Debt service:			
Principal	1,631,340	1,631,340	
Interest and fiscal charges	5,508,535	5,598,643	(90,108)
	<u>16,251,785</u>	<u>15,845,981</u>	<u>405,804</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,958,085)</u>	<u>(4,123,004)</u>	<u>835,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(1,700,000)		1,700,000
	<u>(1,700,000)</u>		<u>1,700,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$6,658,085)</u>	(4,123,004)	<u>\$2,535,081</u>
<b>BEGINNING FUND BALANCE</b>		<u>34,030,065</u>	
<b>ENDING FUND BALANCE</b>		<u>\$29,907,061</u>	



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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Use of money and property	<u>\$842,500</u>	<u>\$18,259</u>	<u>(\$824,241)</u>
Total Revenues	<u>842,500</u>	<u>18,259</u>	<u>(824,241)</u>
<b>EXPENDITURES</b>			
Current:			
Community development	377,500	96,432	281,068
Public works	775,105		775,105
Capital outlay	<u>7,563,420</u>	<u>1,200,566</u>	<u>6,362,854</u>
Total Expenditures	<u>8,716,025</u>	<u>1,296,998</u>	<u>7,419,027</u>
NET CHANGE IN FUND BALANCE	<u>(\$7,873,525)</u>	<u>(1,278,739)</u>	<u>\$6,594,786</u>
BEGINNING FUND BALANCE		<u>46,291,135</u>	
ENDING FUND BALANCE		<u>\$45,012,396</u>	

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, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$30,000	\$28,561	(\$1,439)
Total Revenues	30,000	28,561	(1,439)
EXPENDITURES			
Current:			
Community development	770,660	81,594	689,066
Total Expenditures	770,660	81,594	689,066
NET CHANGE IN FUND BALANCE	(\$740,660)	(53,033)	\$687,627
BEGINNING FUND BALANCE		2,979,485	
ENDING FUND BALANCE		\$2,926,452	

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, 2010

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Use of money and property	\$429,000	\$591,215	\$162,215
Charges for current services	1,570,000	1,627,848	57,848
Other revenue		740	740
Total Revenues	1,999,000	2,219,803	220,803
<b>EXPENDITURES</b>			
Current:			
Public works	1,013,080	442,303	570,777
Capital outlay	3,923,267	1,414,507	2,508,760
Total Expenditures	4,936,347	1,856,810	3,079,537
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$2,937,347)</b>	362,993	<b>\$3,300,340</b>
<b>BEGINNING FUND BALANCE</b>		27,743,838	
<b>ENDING FUND BALANCE</b>		<b>\$28,106,831</b>	

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS:****COMMUNITY DEVELOPMENT BLOCK GRANT**

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

**POLICE GRANTS**

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

**SUPPLEMENTAL LAW ENFORCEMENT SERVICES**

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

**FEDERAL TRANSIT MANAGEMENT**

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

**RECREATION**

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

**STREET IMPROVEMENTS**

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

**MAJOR EQUIPMENT PURCHASE FEE**

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

**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

**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**

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. These services, previously accounted for in the General Fund, were segregated in 2010 to provide a clearer picture of the results of this activity, and the impact of those results on the City's finances.

**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.

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

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

**SPECIAL APPORTIONMENT STREETS**

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

**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, 2010

SPECIAL REVENUE FUNDS					
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
<b>ASSETS</b>					
Cash and investments			\$73,045	\$343,442	\$310,283
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$9,298	\$418,445		468,545	14,364
Taxes receivable				135	
Interest receivable			45		
Due from other funds					
Advances to other funds					
Total Assets	\$9,298	\$418,445	\$73,090	\$812,122	\$324,647
<b>LIABILITIES</b>					
Accounts payable	\$588	\$3,892		\$67,715	\$18,563
Contracts payable					
Refundable deposits		11,869			96,161
Due to other funds	8,710	362,012			
Advances from other funds					
Deferred revenue				561,883	
Total Liabilities	9,298	377,773		629,598	114,724
<b>Net Assets</b>					
Fund balance:					
Reserved for encumbrances	4,800	5,902	\$4,937		790
Reserved for revolving fund, prepaid items, and advances					
Reserved for capital outlay					
Unreserved, designated:					
Unrealized increase in fair value of investments					
Unreserved, undesignated	(4,800)	34,770	68,153	182,524	209,133
Total Fund Balances		40,672	73,090	182,524	209,923
Total Liabilities and Fund Balances	\$9,298	\$418,445	\$73,090	\$812,122	\$324,647



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
\$49,071	\$858,655 4,000	\$1,317,605	\$4,133,781	\$8,027,073	\$441,858	\$844,874	\$5,834,264
	28,737		15,525		100	10,033	347,797
90	1,935	116,900 3,599	202,097 12,282	23,755 362,012		172,414 1,305	12,957
<u>\$49,161</u>	<u>\$893,327</u>	<u>\$1,438,104</u>	<u>\$4,363,685</u>	<u>\$8,412,840</u>	<u>\$441,958</u>	<u>\$1,028,626</u>	<u>\$6,195,018</u>
		\$27,601	\$211		\$14,471	\$59,452	\$67,223
	\$28,737						357,094
					1,700,000		
	<u>28,737</u>	<u>27,601</u>	<u>211</u>		<u>1,714,471</u>	<u>59,452</u>	<u>424,317</u>
	160,950	2,457				164	
\$49,161	703,640	1,408,046	36,974 4,326,500	\$71,471 8,341,369	(1,272,513)	969,010	38,951 5,731,750
<u>49,161</u>	<u>864,590</u>	<u>1,410,503</u>	<u>4,363,474</u>	<u>8,412,840</u>	<u>(1,272,513)</u>	<u>969,174</u>	<u>5,770,701</u>
<u>\$49,161</u>	<u>\$893,327</u>	<u>\$1,438,104</u>	<u>\$4,363,685</u>	<u>\$8,412,840</u>	<u>\$441,958</u>	<u>\$1,028,626</u>	<u>\$6,195,018</u>

(Continued)

CITY OF MANTECA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010

<u>CAPITAL IMPROVEMENT FUNDS</u>						
<u>Measure K</u>	<u>Special Apportionment Streets</u>	<u>Parks</u>	<u>Government Building Facilities</u>	<u>Community Facilities District</u>	<u>Total Nonmajor Governmental Funds</u>	
<b>ASSETS</b>						
Cash and investments	\$1,359,519	\$3,083,198	\$2,992,620	\$5,013,830	\$68,936	\$34,752,054
Restricted cash and investments			1,124,394			1,128,394
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,940,809	1,321,368		313,237		4,888,258
Taxes receivable						491,546
Interest receivable	2,699	7,648	6,254	12,192	180	84,941
Due from other funds						362,012
Advances to other funds			28,000			28,000
<b>Total Assets</b>	<b><u>\$3,303,027</u></b>	<b><u>\$4,412,214</u></b>	<b><u>\$3,026,874</u></b>	<b><u>\$6,463,653</u></b>	<b><u>\$69,116</u></b>	<b><u>\$41,735,205</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$76,995	\$97,236	\$490	\$141,650		\$576,087
Contracts payable		25,614	2,219			27,833
Refundable deposits		562		313,237		807,660
Due to other funds						370,722
Advances from other funds						1,700,000
Deferred revenue						561,883
<b>Total Liabilities</b>	<b><u>76,995</u></b>	<b><u>123,412</u></b>	<b><u>2,709</u></b>	<b><u>454,887</u></b>		<b><u>4,044,185</u></b>
<b>Fund Balance</b>						
Fund balance:						
Reserved for encumbrances	13,400	1,577		4,950		199,927
Reserved for revolving fund, prepaid items, and advances			28,000			28,000
Reserved for capital outlay		267,600		4,972,163		5,239,763
Unreserved, designated:						
Unrealized increase in fair value of investments		22,828	18,763	36,717		225,704
Unreserved, undesignated	3,212,632	3,996,797	2,977,402	994,936	\$69,116	31,997,626
<b>Total Fund Balances</b>	<b><u>3,226,032</u></b>	<b><u>4,288,802</u></b>	<b><u>3,024,165</u></b>	<b><u>6,008,766</u></b>	<b><u>69,116</u></b>	<b><u>37,691,020</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$3,303,027</u></b>	<b><u>\$4,412,214</u></b>	<b><u>\$3,026,874</u></b>	<b><u>\$6,463,653</u></b>	<b><u>\$69,116</u></b>	<b><u>\$41,735,205</u></b>

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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, 2010

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Recreation
<b>REVENUES</b>					
Sales tax					
Licenses and permits					
Use of money and property			\$235	\$1,091	(\$24)
Revenue from other agencies	\$99,235	\$718,345	75,000	988,097	
Charges for current services				49,758	760,236
Other revenue					
Total Revenues	<u>99,235</u>	<u>718,345</u>	<u>75,235</u>	<u>1,038,946</u>	<u>760,212</u>
<b>EXPENDITURES</b>					
Current:					
Community development	77,170				
Public safety		550,983			
Public works				747,896	
Parks and recreation	8,568				772,651
Streets and highways					
Capital outlay	13,497	130,022	124,459	204,670	
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>99,235</u>	<u>681,005</u>	<u>124,459</u>	<u>952,566</u>	<u>772,651</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<u>37,340</u>	<u>(49,224)</u>	<u>86,380</u>	<u>(12,439)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		3,332			200,000
Total Other Financing Sources (Uses)		<u>3,332</u>			<u>200,000</u>
<b>NET CHANGE IN FUND BALANCES</b>		40,672	(49,224)	86,380	187,561
<b>BEGINNING FUND BALANCES</b>			122,314	96,144	22,362
<b>ENDING FUND BALANCES</b>		<u>\$40,672</u>	<u>\$73,090</u>	<u>\$182,524</u>	<u>\$209,923</u>

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
			\$3,722,756				
\$538	\$14,362	\$26,596	102,818	\$199,282	(\$46)	\$9,118	\$108,722
	141,352	584,500	95,123		1,345,906	1,704,120	1,084,188
						164,000	
						5,710	
538	155,714	611,096	3,920,697	199,282	1,345,860	1,882,948	1,192,910
					2,632,873		
			3,937,768	477,465			
		792,944				1,000,532	5,537
	160,958					598,932	
	8,350						
	7,424						
	176,732	792,944	3,937,768	477,465	2,632,873	1,599,464	5,537
538	(21,018)	(181,848)	(17,071)	(278,183)	(1,287,013)	283,484	1,187,373
					14,500		
					14,500		
538	(21,018)	(181,848)	(17,071)	(278,183)	(1,272,513)	283,484	1,187,373
48,623	885,608	1,592,351	4,380,545	8,691,023		685,690	4,583,328
\$49,161	\$864,590	\$1,410,503	\$4,363,474	\$8,412,840	(\$1,272,513)	\$969,174	\$5,770,701

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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, 2010

CAPITAL IMPROVEMENT FUNDS						
	Measure K	Special Apportionment Streets	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Sales tax						\$3,722,756
Licenses and permits				\$625,559		625,559
Use of money and property	\$22,821	\$89,413	\$549,302	112,132	\$1,413	1,237,773
Revenue from other agencies	754,205	1,946,360	866,234			7,246,719
Charges for current services						4,129,940
Other revenue			120			5,830
<b>Total Revenues</b>	<u>777,026</u>	<u>2,035,773</u>	<u>1,415,656</u>	<u>737,691</u>	<u>1,413</u>	<u>16,968,577</u>
<b>EXPENDITURES</b>						
Current:						
Community development					994	2,711,037
Public safety						4,966,216
Public works						747,896
Parks and recreation			261,246			1,835,409
Streets and highways		964,339				1,970,408
Capital outlay	291,610	1,186,662	399,435	163,336		3,273,581
Debt service:						
Principal		65,627		140,195		214,172
Interest and fiscal charges		12,025		37,796		57,245
<b>Total Expenditures</b>	<u>291,610</u>	<u>2,228,653</u>	<u>660,681</u>	<u>341,327</u>	<u>994</u>	<u>15,775,964</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>485,416</u>	<u>(192,880)</u>	<u>754,975</u>	<u>396,364</u>	<u>419</u>	<u>1,192,613</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						217,832
<b>Total Other Financing Sources (Uses)</b>						<u>217,832</u>
	485,416	(192,880)	754,975	396,364	419	1,410,445
<b>BEGINNING FUND BALANCES</b>	<u>2,740,616</u>	<u>4,481,682</u>	<u>2,269,190</u>	<u>5,612,402</u>	<u>68,697</u>	<u>36,280,575</u>
<b>ENDING FUND BALANCES</b>	<u>\$3,226,032</u>	<u>\$4,288,802</u>	<u>\$3,024,165</u>	<u>\$6,008,766</u>	<u>\$69,116</u>	<u>\$37,691,020</u>

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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, 2010

	COMMUNITY DEVELOPMENT BLOCK GRANT			POLICE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property						
Revenue from other agencies	\$1,961,124	\$99,235	(\$1,861,889)	\$529,545	\$718,345	\$188,800
Charges for current services						
Other revenue						
<b>Total Revenues</b>	<u>1,961,124</u>	<u>99,235</u>	<u>(1,861,889)</u>	<u>529,545</u>	<u>718,345</u>	<u>188,800</u>
<b>EXPENDITURES</b>						
Current:						
Community development	1,858,444	77,170	1,781,274			
Public safety				874,110	550,983	323,127
Public works						
Parks and recreation	8,568	8,568				
Streets and highways						
Capital outlay	426,912	13,497	413,415	177,000	130,022	46,978
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>2,293,924</u>	<u>99,235</u>	<u>2,194,689</u>	<u>1,051,110</u>	<u>681,005</u>	<u>370,105</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(332,800)</u>		<u>332,800</u>	<u>(521,565)</u>	<u>37,340</u>	<u>558,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from capital lease obligations					3,332	3,332
Transfers in						
<b>Total Other Financing Sources (Uses)</b>					<u>3,332</u>	<u>3,332</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$332,800)</u></u>		<u><u>\$332,800</u></u>	<u><u>(\$521,565)</u></u>	<u>40,672</u>	<u><u>\$562,237</u></u>
<b>BEGINNING FUND BALANCES</b>						
<b>ENDING FUND BALANCES</b>					<u><u>\$40,672</u></u>	



SUPPLEMENTAL LAW ENFORCEMENT SERVICES			FEDERAL TRANSIT MANAGEMENT			RECREATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$235	\$235		\$1,091	\$1,091	\$600	(\$24)	(\$624)
	75,000	75,000	\$3,570,757	988,097	(2,582,660)	743,858	760,236	16,378
			48,250	49,758	1,508			
	75,235	75,235	3,619,007	1,038,946	(2,580,061)	744,458	760,212	15,754
			1,127,204	747,896	379,308	851,795	772,651	79,144
\$205,956	124,459	81,497	2,771,797	204,670	2,567,127			
205,956	124,459	81,497	3,899,001	952,566	2,946,435	851,795	772,651	79,144
(205,956)	(49,224)	156,732	(279,994)	86,380	366,374	(107,337)	(12,439)	94,898
						200,000	200,000	
						200,000	200,000	
<u>(\$205,956)</u>	<u>(49,224)</u>	<u>\$156,732</u>	<u>(\$279,994)</u>	<u>86,380</u>	<u>\$366,374</u>	<u>\$92,663</u>	<u>187,561</u>	<u>\$94,898</u>
	122,314			96,144			22,362	
	<u>\$73,090</u>			<u>\$182,524</u>			<u>\$209,923</u>	

(Continued)

CITY OF MANTECA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	MAJOR EQUIPMENT PURCHASE FEE			LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property	\$29,200	\$14,362	(\$14,838)	\$24,500	\$26,596	\$2,096
Revenue from other agencies						
Charges for current services	113,750	141,352	27,602	490,550	584,500	93,950
Other revenue						
<b>Total Revenues</b>	<u>142,950</u>	<u>155,714</u>	<u>12,764</u>	<u>515,050</u>	<u>611,096</u>	<u>96,046</u>
<b>EXPENDITURES</b>						
Current:						
Community development						
Public safety						
Public works						
Parks and recreation				1,078,415	792,944	285,471
Streets and highways						
Capital outlay	327,365	160,958	166,407			
Debt service:						
Principal	47,495	8,350	39,145			
Interest and fiscal charges	8,400	7,424	976			
<b>Total Expenditures</b>	<u>383,260</u>	<u>176,732</u>	<u>206,528</u>	<u>1,078,415</u>	<u>792,944</u>	<u>285,471</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(240,310)</u>	<u>(21,018)</u>	<u>219,292</u>	<u>(563,365)</u>	<u>(181,848)</u>	<u>381,517</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from capital lease obligations	189,170		(189,170)			
Transfers in						
<b>Total Other Financing Sources (Uses)</b>	<u>189,170</u>		<u>(189,170)</u>			
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$51,140)</u></u>	<u>(21,018)</u>	<u><u>\$30,122</u></u>	<u><u>(\$563,365)</u></u>	<u>(181,848)</u>	<u><u>\$381,517</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>885,608</u>			<u>1,592,351</u>	
<b>ENDING FUND BALANCES</b>		<u><u>\$864,590</u></u>			<u><u>\$1,410,503</u></u>	

PUBLIC SAFETY SALES TAX			PUBLIC SAFETY ENDOWMENT FEE			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$3,770,000	\$3,722,756	(\$47,244)				\$25,000		(\$25,000)
150,000	102,818	(47,182)	\$397,900	\$199,282	(\$198,618)		(\$46)	(46)
78,150	95,123	16,973				1,515,230	1,345,906	(169,324)
<u>3,998,150</u>	<u>3,920,697</u>	<u>(77,453)</u>	<u>397,900</u>	<u>199,282</u>	<u>(198,618)</u>	<u>1,540,230</u>	<u>1,345,860</u>	<u>(194,370)</u>
4,025,199	3,937,768	87,431	384,500	477,465	(92,965)	3,228,070	2,632,873	595,197
15,175		15,175						
<u>4,040,374</u>	<u>3,937,768</u>	<u>102,606</u>	<u>384,500</u>	<u>477,465</u>	<u>(92,965)</u>	<u>3,228,070</u>	<u>2,632,873</u>	<u>595,197</u>
<u>(42,224)</u>	<u>(17,071)</u>	<u>25,153</u>	<u>13,400</u>	<u>(278,183)</u>	<u>(291,583)</u>	<u>(1,687,840)</u>	<u>(1,287,013)</u>	<u>400,827</u>
						1,700,000	14,500	(1,685,500)
						1,700,000	14,500	(1,685,500)
<u>(\$42,224)</u>	<u>(17,071)</u>	<u>\$25,153</u>	<u>\$13,400</u>	<u>(278,183)</u>	<u>(\$291,583)</u>	<u>\$12,160</u>	<u>(1,272,513)</u>	<u>(\$1,284,673)</u>
	<u>4,380,545</u>			<u>8,691,023</u>				
	<u>\$4,363,474</u>			<u>\$8,412,840</u>			<u>(\$1,272,513)</u>	

(Continued)

CITY OF MANTECA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	STATE GASOLINE TAX			REGIONAL TRANSPORTATION IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Sales tax						
Licenses and permits						
Use of money and property	\$6,060	\$9,118	\$3,058	\$175,000	\$108,722	(\$66,278)
Revenue from other agencies	1,725,850	1,704,120	(21,730)			
Charges for current services	164,000	164,000		685,000	1,084,188	399,188
Other revenue		5,710	5,710			
<b>Total Revenues</b>	<b>1,895,910</b>	<b>1,882,948</b>	<b>(12,962)</b>	<b>860,000</b>	<b>1,192,910</b>	<b>332,910</b>
<b>EXPENDITURES</b>						
Current:						
Community development						
Public safety						
Public works						
Parks and recreation						
Streets and highways	1,075,070	1,000,532	74,538	12,000	5,537	6,463
Capital outlay	1,193,430	598,932	594,498			
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>2,268,500</b>	<b>1,599,464</b>	<b>669,036</b>	<b>12,000</b>	<b>5,537</b>	<b>6,463</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(372,590)</b>	<b>283,484</b>	<b>656,074</b>	<b>848,000</b>	<b>1,187,373</b>	<b>339,373</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from capital lease obligations						
Transfers in						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$372,590)</b>	<b>283,484</b>	<b>\$656,074</b>	<b>\$848,000</b>	<b>1,187,373</b>	<b>\$339,373</b>
<b>BEGINNING FUND BALANCES</b>		<b>685,690</b>			<b>4,583,328</b>	
<b>ENDING FUND BALANCES</b>		<b>\$969,174</b>			<b>\$5,770,701</b>	

MEASURE K			SPECIAL APPORTIONMENT STREETS			PARKS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$28,800	\$22,821	(\$5,979)	\$43,000	\$89,413	\$46,413	\$428,600	\$549,302	\$120,702
1,382,560	754,205	(628,355)	887,210	1,946,360	1,059,150	319,250	866,234	546,984
							120	120
1,411,360	777,026	(634,334)	930,210	2,035,773	1,105,563	747,850	1,415,656	667,806
						731,500	261,246	470,254
2,573,450	291,610	2,281,840	1,238,035	964,339	273,696	752,945	399,435	353,510
			7,694,147	1,186,662	6,507,485			
			65,670	65,627	43			
			12,070	12,025	45			
2,573,450	291,610	2,281,840	9,009,922	2,228,653	6,781,269	1,484,445	660,681	823,764
(1,162,090)	485,416	1,647,506	(8,079,712)	(192,880)	7,886,832	(736,595)	754,975	1,491,570
<u>(\$1,162,090)</u>	485,416	<u>\$1,647,506</u>	<u>(\$8,079,712)</u>	(192,880)	<u>\$7,886,832</u>	<u>(\$736,595)</u>	754,975	<u>\$1,491,570</u>
	2,740,616			4,481,682			2,269,190	
	<u>\$3,226,032</u>			<u>\$4,288,802</u>			<u>\$3,024,165</u>	

(Continued)

CITY OF MANTECA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	GOVERNMENT BUILDING FACILITIES			COMMUNITY FACILITIES DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits	\$76,450	\$625,559	\$549,109			
Use of money and property	195,000	112,132	(82,868)		\$1,413	\$1,413
Revenue from other agencies						
Charges for current services						
Other revenue						
<b>Total Revenues</b>	<u>271,450</u>	<u>737,691</u>	<u>466,241</u>		<u>1,413</u>	<u>1,413</u>
EXPENDITURES						
Current:						
Community development				\$1,000	994	6
Public safety						
Public works						
Parks and recreation						
Streets and highways						
Capital outlay	1,551,510	163,336	1,388,174			
Debt service:						
Principal	140,200	140,195	5			
Interest and fiscal charges	37,800	37,796	4			
<b>Total Expenditures</b>	<u>1,729,510</u>	<u>341,327</u>	<u>1,388,183</u>	<u>1,000</u>	<u>994</u>	<u>6</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,458,060)</u>	<u>396,364</u>	<u>1,854,424</u>	<u>(1,000)</u>	<u>419</u>	<u>1,419</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in						
<b>Total Other Financing Sources (Uses)</b>						
NET CHANGE IN FUND BALANCES	<u>(\$1,458,060)</u>	<u>396,364</u>	<u>\$1,854,424</u>	<u>(\$1,000)</u>	<u>419</u>	<u>\$1,419</u>
BEGINNING FUND BALANCES		<u>5,612,402</u>			<u>68,697</u>	
ENDING FUND BALANCES		<u>\$6,008,766</u>			<u>\$69,116</u>	

## **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, 2010

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and investments	\$757,696	\$880,106	\$9,919,611	\$6,134,386	\$17,691,799
Restricted cash and investments		48,962			48,962
Accounts receivable	20,151		6,538	59,391	86,080
Interest receivable	2,070	765	21,685	14,397	38,917
Employee notes receivable			88,750		88,750
<b>Total Current Assets</b>	<b>779,917</b>	<b>929,833</b>	<b>10,036,584</b>	<b>6,208,174</b>	<b>17,954,508</b>
Capital assets (net of accumulated depreciation)	984,896	1,006,136			1,991,032
<b>Total Assets</b>	<b>1,764,813</b>	<b>1,935,969</b>	<b>10,036,584</b>	<b>6,208,174</b>	<b>19,945,540</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	65	7,249	8,352	30,399	46,065
Accrued liabilities		852	1,749,348		1,750,200
Compensated absences			757,350		757,350
Estimated claims liability				291,413	291,413
Capital lease obligations		89,209			89,209
<b>Total Current Liabilities</b>	<b>65</b>	<b>97,310</b>	<b>2,515,050</b>	<b>321,812</b>	<b>2,934,237</b>
<b>Long-term Liabilities:</b>					
Compensated absences			3,466,019		3,466,019
Estimated claims liability				2,760,830	2,760,830
Capital lease obligations		273,052			273,052
OPEB liability				67,423	67,423
<b>Total Liabilities</b>	<b>65</b>	<b>370,362</b>	<b>5,981,069</b>	<b>3,150,065</b>	<b>9,501,561</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	984,896	692,837			1,677,733
Unrestricted	779,852	872,770	4,055,515	3,058,109	8,766,246
<b>Total Net Assets</b>	<b>\$1,764,748</b>	<b>\$1,565,607</b>	<b>\$4,055,515</b>	<b>\$3,058,109</b>	<b>\$10,443,979</b>



CITY OF MANTECA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>OPERATING REVENUES</b>					
Charges for services		\$1,299,420	\$504,900		\$1,804,320
Insurance premium contribution from other funds				\$1,675,225	1,675,225
Miscellaneous			31,834		31,834
<b>Total Operating Revenues</b>		<b>1,299,420</b>	<b>536,734</b>	<b>1,675,225</b>	<b>3,511,379</b>
<b>OPERATING EXPENSES</b>					
Personnel services			515,156	353,809	868,965
Contractual services		300,210	20,851	107,926	428,987
Supplies				18,912	18,912
Utilities				872	872
Vehicle maintenance and operations				1,612	1,612
Interdepartmental	\$5,782	11,675		23,370	40,827
Insurance				1,169,124	1,169,124
Claims				170,894	170,894
Depreciation	390,577	188,741			579,318
Miscellaneous				12,439	12,439
<b>Total Operating Expenses</b>	<b>396,359</b>	<b>500,626</b>	<b>536,007</b>	<b>1,858,958</b>	<b>3,291,950</b>
<b>Total Operating Income (Loss)</b>	<b>(396,359)</b>	<b>798,794</b>	<b>727</b>	<b>(183,733)</b>	<b>219,429</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	15,422	6,525	188,059	122,060	332,066
Gain from sale of capital assets	155				155
Interest (expense)		(16,326)			(16,326)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>15,577</b>	<b>(9,801)</b>	<b>188,059</b>	<b>122,060</b>	<b>315,895</b>
<b>Change in Net Assets</b>	<b>(380,782)</b>	<b>788,993</b>	<b>188,786</b>	<b>(61,673)</b>	<b>535,324</b>
<b>BEGINNING NET ASSETS</b>	<b>2,145,530</b>	<b>776,614</b>	<b>3,866,729</b>	<b>3,119,782</b>	<b>9,908,655</b>
<b>ENDING NET ASSETS</b>	<b>\$1,764,748</b>	<b>\$1,565,607</b>	<b>\$4,055,515</b>	<b>\$3,058,109</b>	<b>\$10,443,979</b>

CITY OF MANTECA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$100	\$1,299,420	\$543,525	\$1,650,265	\$3,493,310
Payments to suppliers	(279)	(304,158)	(83,936)	(1,296,525)	(1,684,898)
Payments to employees		(202)	(88,787)	(318,081)	(407,070)
Internal activity - payments to other funds	(5,782)	(11,675)		(23,370)	(40,827)
Receipts on employee notes receivable			26,668		26,668
Claims paid				(170,894)	(170,894)
	<u>(5,961)</u>	<u>983,385</u>	<u>397,470</u>	<u>(158,605)</u>	<u>1,216,289</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(32,251)	(739,604)			(771,855)
Proceeds from sale of capital assets	155				155
Payments on capital leases		(85,694)			(85,694)
Interest paid on capital lease obligations		(16,326)			(16,326)
	<u>(32,096)</u>	<u>(841,624)</u>			<u>(873,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest earnings	17,376	6,787	209,183	137,629	370,975
	<u>17,376</u>	<u>6,787</u>	<u>209,183</u>	<u>137,629</u>	<u>370,975</u>
<b>Net Cash Flows</b>	(20,681)	148,548	606,653	(20,976)	713,544
Cash and investments at beginning of period	778,377	780,520	9,312,958	6,155,362	17,027,217
Cash and investments at end of period	<u>\$757,696</u>	<u>\$929,068</u>	<u>\$9,919,611</u>	<u>\$6,134,386</u>	<u>\$17,740,761</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	(\$396,359)	\$798,794	\$727	(\$183,733)	\$219,429
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	390,577	188,741			579,318
<b>Change in assets and liabilities:</b>					
Receivables, net	100		6,791	(24,960)	(18,069)
Related party notes receivable			26,668		26,668
Accounts and other payables	(279)	(3,948)	(63,085)	14,360	(52,952)
Accrued liabilities		(202)	(78,531)		(78,733)
Compensated absences			504,900		504,900
Claims liability					
OPEB liability				35,728	35,728
	<u>(5,961)</u>	<u>\$983,385</u>	<u>\$397,470</u>	<u>(158,605)</u>	<u>\$1,216,289</u>

## 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, 2010

<u>AGENCY FUND</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Assets</u>				
Cash and investments	\$611,400		\$611,400	
Restricted cash and investments	<u>217,477</u>	<u>\$613,528</u>		<u>\$831,005</u>
Total Assets	<u>\$828,877</u>	<u>\$613,528</u>	<u>\$611,400</u>	<u>\$831,005</u>
<u>Liabilities</u>				
Due to stakeholders	<u>\$828,877</u>	<u>\$613,528</u>	<u>\$611,400</u>	<u>\$831,005</u>
Total Liabilities	<u>\$828,877</u>	<u>\$613,528</u>	<u>\$611,400</u>	<u>\$831,005</u>

## STATISTICAL SECTION

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

### ***Financial Trends***

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

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

### ***Revenue Capacity***

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

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

### ***Debt Capacity***

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

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Revenue Bond Coverage – Water Revenue Bonds
6. Revenue Bond Coverage – 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

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

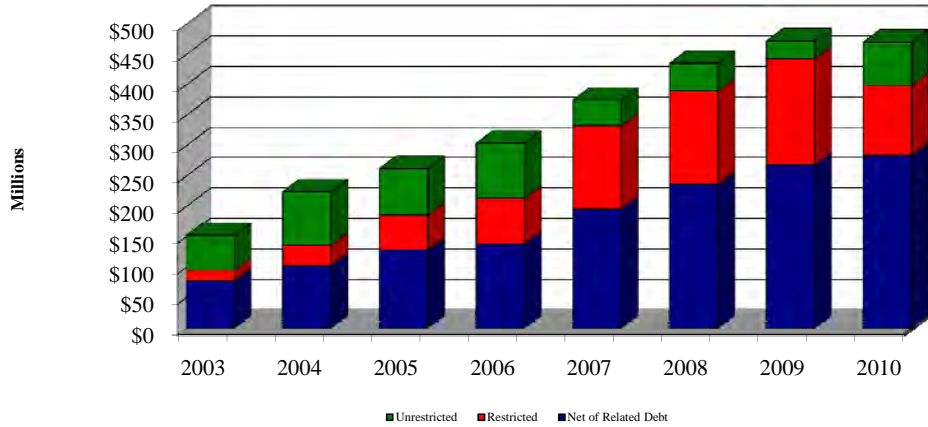
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. 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 Eight Fiscal Years**  
**(accrual basis of accounting)**



	June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$38,637,329	\$62,763,823	\$95,413,706	\$82,465,803	\$110,719,509	\$141,625,313	\$168,403,886	\$171,675,891
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
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
<b>Total governmental activities net assets</b>	<b>\$87,971,671</b>	<b>\$146,631,355</b>	<b>\$164,151,274</b>	<b>\$197,038,351</b>	<b>\$246,821,685</b>	<b>\$289,633,335</b>	<b>\$313,575,027</b>	<b>\$305,920,859</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$39,437,461	\$40,791,251	\$33,903,758	\$56,612,330	\$85,696,108	\$95,592,559	\$100,051,333	\$113,151,440
Restricted	430,025	0	30,266,406	21,251,239	8,576,196	8,978,403	27,090,732	25,829,377
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
<b>Total business-type activities net assets</b>	<b>\$64,623,967</b>	<b>\$77,852,531</b>	<b>\$98,498,164</b>	<b>\$107,225,832</b>	<b>\$128,531,103</b>	<b>\$146,208,522</b>	<b>\$158,892,630</b>	<b>\$164,550,133</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$78,074,790	\$103,555,074	\$129,317,464	\$139,078,133	\$196,415,617	\$237,217,872	\$268,455,219	\$284,827,331
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
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
<b>Total primary government net assets</b>	<b>\$152,595,638</b>	<b>\$224,483,886</b>	<b>\$262,649,438</b>	<b>\$304,264,183</b>	<b>\$375,352,788</b>	<b>\$435,841,857</b>	<b>\$472,467,657</b>	<b>\$470,470,992</b>

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

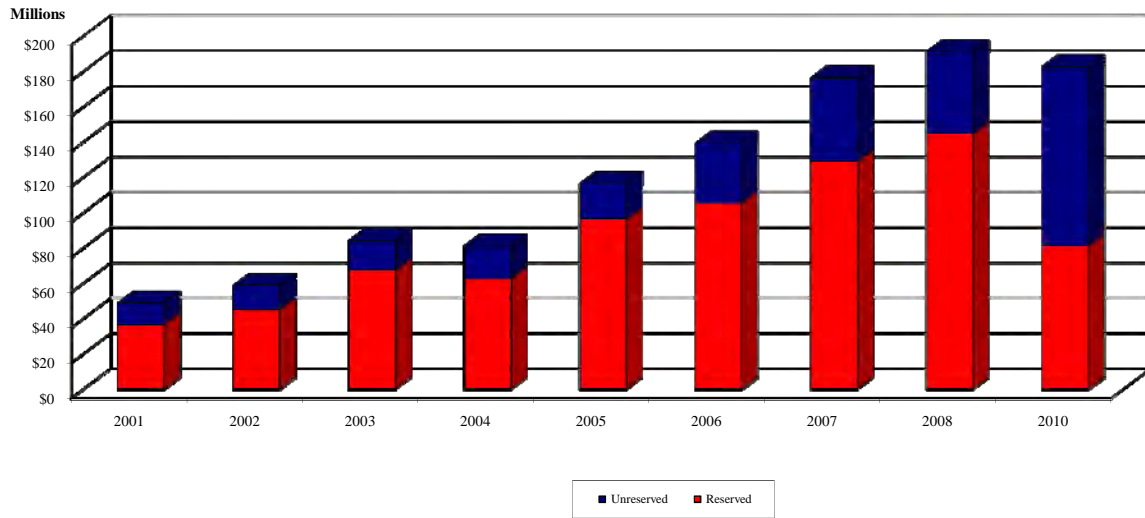
	Fiscal Year Ended June 30,					
	2003(1)	2004(1)	2005	2006	2007	2008
<b>Expenses:</b>						
Governmental Activities:						
General Government	\$2,133,713	\$2,185,084	\$2,689,034	\$3,101,277	\$3,534,631	\$5,520,665
Community Development	1,801,120	3,722,586	3,179,472	3,612,393	7,211,719	6,932,523
Public 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	<u>32,859,630</u>	<u>36,913,663</u>	<u>39,761,376</u>	<u>45,243,419</u>	<u>51,901,475</u>	<u>60,452,461</u>
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	<u>15,473,131</u>	<u>21,260,521</u>	<u>23,214,634</u>	<u>29,138,696</u>	<u>29,772,016</u>	<u>31,692,148</u>
Total Primary Government Expenses	<u>\$48,332,761</u>	<u>\$58,174,184</u>	<u>\$62,976,010</u>	<u>\$74,382,115</u>	<u>\$81,673,491</u>	<u>\$92,144,609</u>
<b>Program Revenues:</b>						
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 Governmental Activities Program Revenues	<u>32,185,313</u>	<u>25,867,030</u>	<u>21,498,953</u>	<u>30,795,773</u>	<u>43,476,881</u>	<u>46,969,846</u>
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	<u>24,377,950</u>	<u>31,087,002</u>	<u>41,042,799</u>	<u>35,333,049</u>	<u>47,398,447</u>	<u>44,915,172</u>
Total Primary Government Program Revenues	<u>\$56,563,263</u>	<u>\$56,954,032</u>	<u>\$62,541,752</u>	<u>\$66,128,822</u>	<u>\$90,875,328</u>	<u>\$91,885,018</u>
<b>Net (Expense)/Revenue:</b>						
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	<u>\$8,230,502</u>	<u>(\$1,220,152)</u>	<u>(\$434,258)</u>	<u>(\$8,253,293)</u>	<u>\$9,201,837</u>	<u>(\$259,591)</u>
<b>General Revenues and Other</b>						
<b>Changes in Net Assets:</b>						
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
Transfers, net		(2,660,438)	33,780	(204,000)	(23,900)	
Total Governmental Activities	<u>27,334,975</u>	<u>26,921,972</u>	<u>35,111,476</u>	<u>47,334,723</u>	<u>58,207,928</u>	<u>56,294,265</u>
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	<u>2,770,119</u>	<u>3,402,083</u>	<u>2,817,468</u>	<u>2,533,315</u>	<u>3,678,840</u>	<u>4,454,395</u>
Total Primary Government	<u>\$30,105,094</u>	<u>\$30,324,055</u>	<u>\$37,928,944</u>	<u>\$49,868,038</u>	<u>\$61,886,768</u>	<u>\$60,748,660</u>
<b>Change in Net Assets:</b>						
Governmental Activities	\$26,660,658	\$15,875,339	\$16,849,053	\$32,887,077	\$49,783,334	\$42,811,650
Business-Type Activities	11,674,938	13,228,564	20,645,633	8,727,668	21,305,271	17,677,419
Total Primary Government	<u>\$38,335,596</u>	<u>\$29,103,903</u>	<u>\$37,494,686</u>	<u>\$41,614,745</u>	<u>\$71,088,605</u>	<u>\$60,489,069</u>

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



<u>2009</u>	<u>2010</u>
\$5,058,599	\$3,109,047
5,829,037	14,446,062
27,534,943	27,065,592
136,037	113,092
3,901,601	5,862,331
7,941,094	6,652,295
5,112,187	4,927,588
6,035,886	5,964,171
<u>61,549,384</u>	<u>68,140,178</u>
12,667,365	13,226,177
11,067,524	12,503,682
8,712,715	9,029,774
1,244,412	1,268,361
<u>33,692,016</u>	<u>36,027,994</u>
<u>\$95,241,400</u>	<u>\$104,168,172</u>
\$3,863,991	\$2,939,727
990,726	1,969,679
1,295,958	1,050,347
1,657,534	1,667,858
164,000	164,000
4,317,151	4,177,794
<u>25,070,949</u>	<u>8,229,819</u>
<u>37,360,309</u>	<u>20,199,224</u>
13,291,670	13,235,259
15,084,085	16,332,422
7,994,026	8,037,838
1,196,998	1,202,991
4,480,489	338,640
<u>42,047,268</u>	<u>39,147,150</u>
<u>\$79,407,577</u>	<u>\$59,346,374</u>
(\$24,189,075)	(\$47,940,954)
8,355,252	3,119,156
<u>(\$15,833,823)</u>	<u>(\$44,821,798)</u>
\$27,225,355	\$23,848,385
9,278,231	9,653,398
3,854,252	3,270,746
4,641,537	2,257,961
244,605	151,915
418,794	
1,625,719	1,056,231
842,274	48,150
<u>48,130,767</u>	<u>40,286,786</u>
3,891,990	1,812,779
436,866	292,200
	433,368
4,328,856	2,538,347
<u>\$52,459,623</u>	<u>\$42,825,133</u>
\$23,941,692	(\$7,654,168)
12,684,108	5,657,503
<u>\$36,625,800</u>	<u>(\$1,996,665)</u>

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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:										
Reserved	\$1,044,726	\$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	7,278,319	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
Total General Fund	<u>\$8,323,045</u>	<u>\$9,016,417</u>	<u>\$10,008,373</u>	<u>\$10,918,026</u>	<u>\$13,315,732</u>	<u>\$15,989,612</u>	<u>\$17,886,770</u>	<u>\$14,479,121</u>	<u>\$15,169,834</u>	<u>\$12,055,621</u>
All Other Governmental Funds:										
Reserved	\$35,406,798	\$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	4,799,596	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	103,842	117,313	104,247			869,510	1,931,318	2,054,083	5,923,572	66,218,838
Total All Other Governmental Funds	<u>\$40,310,236</u>	<u>\$49,555,410</u>	<u>\$74,119,662</u>	<u>\$70,210,438</u>	<u>\$102,940,390</u>	<u>\$123,194,828</u>	<u>\$158,382,261</u>	<u>\$176,580,848</u>	<u>\$124,848,428</u>	<u>\$170,536,804</u>

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

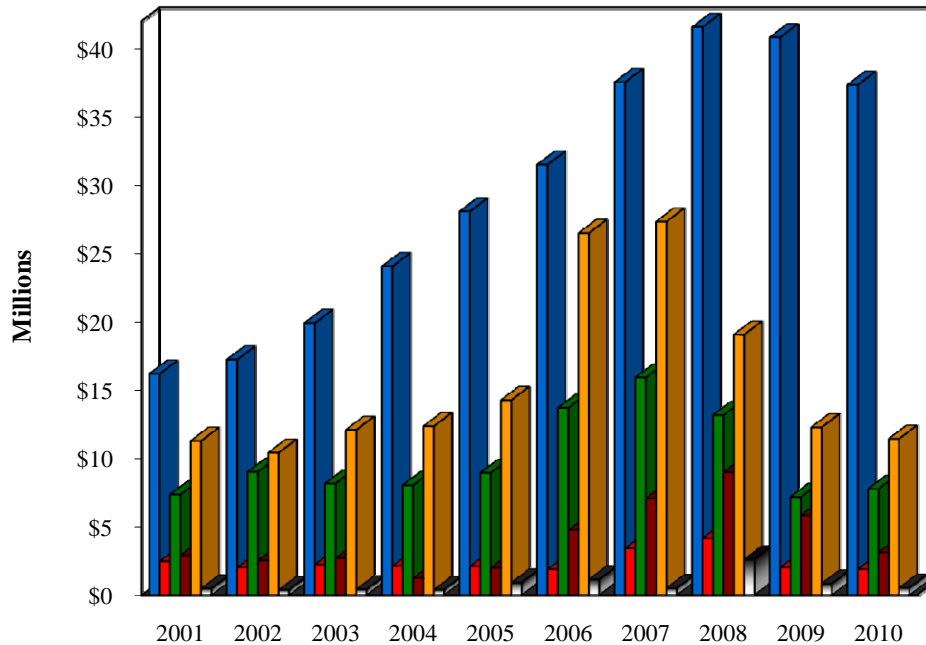
	<b>Fiscal Year Ended June 30,</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Revenues</b>					
Taxes	\$16,189,791	\$17,224,500	\$19,902,642	\$24,051,682	\$28,064,714
Licenses, permits and fees	2,464,355	2,019,824	2,239,307	2,117,767	2,101,007
Fines and forfeitures	245,603	265,415	299,891	272,435	246,088
Use of money and property	2,922,701	2,533,570	2,701,760	1,237,990	1,992,315
Revenue from other agencies	7,349,951	9,008,029	8,163,279	8,032,506	8,930,535
Charges for services	11,276,512	10,406,939	12,079,900	12,347,427	14,260,891
Other	227,875	112,307	107,687	109,428	660,999
<b>Total Revenues</b>	<b>40,676,788</b>	<b>41,570,584</b>	<b>45,494,466</b>	<b>48,169,235</b>	<b>56,256,549</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	2,070,438	2,564,490	1,805,873	2,376,883	2,658,200
Community development		884,389	3,163,133	3,400,600	3,256,415
Public safety	9,918,139	10,884,572	13,334,962	15,181,807	17,335,511
Library	132,336	135,289	138,763	134,911	139,410
Public works	3,007,845	2,866,881	3,235,730	3,549,259	3,614,271
Parks and recreation	2,536,764	2,748,239	3,157,634	3,568,477	3,984,346
Streets and highways	1,476,695	1,751,014	1,890,231	2,663,894	2,849,672
Nondepartmental	2,747,851	2,076,285	475,405	545,039	527,452
<b>Supplemental Educational Revenue</b>					
Augmentation Fund payment					
Capital outlay	5,716,172	7,039,490	8,032,525	16,020,421	20,265,542
<b>Debt service:</b>					
Principal repayment	466,161	525,557	5,020,140	363,456	415,958
Interest and fiscal charges	1,281,468	1,274,107	3,508,454	2,033,639	3,124,877
<b>Total Expenditures</b>	<b>29,353,869</b>	<b>32,750,313</b>	<b>43,762,850</b>	<b>49,838,386</b>	<b>58,171,654</b>
Excess (deficiency) of revenues over (under) expenditures	11,322,919	8,820,271	1,731,616	(1,669,151)	(1,915,105)
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,829,833	835,383	24,632,334	10,650,047	6,106,435
Transfers (out)	(2,851,885)	(903,322)	(24,004,786)	(12,330,468)	(6,071,571)
Issuance of long-term debt				350,000	31,235,000
Bond issuance premium					217,653
Proceeds from installment purchase obligation					
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)		
<b>Total other financing sources (uses)</b>	<b>(22,052)</b>	<b>1,118,275</b>	<b>27,427,511</b>	<b>(1,330,421)</b>	<b>37,042,762</b>
<b>Net Change in Fund Balances</b>	<b>\$11,300,867</b>	<b>\$9,938,546</b>	<b>\$29,159,127</b>	<b>(\$2,999,572)</b>	<b>\$35,127,657</b>
<b>Debt service as a percentage of     noncapital expenditures</b>					
	(a)	(a)	24.2%	5.1%	6.5%

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.

<b>Fiscal Year Ended June 30,</b>				
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$31,488,644	\$37,519,811	\$41,549,587	\$40,802,726	\$37,315,264
1,876,789	3,421,479	4,154,266	2,018,165	1,887,780
265,458	189,764	292,224	289,147	227,372
4,748,065	7,074,383	8,974,771	5,833,346	3,126,330
13,689,426	15,910,594	13,160,419	7,173,063	7,750,146
26,472,384	27,309,138	19,036,847	12,260,805	11,423,374
877,815	307,132	2,307,519	538,817	295,478
<u>79,418,581</u>	<u>91,732,301</u>	<u>89,475,633</u>	<u>68,916,069</u>	<u>62,025,744</u>
2,873,724	3,379,358	4,988,101	4,320,817	3,096,572
8,083,105	7,239,389	6,142,052	6,495,974	7,169,691
18,520,266	19,719,694	23,235,778	24,182,106	23,849,627
127,646	141,817	147,961	131,234	120,917
3,203,484	4,226,997	4,009,469	4,214,766	4,091,100
4,390,584	4,665,686	5,724,593	6,090,427	5,132,634
2,237,078	2,761,592	2,818,412	2,533,710	1,970,408
695,662	936,759	1,213,134	1,393,965	1,904,961
				6,664,258
50,548,786	27,925,988	22,006,218	13,568,055	6,438,353
1,132,576	1,060,081	1,168,248	1,983,377	2,155,866
5,596,017	5,705,160	7,119,245	6,100,146	5,965,342
<u>97,408,928</u>	<u>77,762,521</u>	<u>78,573,211</u>	<u>71,014,577</u>	<u>68,559,729</u>
<u>(17,990,347)</u>	<u>13,969,780</u>	<u>10,902,422</u>	<u>(2,098,508)</u>	<u>(6,533,985)</u>
11,000,206	20,402,679	7,348,134	9,459,738	217,832
(11,204,206)	(21,191,440)	(8,071,719)	(9,459,738)	(217,832)
50,760,000	22,675,000			
	105,544			
		1,055,000	164,949	
	1,123,028	3,557,101		
<u>(9,637,335)</u>				
<u>40,918,665</u>	<u>23,114,811</u>	<u>3,888,516</u>	<u>164,949</u>	<u>0</u>
<u>\$22,928,318</u>	<u>\$37,084,591</u>	<u>\$14,790,938</u>	<u>(\$1,933,559)</u>	<u>(\$6,533,985)</u>
7.4%	9.5%	11.8%	14.3%	12.9%

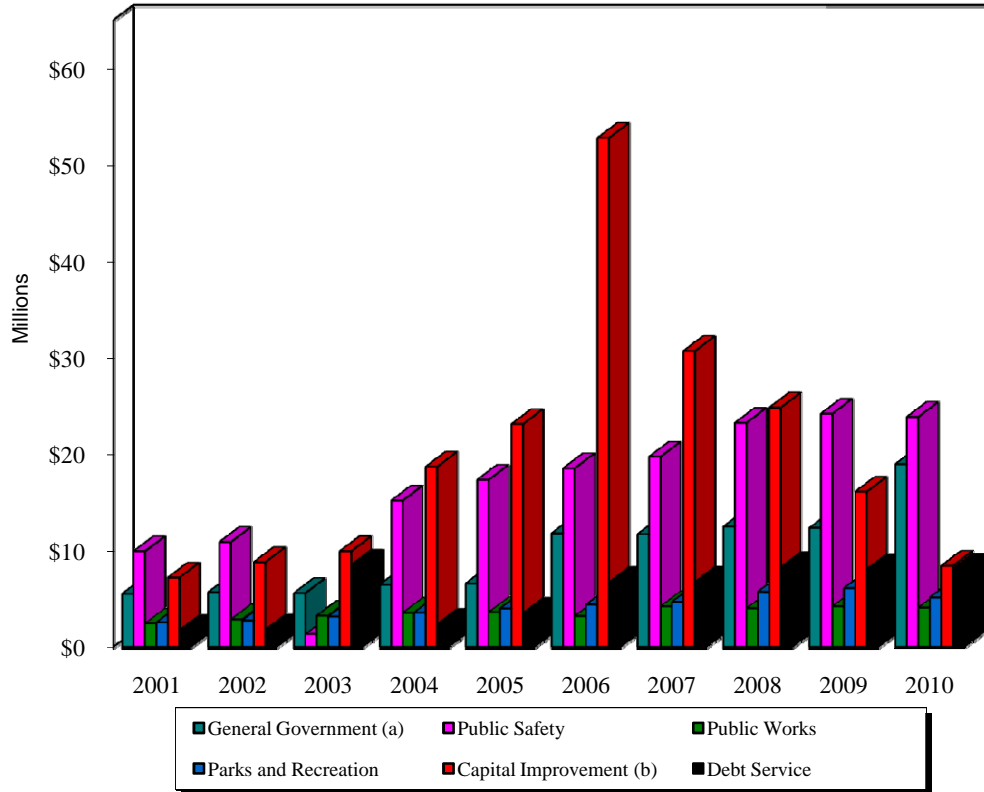
**CITY OF MANTECA  
GENERAL REVENUES BY SOURCE  
ALL GOVERNMENTAL FUND TYPES  
LAST TEN FISCAL YEARS**



<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Revenue From Other Agencies</b>	<b>Use of Money and Property</b>	<b>Charges for Services</b>	<b>Fines, Forfeits and Other Revenue</b>	<b>Total</b>
2001	\$16,189,791	\$2,464,355	\$7,349,951	\$2,922,701	\$11,276,512	\$473,478	\$40,676,788
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

Source: City Operating Budget and City Annual Financial Report

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

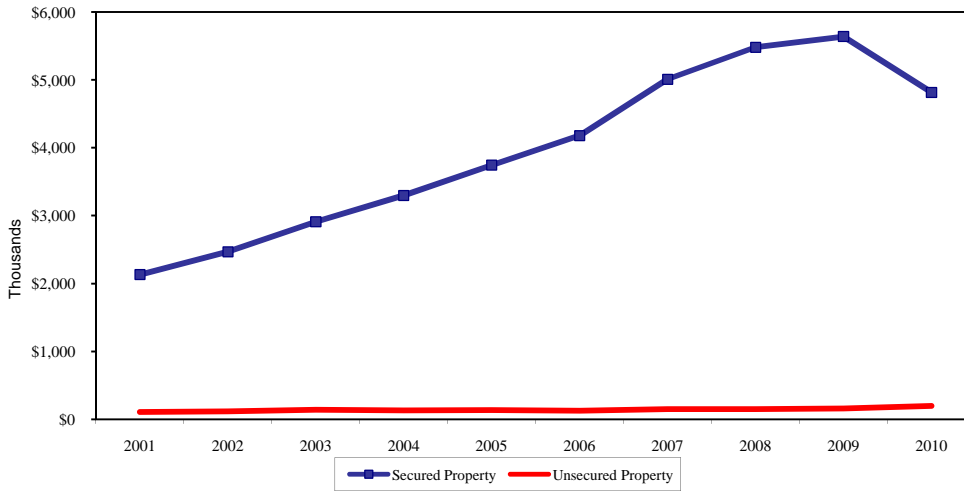


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
2001	\$5,511,983	\$9,918,139	\$2,446,487	\$2,536,764	\$7,192,867	\$1,747,629	\$29,353,869
2002	5,660,453	10,884,572	2,866,881	2,748,239	8,790,504	1,799,664	32,750,313
2003	5,583,174	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

Source: City Operating Budget and City Annual Financial Report

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

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



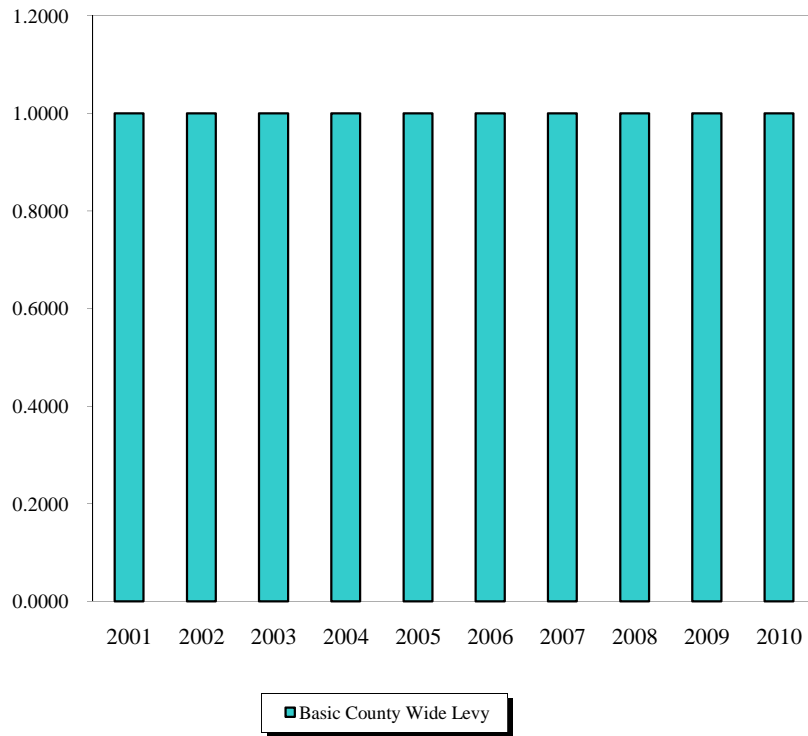
Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
2001	\$692,781	\$1,411,200	\$25,688	\$2,129,669	(\$105,983)	\$473	\$2,024,159	\$107,659	\$2,131,818	\$2,131,818	1%
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%

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 no longer provides individual breakdown of the Real Property



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



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Total</u>
2001	1.0000	1.0000
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

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**

<b>Taxpayer</b>	<b>2009-2010</b>		<b>2000-2001</b>	
	<b>Type of Business</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Type of Business</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Pulte Home Corp	Residential Development	1.75%		
Paseo Apartments LLC	Apartments	0.62%		
Pivotal 650 California St LLC	Shopping Center	0.87%		
SRB Investments LLC	Shopping Center	0.42%		
Millard Refrigerated Services Inc	Cold Storage	0.72%		
Manteca Lifestyle Center LLC	Shopping Center	1.64%		
Stonegate Apts. LLC	Apartments	0.59%		
Costco Wholesale Corporation	Commercial Store	0.51%		
Metropolitan Life Ins. Co Corp.	Warehouse	0.48%		
Edward J & Dolores M Cardoza	Shopping Center	0.50%		
Prologis	Warehouse	0.45%		
Doctors Hospital of Manteca Inc.	Hospital	0.48%		
John J & Eleanor L Vierra	Residential Properties	0.34%		
Commons at Woodbridge LLC	Office Building	0.31%		
430 North Union Road LLC	Office Building	0.30%		
Manteca Ventures LLC	Office Building	0.29%		
Hensley Investment Company	Apartments	0.29%		
Jackson Retail Venture LLC	Shopping Center	0.29%		
Western Properties Trust	Shopping Center	0.35%		
Kohls Department Stores Inc.	Shopping Center	0.29%		
Atherton Kirk Development Corp			Real Estate Development	N/A
Continental Cable Company of Cal			Cable Television	N/A
Ed Cardoza			Rental Properties	N/A
ISE Labbs Inc.			Electronics	N/A
National Medical Hospital			Hospital	N/A
Pan Pacific Retail Property, Inc.			Real Estate Development	N/A
Qualex, Inc			Film Processing	N/A
Stonegate Associates			Rental Properties	N/A
Wal-Mart Stores			Retail	N/A
Western Investment Real Estate Trust			Real Estate Trust	N/A
Total		<u>11.49%</u>		<u>N/A</u>

Sources California Municipal Statistics  
San Joaquin County Assessor's Office

**CITY OF MANTECA  
 MANTECA REDEVELOPMENT PROJECT AREA NO. 1  
 TOP TWENTY ASSESSED VALUES  
 June 30, 2010**

Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total Assessed Valuation
	2009-10 Project Area No. 1	\$636,605,592	
1 Doctor's Hospital of Manteca, Inc	Hospital	\$22,663,332	3.56
2 Stonegate Apts. LLC	Apartments	20,587,344	3.23
3 Edward J. & Dolores M. Cardoza	Shopping Center	15,288,989	2.40
4 Wal Mart Realty Company	Commercial Store	11,723,079	1.84
5 Laurel Glen LLC	Apartments	11,139,634	1.75
6 Raymus Development & Sales	Recreation	8,691,536	1.37
7 Lexington Trank Manteca Remainderman LP	Commercial Store	6,960,000	1.09
8 VFT Properties	Apartments	6,078,000	0.95
9 Carl Karcher Enterprises Inc.	Warehouse	5,802,114	0.91
10 MBLG LLC	Mini-Storage	5,682,930	0.89
11 Professional Maint Co. Inc.	Shopping Center	5,564,340	0.87
12 Hensley Investment Company LLC	Hospital Building	5,149,251	0.81
13 Khatri Brothers Partnership	Hotel/Motel	5,043,378	0.79
14 Eckert Engineering Corporation	Warehouse	4,966,772	0.78
15 North Main Storage LLC	Mini-Storage	4,898,226	0.77
16 Miner Joaquin Building Corporation	Banks	4,887,883	0.77
17 B.R. Funsten & Co.	Warehouse	4,718,452	0.74
18 Natalie Gianni	Commercial	4,490,550	0.71
19 SFP B LP	Commercial	3,927,293	0.62
20 Portfolio Yosemite LLC	Shopping Center	3,801,000	0.60
		<u>\$162,064,103</u>	<u>25.46%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA**  
**MANTECA REDEVELOPMENT PROJECT AREA NO. 2**  
**TOP TWENTY ASSESSED VALUES**  
**June 30, 2010**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2009-10 Assessed Valuation</u>	<u>% of Total Assessed</u>
	2009-10 Local Secured Valuation Project Area No. 2	\$1,107,237,213	
1 Pivotal 650 California St. LLC	Primary Land Use	\$40,816,000	3.69
2 Millard Refrigerated Services Inc.	Cold Storage	33,791,236	3.05
3 Costco Wholesale Corporation	Commercial Store	23,715,581	2.14
4 Metropolitan Life Insurance Co.	Warehouse	22,466,113	2.03
5 Prologis	Warehouse	21,224,000	1.92
6 Western Properties Trust	Shopping Center	16,377,051	1.48
7 Jackson Retail Venture LLC	Shopping Center	13,566,000	1.23
8 Kohl's Department Stores Inc	Shopping Center	13,390,283	1.21
9 Target Corp.	Shopping Center	11,618,260	1.05
10 Manteca Associates LP	Light Industrial	11,471,736	1.04
11 Catellus Operating LP	Cold Storage	11,301,780	1.02
12 Inland Western MDS Portfolio LLC	Commercial Store	10,334,974	0.93
13 227 Commerce Ave LLC et al	Commercial	10,200,000	0.92
14 HD Development Marland Inc.	Warehouse	9,622,788	0.87
15 Stonehenge Manteca LLC	Shopping Center	9,483,158	0.86
16 Crankbrook Realty Invest Fund LP	Warehouse	9,202,385	0.83
17 Speckles Park Retail Delaware LLC	Shopping Center	8,553,052	0.77
18 Daniel M. Sarich	Light Industrial	8,250,812	0.75
19 Meridian Manteca I LLC	Medical Offices	7,799,834	0.70
20 Brocchini Family Partnership LP	Office Building	7,628,534	0.69
		<u>\$300,813,577</u>	<u>27.17%</u>

Source: California Municipal Statistics, Inc

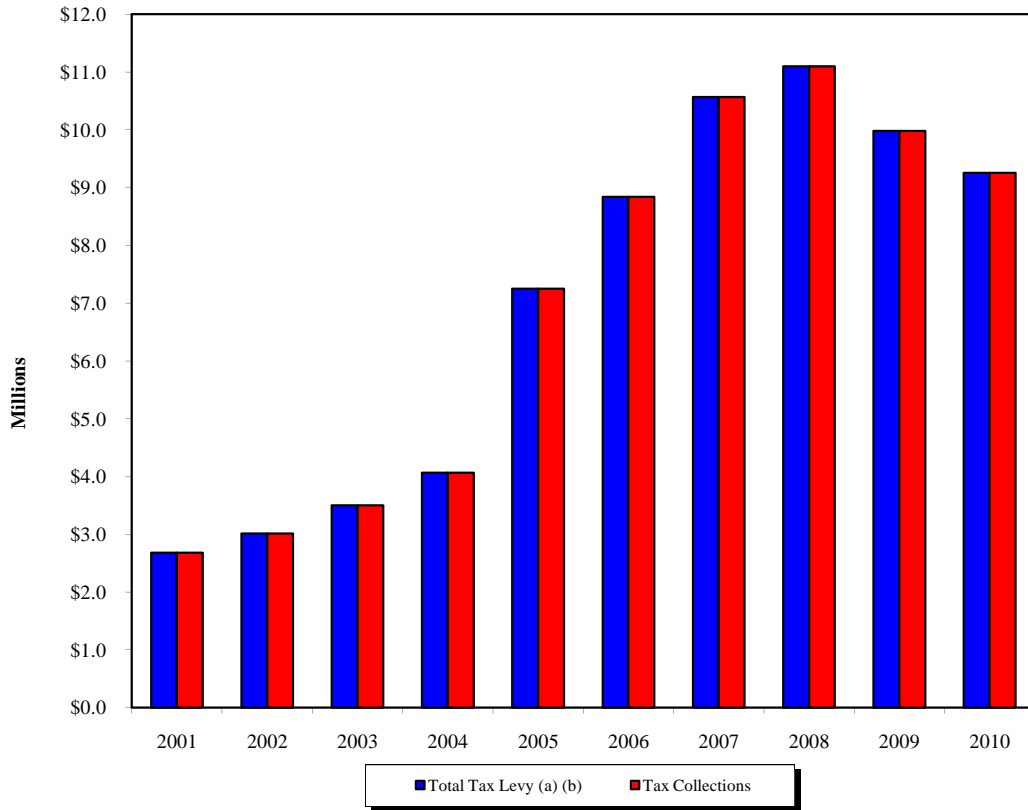


**CITY OF MANTECA  
 MANTECA REDEVELOPMENT MERGED PROJECT AREA  
 TOP TWENTY ASSESSED VALUES  
 June 30, 2010**

<u>Property Owner</u>	<u>Primary Land Use</u>	2009-10 Local Secured Valuation 2004 Amended Area	\$144,885,684	2009-10 Assessed Valuation	% of Total Assessed Valuation
1 Manteca Lifestyle Center LLC	Commercial Property			\$76,640,468	52.90
2 Aassieh Development	Light Industrial			12,336,220	8.51
3 BS Family Partnership	Commercial Sales			9,684,000	6.68
4 Lanting Family LLC	Truck Terminal			6,073,272	4.19
5 Sunny Valley Smoked Meats	Food Processing			3,410,371	2.35
6 JC Penney Properties Inc	Commercial Land			11,403,000	7.87
7 Kulvir Singh Cheema	Agricultural			1,730,800	1.19
8 Tesoro Commons	Residential Properties			2,358,335	1.63
9 Steve A. & Christine S. Martinez	Industrial Land			1,964,110	1.36
10 Gateway Storage of Manteca	Industrial Land			1,499,400	1.03
11 Manteca Lodging LLC	Commercial			1,489,580	1.03
12 D' Ambrosio Brothers Investment Co. LP	Industrial Land			1,404,132	0.97
13 Yosemite Square Business Park LLC	Commercial Land			1,007,760	0.70
14 John N. Aretakis	Agricultural			637,574	0.44
15 Rajwind Singh Bahia	Residential Properties			625,000	0.43
16 RLD Partners LP	Residential Properties			771,832	0.53
17 AT&T Communications of CA Inc	Communications			690,000	0.48
18 Harold & Dorothy Hahn Family LP	Light Industrial			613,184	0.42
19 Ergonis Land Co. LP	Light Industrial			550,170	0.38
20 Brent & Christine K. Stockwell	Industrial Land			464,812	0.32
				<u>\$135,354,020</u>	<u>93.42%</u>

Source: California Municipal Statistics, Inc

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



<b>Fiscal Year</b>	<b>Total Tax Levy (a) (b)</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
2001	\$2,681,693	\$2,681,693	100.0000%	0	\$2,681,693	100.0000%
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%

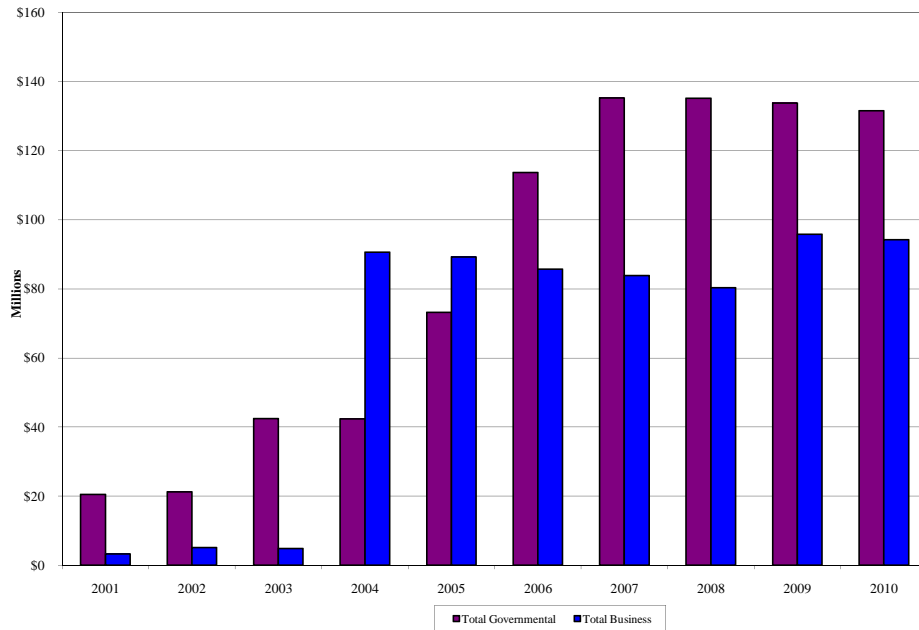
Source: City of Manteca Records

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

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

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

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



<b>Governmental Activities</b>									
Fiscal Year	Tax Allocation Bonds	Capital Leases	Energy Conservation Assistance		Installment Purchase Obligation	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
			Loan	Assistance					
2001	\$18,925,000				\$1,535,451	\$20,460,451	\$23,746,770	1.90%	\$457
2002	18,620,000	\$918,313			1,411,770	21,189,248	26,275,435	1.98%	478
2003	40,150,000	858,534			1,219,457	42,435,423	47,231,667	3.35%	826
2004	40,065,000	1,113,274			1,040,070	42,398,736	133,020,929	8.73%	2,228
2005	71,210,000	980,615			874,644	73,217,778	162,456,409	10.02%	2,623
2006	112,030,000	841,996			699,402	113,695,202	199,429,306	11.48%	3,131
2007	134,005,000	697,143			513,758	135,310,121	219,163,345	13.65%	3,368
2008	133,280,000	1,536,029			317,097	135,196,873	215,492,560	N/A -- (b)	3,243
2009	131,790,000	1,895,292			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%	3,280

<b>Business-Type Activities</b>						
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asst		Lease Revenue Bonds	Total
			Loan	Leases		
2001		\$1,140,000			\$1,530,000	\$3,286,319
2002		885,000			1,405,000	5,086,187
2003		610,000	\$1,870,848		569,260	4,796,244
2004	\$43,325,000	43,520,000	2,124,698		1,125,000	90,622,193
2005	43,325,000	42,620,000	1,840,144		970,000	89,238,631
2006	43,325,000	39,620,000	1,546,989		805,000	85,734,104
2007	43,325,000	38,270,000	1,244,973		625,000	83,853,224
2008	43,325,000	35,270,000	933,919		430,000	80,295,687
2009	43,075,000	51,635,000	613,373		225,000	95,830,890
2010	42,715,000	51,000,000	283,139		225,352	94,223,491

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**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>		<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>Tax Allocation Bonds</b>	<b>Total</b>		
2001	\$18,925,000	\$18,925,000	0.89%	\$364.48
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	130,010,000	130,010,000	2.70%	1,888.39

**CITY OF MANTECA**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2010**

2009-10 Assessed Valuation	\$4,886,739,071
Redevelopment Incremental Valuation	<u>1,617,967,571</u>
Adjusted Assessed Valuation	<u><u>\$3,268,771,500</u></u>

JURISDICTION	Net Debt Outstanding <sup>1</sup>	Percentage Applicable To City of Manteca	Amount Applicable To City of Manteca <sup>2</sup>
Manteca Unified School District Community Facilities District No. 1989-2	\$36,010,000	81.170%	\$29,228,237
Manteca Unified School District Community Facilities District No. 2000-3	16,530,000	99.872%	16,508,842
Manteca Unified School District	62,107,004	38.393%	23,844,742
San Joaquin County Certificates of Participation	190,500,000	6.349%	12,094,845
San Joaquin Delta Community College District	153,325,206	5.669%	8,692,006
<b>TOTAL OVERLAPPING DEBT</b>	<u>458,472,210</u>		<u>90,368,671</u>
 San Joaquin Irrigation District COP	<u>2,970,000</u>	49.942%	<u>1,483,277</u>
 <b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>	<u><u>\$461,442,210</u></u>		<u><u>\$91,851,949</u></u>

(1) Excludes revenue bonds, installment purchase obligation and loans

(2) This amount represents the total debt which must be serviced by residents or property owners in the City of Manteca; it includes debt issued by other jurisdictions servicing and property owners as well as debt issued by the City itself

Source: California Municipal Statistics, Inc.

**CITY OF MANTECA**  
**COMPUTATION OF LEGAL BONDED DEBT MARGIN**  
**June 30, 2010**

ASSESSED VALUATION:

Assessed Value	\$4,817,025,850
Add back: Exempt real property	<u>69,713,221</u>
Total Assessed Valuation	<u><u>\$4,886,739,071</u></u>

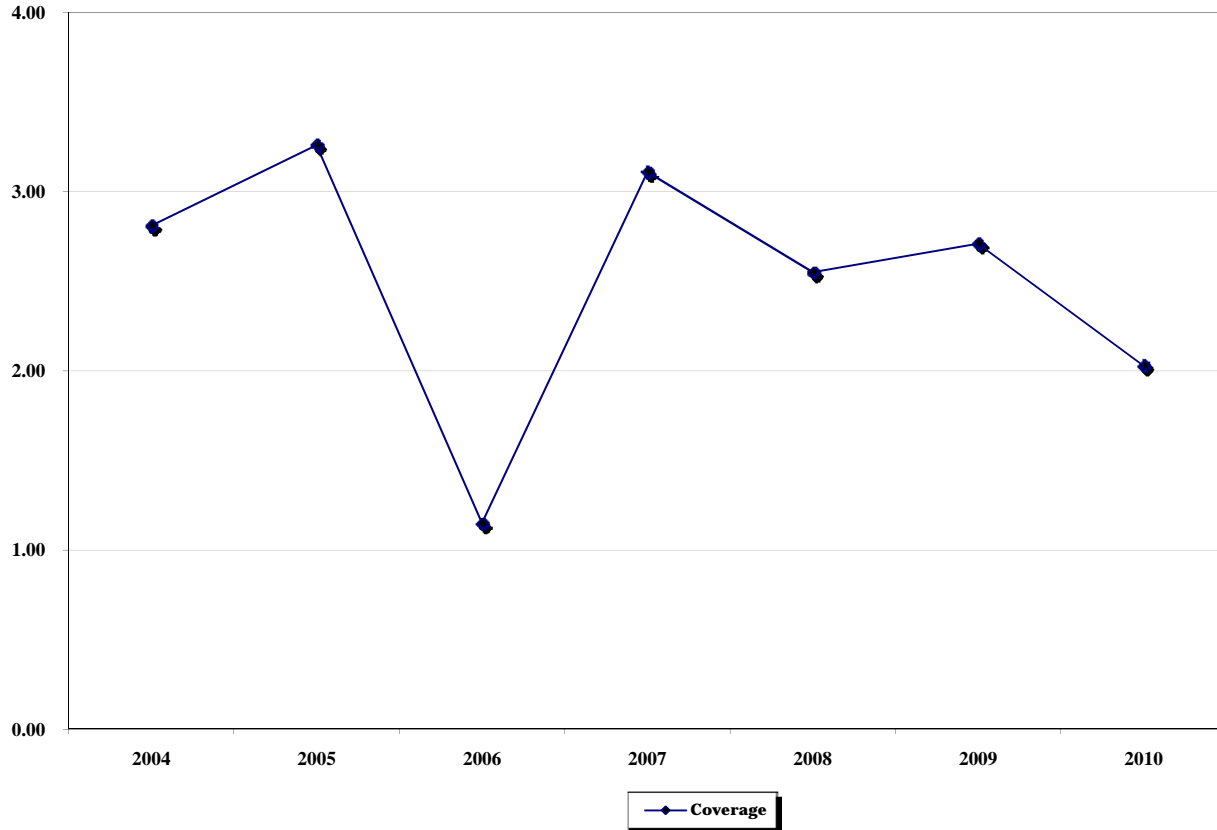
BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) \$733,010,861

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

LEGAL BONDED DEBT MARGIN \$733,010,861

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
2001	\$335,670,072	0	\$335,670,072	0.00%
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%

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

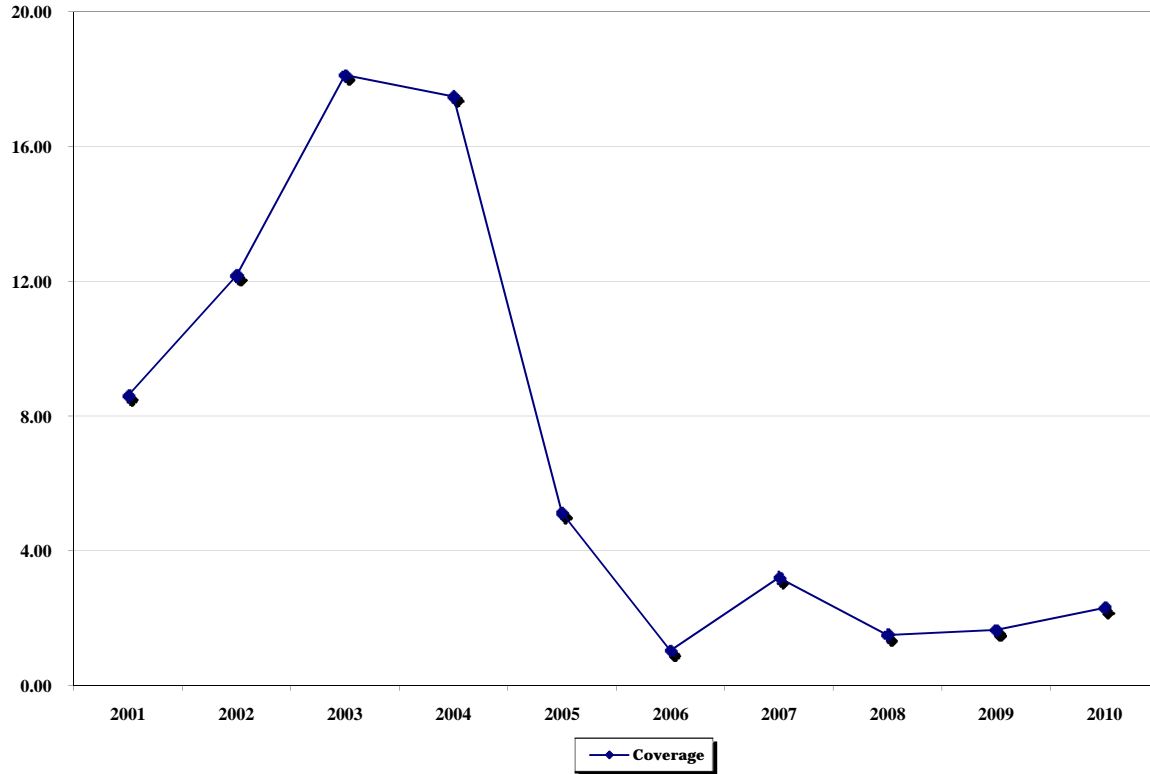


Fiscal Year (a)	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$10,503,016	(\$4,376,643)	(\$647,437)	\$5,478,936	\$0	\$1,948,696	\$1,948,696	2.81
2005	11,518,311	(4,677,420)	(462,618)	6,378,273	0	1,954,124	1,954,124	3.26
2006	12,035,781	(6,102,372)	(3,676,531)	2,256,878	0	1,954,124	1,954,124	1.15
2007	15,089,500	(6,120,057)	(2,896,166)	6,073,277	0	1,954,124	1,954,124	3.11
2008	14,937,151	(7,632,111)	(2,328,885)	4,976,155	0	1,954,124	1,954,124	2.55
2009	13,557,178	(10,695,624)	3,111,966	5,973,520	250,000	1,951,624	2,201,624	2.71
2010	13,360,391	(11,265,725)	2,575,709	4,670,375	360,000	1,945,164	2,305,164	2.03

Source: City of Manteca Annual Financial Statements

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

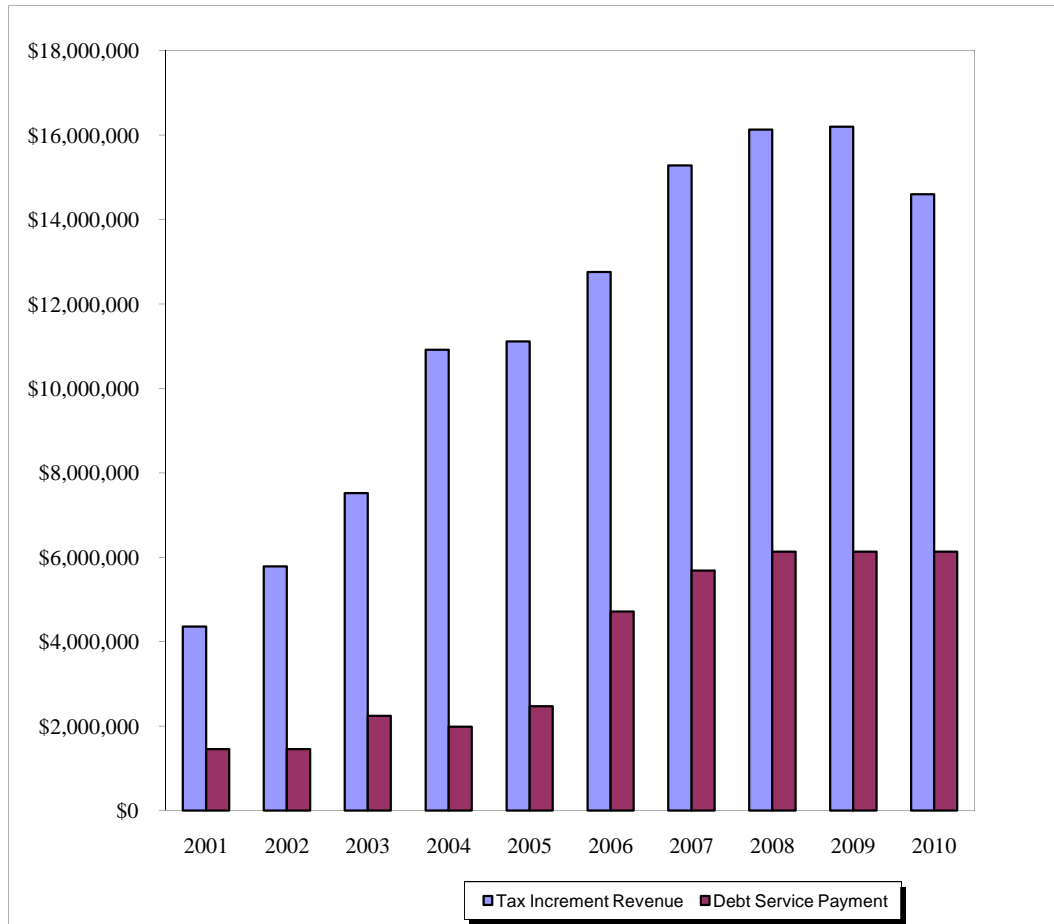
**CITY OF MANTECA  
REVENUE BOND COVERAGE  
SEWER REVENUE BONDS  
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2001	\$5,217,373	(\$3,849,032)	\$1,542,570	\$2,910,911	\$240,000	\$97,965	\$337,965	8.61
2002	7,463,323	(4,323,119)	1,423,917	4,564,121	255,000	108,857	375,061	12.17
2003	7,223,412	(4,812,347)	3,532,188	5,943,253	275,000	53,073	328,073	18.12
2004	11,722,876	(6,297,363)	307,639	5,733,152	300,000	27,838	327,838	17.49
2005	16,804,236	(6,640,793)	4,957,692	15,121,135	900,000	2,046,686	2,946,686	5.13
2006	14,673,053	(6,235,306)	(3,148,389)	5,289,358	3,000,000	2,069,162	5,069,162	1.04
2007	19,317,303	(8,550,499)	(628,408)	10,138,396	1,350,000	1,817,936	3,167,936	3.20
2008	16,146,875	(7,147,543)	(1,930,686)	7,068,646	3,000,000	1,709,186	4,709,186	1.50
2009	15,096,533	(8,964,273)	898,022	7,030,282	2,635,000	1,631,425	4,266,425	1.65
2010	16,341,765	(9,779,294)	(410,144)	6,152,327	635,000	2,026,531	2,661,531	2.31

Source: City of Manteca Annual Financial Statements

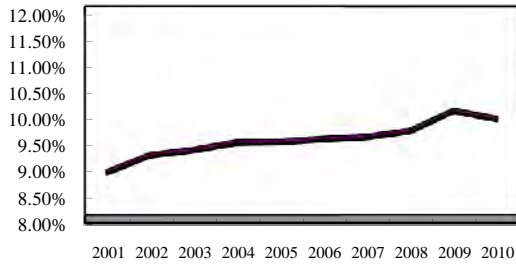
**CITY OF MANTECA  
 BONDED DEBT PLEDGED-REVENUE COVERAGE  
 REDEVELOPMENT AGENCY TAX ALLOCATION BONDS  
 LAST TEN FISCAL YEARS**



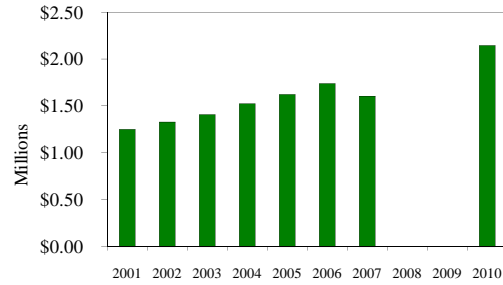
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2001	\$4,361,290	\$285,000	\$1,170,735	\$1,455,735	3.00
2002	5,781,959	305,000	1,150,806	1,455,806	3.97
2003	7,519,404	75,000	2,171,358	2,246,358	3.35
2004	10,913,498	85,000	1,902,735	1,987,735	5.49
2005	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

Source: City of Manteca Annual Financial Statements

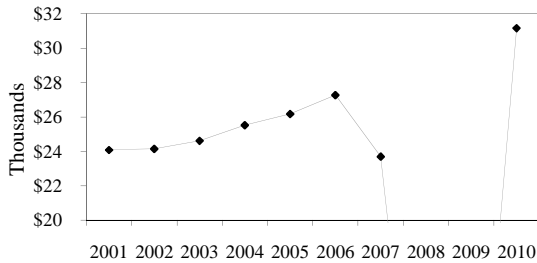
CITY OF MANTECA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS



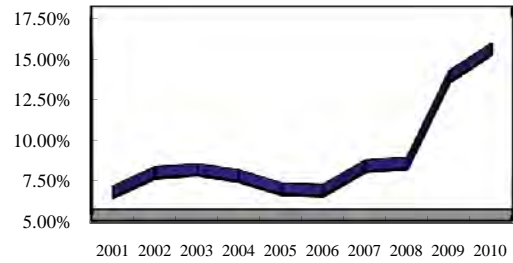
■ City Population as a % of County Population



■ Personal Income (in thousands)



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income <sup>a</sup>	Unemployment Rate (%)	San Joaquin County Population	City Population % of County
2001	51,924	\$1,250,641	\$24,086	6.4%	583,667	8.90%
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%

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

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

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

<u>Employer</u>	<u>2009-2010</u>			<u>2007-08</u>		
	<u>(a) Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Manteca Unified School District	1,400	1	2.0%	2100+	1	7.4%
Kaiser Permanente Medical Offices & Hospital	590	2	0.9%	600-650	2	2.1%
Doctors Hospital of Manteca	370	3	0.5%	400-450	3	1.6%
City of Manteca	360	4	0.5%	400-450	5	1.5%
Wal-Mart	301	5	0.4%	350-399	6	1.1%
Eckert Cold Storage Co.	300	6	0.4%			
C. Overaa & Co.	250	7	0.4%			
Advance Packaging Distribution Specialist Inc	200	8	0.3%	300-349	7	1.1%
COSTCO Wholesale #1031	169	9	0.2%			
Target Stores	151	10	0.2%			
Dirksen Transportation				400-450	4	1.6%
The Home Depot Inc				200-250	8	0.7%
Elegant Surfaces				150-200	9	0.6%
Ford				150-200	10	0.7%
<b>Total City Day Population</b>	<b><u>68,847</u></b>			<b><u>66,451</u></b>		

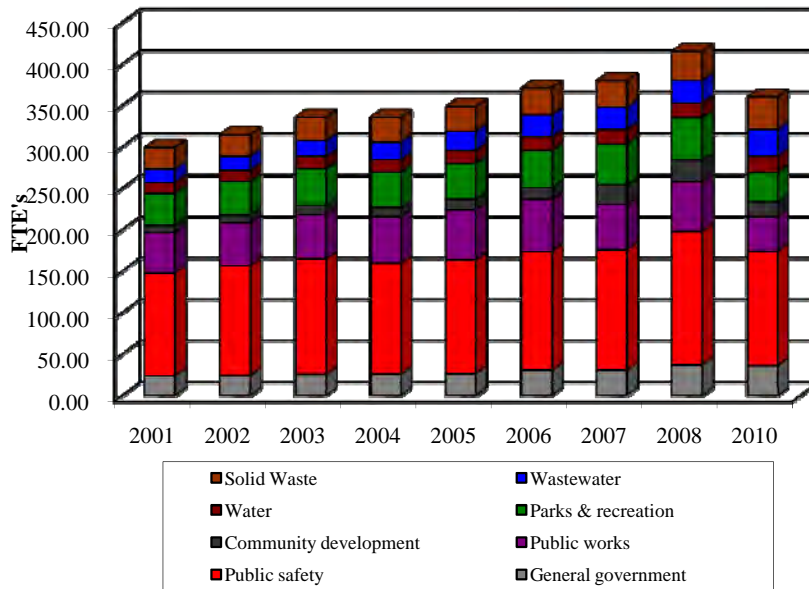
Source: City of Manteca Community Development Department

Notes: Data Not available for historical trend

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



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



	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Function</b>										
General government	24.00	24.50	25.50	25.75	26.75	30.75	30.75	37.00	40.00	36.00
Public safety	124.00	132.00	139.00	134.00	137.00	143.00	145.00	161.00	164.00	138.00
Public works	49.00	52.00	54.00	56.00	60.00	63.00	55.00	60.00	58.00	42.00
Community development	8.00	9.00	11.00	11.00	13.00	14.00	23.00	26.00	25.00	18.00
Parks & recreation	39.00	41.00	44.00	43.00	43.00	45.00	50.00	51.00	51.00	35.00
Water	13.00	13.00	15.00	15.00	16.00	16.00	17.00	18.00	18.00	20.00
Wastewater	16.00	17.00	19.00	21.00	23.00	27.00	27.00	27.00	27.00	32.00
Solid Waste	26.00	26.00	28.00	29.75	29.75	32.00	32.00	35.00	35.00	39.00
<b>Total</b>	<u>299.00</u>	<u>314.50</u>	<u>335.50</u>	<u>335.50</u>	<u>348.50</u>	<u>370.75</u>	<u>379.75</u>	<u>415.00</u>	<u>418.00</u>	<u>360.00</u>

Source: City of Manteca Budget Document

**CITY OF MANTECA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2001	2002	2003	2004
<b>Population</b>				
Citizens	51,924	54,975	57,200	59,700
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	15.9 Sq Miles	15.98 Sq Miles	16.05 Sq Miles	16.13 Sq Miles
Registered Voters	20,521	21,557	21,579	23,788
Taxable Sales	551,764,700	602,934,900	589,162,700	635,916,900
Building Permits Issued	.	2,150	2,345	2,300
Employees from Budget Document	.	315	336	336
<b>Fire Protection</b>				
Number of Stations	.	3	3	3
Number of Reserve Personnel	16	20	20	12
Number of Sworn Fire Personnel	30	30	30	30
Number of Calls Answered	3,859	4,074	4,044	4,126
<b>Police Protection</b>				
Number of Stations	1	1	1	1
Number of Police Officers	60	65	68	68
Number of Volunteers	80	100	112	123
Number of Support Personnel	27	27	27	29
Number of Calls Answered	31,362	33,167	35,820	37,251
<b>Parks &amp; Recreation</b>				
Park Sites	39	39	41	41
Acres of Parks	241	241	273	273
Senior Centers	1	1	1	1
Swimming Pools	1	1	1	1
Tennis Courts	8	8	8	8
Number of Park/Golf Trees	5,873	5,973	6,873	6,873
Number of Street Trees	4,568	4,768	5,288	5,288
Acres of Golf Course	122	122	122	122
Public Libraries	1	1	1	1
Landscape Maintenance Districts	3	12	14	14
Benefit Area District				
<b>Public Works</b>				
Miles of Streets	161	168	171	179
Number of Street Lights	2,900	3,050	3,134	3,314
<b>Water Utility</b>				
Number of Meters	14,321	15,203	16,037	16,687
Miles of Water Mains	160	166	168	214
Average Daily Consumptions (Gal)	9,906,188	10,161,293	10,597,002	11,542,356
<b>Wastewater</b>				
Number of Connections	18,337	19,214	20,043	20,556
Miles of Sewer Lines	160	166	168	163
Number of Treatment Plants	1	1	1	1
Average Daily Treatment	5.50 MGD	6.0 MGD	6.0 MGD	6.27 MGD
Treatment Capacity	6.95 MGD	6.95 MGD	6.95 MGD	8.11 MGD
<b>Solid Waste</b>				
Number of Accounts	14,134	14,940	15,866	16,442
<b>Education</b>				
Elementary Schools	17	17	17	17
High Schools	4	4	4	4
Adult Education	2	1	1	1
Teachers	943	1,031	1,031	1,144
Elementary Classrooms	658	851	851	821
High School Classrooms	243	259	259	291
Adult Education Classrooms	31	36	36	27
Current Enrollment	18,655	21,067	21,067	23,409

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					
	2005	2006	2007	2008	2009	2010
<b>Population</b>						
Citizens	61,927	63,703	65,076	66,451	67,754	68,847
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	16.19 Sq. Miles	17.7 Sq Miles	17.52 Sq Miles	17.7 Sq Miles	17.9 Sq Miles
Registered Voters	25,575	25,209	24,843	24,954	26,500	26,922
Taxable Sales	698,218,600	759,729,900	756,216,800	747,746,500	746,658,800	687,147,000
Building Permits Issued	2,259	2,302	2,596	1,816	1,459	1,843
Employees from Budget Document	348	370	380	415	418	360
<b>Fire Protection</b>						
Number of Stations	3	3	3	3	3	3
Number of Reserve Personnel	21	15	14	20	11	20
Number of Sworn Fire Personnel	30	30	36	42	43	42
Number of Calls Answered	4,203	n/a	n/a	4,589	4,823	4,787
<b>Police Protection</b>						
Number of Stations	1	1	1	1	1	1
Number of Police Officers	68	72	73	80	83	59
Number of Volunteers	119	114	69	74	153	100
Number of Support Personnel	28	28	30	33	36	26
Number of Calls Answered	39,282	39,435	38,763	37,122	37,345	35,902
<b>Parks &amp; Recreation</b>						
Park Sites	45	46	46	47	47	52
Acres of Parks	266	275	275	326	335	335
Senior Centers	1	1	1	1	1	1
Swimming Pools	1	1	1	1	2	2
Tennis Courts	8	8	8	8	8	8
Number of Park/Golf Trees	6,873	6,925	7,320	7,596	7,600	7,320
Number of Street Trees	7,000	8,438	8,629	8,801	8,801	10,680
Acres of Golf Course	122	122	122	111	111	111
Public Libraries	1	1	1	1	1	1
Landscape Maintenance Districts	14	14	21	21	24	23
Benefit Area District			2	2	2	4
<b>Public Works</b>						
Miles of Streets	180	184	186	193	197	197
Number of Street Lights	3,314	3,800	4,300	4,800	4,800	4,800
<b>Water Utility</b>						
Number of Meters	17,199	17,428	21,950	22,172	19,800	19,700
Miles of Water Mains	212	279	251	254	244	236
Average Daily Consumptions (Gal)	10,493,809	11.96 MGD	13.7 MGD	13.82 MGD	12.62 MGD	12.68 MGD
<b>Wastewater</b>						
Number of Connections	21,248	21,383	21,967	22,212	22,461	23,053
Miles of Sewer Lines	169	250	209	184	184	184
Number of Treatment Plants	1	1	1	1	1	1
Average Daily Treatment	6.07 MGD	6.50 MGD	6.28 MGD	5.95MGD	6.2 MGD	6.2 MGD
Treatment Capacity	7.50 MGD	8.11 MGD	8.11 MGD	9.87 MGD	9.87 MGD	9.87 MGD
<b>Solid Waste</b>						
Number of Accounts	17,073	17,310	17,630	17,799	18,262	18,765
<b>Education</b>						
Elementary Schools	19	19	21	20	23	23
High Schools	4	4	6	7	4	5
Adult Education	1	4	2	2	1	1
Teachers	1,133	1,132	1,236	1,157	1,012	989
Elementary Classrooms	869	869	939	934	900	895
High School Classrooms	304	330	331	330	390	375
Adult Education Classrooms	27	37	37	27	47	27
Current Enrollment	23,805	23,393	23,506	23,003	22,900	22,796

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, 2010**

	<u>Amount of Security Bond</u>
City Manager	\$250,000
Deputy City Manager	250,000
City Attorney	250,000
City Clerk	250,000
City Treasurer <sup>2</sup>	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

<sup>1</sup> City employees are covered by a fidelity bond amounting to a maximum if \$250,000 with \$1,000 deductible

<sup>2</sup> The City Treasurer is covered under a separate fidelity bond which has a \$1,000,000 limit and no deductible

Source: City Administration Department

## 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, 2010, 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, 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010 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 of our audit.

As described in Note 6, the Agency implemented the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* effective in fiscal 2009-10.

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.

*Maye & Associates*

November 17, 2010

## **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 should be read in conjunction with the accompanying Basic Financial Statements.

### **FISCAL 2010 FINANCIAL HIGHLIGHTS**

Financial highlights for the year include the following:

- The Redevelopment Agency's total net assets at June 30, 2010 totaled \$(16.8) million. This is a decrease of \$3.2 million from the prior year.
- Total Agency revenues, including program and general revenues, were \$15.5 million, while total expenses were \$18.7 million in fiscal 2010. Revenues decreased by \$2.8 million, while expenses increased \$2.0 million.
- General revenues from property taxes were \$14.6 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 2010 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 loan repayments.
- 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. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, 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, 2010**  
**(in Millions)**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Cash and investments	89.8	\$ 95.4
Other assets	22.7	13.6
Capital assets	10.8	10.8
<b>Total assets</b>	<b>123.3</b>	<b>119.8</b>
Long-term debt outstanding	130.0	131.8
Other liabilities	10.1	1.6
<b>Total liabilities</b>	<b>140.1</b>	<b>133.4</b>
Net assets:		
Invested in capital assets, net of debt	7.0	7.0
Restricted	93.6	98.5
Unrestricted	(117.4)	(119.1)
<b>Total Net Assets</b>	<b>(16.8)</b>	<b>(13.6)</b>

The Agency's net assets from governmental activities decreased 24% from \$(13.6) million in 2009 to \$(16.8) million in 2010. Cash and investments decreased by \$5.6 million. Restricted net assets of \$93.6 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	
	2010	2009
<b>Revenues</b>		
Program revenues:		
Charges for services	.0	.0
Operating contributions and grants	.0	.0
Total program revenues	.0	.0
General revenues:		
Property taxes	14.6	16.2
Interest income	.9	2.1
Total general revenues	15.5	18.3
Total revenues	15.5	18.3
<b>Expenses</b>		
Community Development	12.8	10.7
Public Works	.0	.0
Interest and fiscal charges	5.9	6.0
Transfers to City	.0	.0
Total expenses	18.7	16.7
<b>Change in net assets</b>	<b>\$(3.2)</b>	<b>\$ 1.6</b>

Table 2 shows that total governmental activity revenues decreased \$2.8 million in fiscal year 2009-10. \$14.6 million, or 94% of the Agency's fiscal 2010 revenue, came from property taxes. As a result of continuing problems in the housing market, property tax declined slightly by 10% as compared to fiscal year 2008-09 receipts. Interest income declined by \$1.2 million or 57%. The rate for the Local Agency Investment Fund was .528% in June 2010 as compared to 1.377% in June 2009.

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

#### **Governmental Funds**

At June 30, 2010, the Agency's governmental funds reported combined fund balances of \$93.6 million, which is a decrease of \$4.8 million compared with the prior year

Governmental fund revenues were \$15.5 million this year, down 15% from prior year receipts. The Debt Service Fund accounted for 76% of the total revenues. Expenditures were \$20.3 million this year. Of this total, \$6.7 million was a mandatory payment to the State for the Agency's Supplemental Educational Revenue Augmentation Fund payment (Note 11). Additionally, \$1.2 million was expended on capital projects and \$7.7 million was expended on debt service.

## *Analyses of Major Governmental Funds*

### **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 typically are 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 \$9.8 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2010. 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 \$15.8 million is reserved, which means it is available to only fund future low and moderate income housing expenditures.

### **Redevelopment Debt Service**

Fund balance in these funds was \$29.9 million as of June 30, 2010, a decrease of \$4.1 million. Revenue decreased 12.6% or by \$1.6 million due to declines in assessed valuations primarily in residential activity.

### **Redevelopment Capital Improvement and Economic Development**

Fund balance in these funds decreased by \$1.3 million. Interest revenues declined sharply by \$1 million as rates of return on investment decreased. Current expenditures totaled \$1.4 million with \$1.2 million in funding was spent on transportation projects to support economic development.

## **CAPITAL ASSETS**

At the end of fiscal 2010 the Agency had \$10.8 million, 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	
	2010	2009
<i><b>Governmental Activities:</b></i>		
Land and Improvements	10.8	10.8
Construction in progress	0.0	0.0
Machinery & Equipment	0.0	0.0
Less accumulated depreciation	0.0	0.0
Totals	10.8	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)**

	2010	2009
<i><b>Governmental activities</b></i>		
2002 Tax Allocation Revenue Bonds	27.1	27.9
2004 Subordinated Tax Allocation Revenue Bonds	24.6	25.2
2004 Tax Allocation (Housing Set Aside) Revenue Bonds	5.1	5.2
2005 Subordinated Tax Allocation Revenue Bonds	50.5	50.8
2006 Subordinated Tax Allocation Revenue Bonds	22.7	22.7
Total Outstanding Bonds	130.0	131.8

**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.

**MANTECA REDEVELOPMENT AGENCY**

**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, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	
available for operations (Note 2)	\$32,636,380
Restricted cash and investments (Note 2)	57,124,174
Tax increment receivable	3,053,871
Interest receivable	49,445
Long-term notes receivable (Note 3)	9,689,733
Advance to the City of Manteca (Note 4)	1,700,000
Deferred outflow (Note 6B)	8,232,629
Capital assets not being depreciated (Note 5)	10,818,877
Total Assets	123,305,109
<b>LIABILITIES</b>	
Accounts payable	913,954
Accrued liabilities	951,518
Refundable deposits	5,000
Derivative instrument (Note 6B)	8,232,629
Long-term liabilities (Note 6):	
Due within one year	2,455,000
Due within more than one year	127,555,000
Total Liabilities	140,113,101
<b>NET ASSETS (DEFICIT) (Note 7):</b>	
Invested in capital assets, net of related debt	7,000,000
Restricted for:	
Low and moderate income housing	15,799,007
Capital projects	47,938,848
Debt service	29,907,061
Total Restricted Net Assets	93,644,916
Unrestricted	(117,452,908)
Total Net Assets (Deficit)	(\$16,807,992)

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses
Governmental Activities:	
Current:	
Community development	\$12,821,049
Interest and fiscal charges	5,892,608
Total Governmental Activities	18,713,657
General revenues:	
Property taxes	14,594,745
Interest income	875,507
Total General Revenues	15,470,252
Change in Net Assets	(3,243,405)
Net Assets (Deficit)-Beginning	(13,564,587)
Net Assets (Deficit)-Ending	(\$16,807,992)

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 2010. 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, 2010

	Low and Moderate Income Housing	Debt Service	Capital Projects	Economic Development	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments					
available for operations (Note 2)	\$12,265,206	\$15,704,395	\$1,740,945	\$2,925,834	\$32,636,380
Restricted cash and investments (Note 2)	3,526,165	9,928,865	43,669,144		57,124,174
Tax increment receivable		3,053,871			3,053,871
Interest receivable	17,033	25,568	2,730	4,114	49,445
Long-term notes receivable (Note 3)	9,777,005		1,487,437	363,620	11,628,062
Advance to the City (Note 4)		1,700,000			1,700,000
<b>Total Assets</b>	<b>\$25,585,409</b>	<b>\$30,412,699</b>	<b>\$46,900,256</b>	<b>\$3,293,568</b>	<b>\$106,191,932</b>
<b>LIABILITIES</b>					
Accounts payable	\$9,397	\$500,638	\$400,423	\$3,496	\$913,954
Deferred revenue (Note 3)	9,777,005		1,487,437	363,620	11,628,062
Refundable deposits		5,000			5,000
<b>Total Liabilities</b>	<b>9,786,402</b>	<b>505,638</b>	<b>1,887,860</b>	<b>367,116</b>	<b>12,547,016</b>
<b>FUND EQUITY</b>					
Fund balance (Note 7):					
Reserved for:					
Encumbrances			801		801
Advances		1,700,000			1,700,000
Debt service		28,207,061			28,207,061
Low and moderate income housing	15,799,007				15,799,007
Capital outlay			45,011,595	2,926,452	47,938,047
<b>Total Fund Balances</b>	<b>15,799,007</b>	<b>29,907,061</b>	<b>45,012,396</b>	<b>2,926,452</b>	<b>93,644,916</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$25,585,409</b>	<b>\$30,412,699</b>	<b>\$46,900,256</b>	<b>\$3,293,568</b>	<b>\$106,191,932</b>

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY  
 Reconciliation of  
 GOVERNMENTAL FUND BALANCE  
 with  
 GOVERNMENTAL NET ASSETS  
 JUNE 30, 2010

Total fund balances reported on the governmental funds balance sheet	\$93,644,916
<p>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:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	10,818,877
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	11,628,062
<b>LONG-TERM ASSETS AND LIABILITIES</b>	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Long-term debt and accrued liabilities	(130,961,518)
Amortization of conditional grants	<u>(1,938,329)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>(\$16,807,992)</u></u>

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, 2010

	<u>Low and Moderate Income Housing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Economic Development</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$3,366,746	\$11,227,999			\$14,594,745
Use of money and property	190,871	494,978	\$18,259	\$28,561	732,669
Other revenue	155,736				155,736
<b>Total Revenues</b>	<u>3,713,353</u>	<u>11,722,977</u>	<u>18,259</u>	<u>28,561</u>	<u>15,483,150</u>
<b>EXPENDITURES</b>					
Current:					
Community development	2,644,455	1,929,325	96,432	81,594	4,751,806
Supplemental Educational Revenue					
Augmentation Fund payment (Note 11)		6,664,258			6,664,258
Capital outlay:					
Capital projects		22,415	1,200,566		1,222,981
Debt service:					
Principal	148,660	1,631,340			1,780,000
Interest and fiscal charges	296,112	5,598,643			5,894,755
<b>Total Expenditures</b>	<u>3,089,227</u>	<u>15,845,981</u>	<u>1,296,998</u>	<u>81,594</u>	<u>20,313,800</u>
<b>NET CHANGE IN FUND BALANCES</b>	624,126	(4,123,004)	(1,278,739)	(53,033)	(4,830,650)
<b>BEGINNING FUND BALANCES</b>	<u>15,174,881</u>	<u>34,030,065</u>	<u>46,291,135</u>	<u>2,979,485</u>	<u>98,475,566</u>
<b>ENDING FUND BALANCES</b>	<u>\$15,799,007</u>	<u>\$29,907,061</u>	<u>\$45,012,396</u>	<u>\$2,926,452</u>	<u>\$93,644,916</u>

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, 2010

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 (\$4,830,650)

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

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 1,780,000

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	(575,481)
Interest payable	2,147
Amortization of conditional grants	<u>380,579</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$3,243,405)

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$3,204,800	\$3,204,800	\$3,366,746	\$161,946
Use of money and property	184,500	184,500	190,871	6,371
Other revenue			155,736	155,736
Total Revenues	3,389,300	3,389,300	3,713,353	324,053
EXPENDITURES				
Current:				
General government	2,785,385	4,793,825	2,644,455	2,149,370
Debt service:				
Principal	148,660	148,660	148,660	
Interest and fiscal charges	296,115	296,115	296,112	3
Total Expenditures	3,230,160	5,238,600	3,089,227	2,149,373
NET CHANGE IN FUND BALANCE	\$159,140	(\$1,849,300)	624,126	\$2,473,426
BEGINNING FUND BALANCE			15,174,881	
ENDING FUND BALANCE			\$15,799,007	

See accompanying notes to basic financial statements

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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. 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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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.



**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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 reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year.

**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.

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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**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, 2010 are as follows:

Cash and investments available for operations	\$32,636,380
Restricted cash and investments	<u>57,124,174</u>
Total cash and investments	<u><u>\$89,760,554</u></u>

**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%

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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	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

**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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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	13 to 24 Months	24 to 36 Months	More than 36 Months	Total
<b><i>Held by Agency:</i></b>					
California Local Agency Investment Fund	\$31,883,035				\$31,883,035
Money Market Funds (U.S. Securities)	753,345				753,345
<b><i>Held by Trustees:</i></b>					
U.S. Government Agency Obligations:					
Non-callable		\$997,826	\$994,240	\$1,271,209	3,263,275
Money Market Funds (U.S. Securities)	47,412,195				47,412,195
Guaranteed Investment Contracts		1,428,034		5,020,670	6,448,704
Total Investments	<u>\$80,048,575</u>	<u>\$2,425,860</u>	<u>\$994,240</u>	<u>\$6,291,879</u>	<u>\$89,760,554</u>

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, 2010, these investments have an average maturity of 203 days.

Money market funds are available for withdrawal on demand and at June 30, 2010, have an average maturity of 33 days.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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, 2010 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA / AAAM	Total
<b>Held by Agency:</b>		
Money Market Funds (U.S. Securities)	\$753,345	\$753,345
<b>Held by Trustees:</b>		
U.S. Government Agency Obligations:		
Non-callable	3,263,275	3,263,275
Money Market Funds (U.S. Securities)	47,412,195	47,412,195
Totals	<u>\$51,428,815</u>	51,428,815
<b>Not rated:</b>		
California Local Agency Investment Fund		31,883,035
Guaranteed Investment Contracts		<u>6,448,704</u>
Total Investments		<u>\$89,760,554</u>

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

Reporting Unit	Issuer	Investment Type	Reported Amount
<b>Agency-Wide:</b>			
	IXIS	Guaranteed Investment Contract	\$5,020,670
<b>Major Funds:</b>			
Debt Service Fund	IXIS	Guaranteed Investment Contract	2,533,121
	Federal Home Loan Bank	United States Government Agency Obligations	1,271,209

<p><b>MANTECA REDEVELOPMENT AGENCY</b>  <b>Notes to Basic Component Unit Financial Statements</b>  <b>Fiscal Year Ended June 30, 2010</b></p>
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<p><b>NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE</b></p>
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**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, 2010, these notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,433,937
Down Payment Assistance Program	1,780,545
Residential Rehabilitation	262,055
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
Slender Lady	25,000
Manteca Senior Housing, LLC - Affirmed Housing	750,000
Senior Rehabilitation Loans	19,889
Total notes receivable	11,628,062
Less: Allowance for conditional grants	1,938,329
Net long-term notes receivable	\$9,689,733

Deferred revenue at June 30, 2010 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. Subsequently in fiscal year 1998, an additional \$14,842 was loaned to the Shelter for the replacement of windows; this amount is subject to the terms of the original loan, and extended the due date or potential forgiveness date to June 1, 2013.

**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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

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

***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 loans had been repaid. The terms of the remaining loan call for an interest rate of 5 percent; the loan is due in 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, 2010, the total outstanding balance on these loans was \$1,433,937.

***E. Cedar Glen Down Payment Assistance Program***

The Low and Moderate Income Housing Down Payment Assistance Program was established in 1993 to provide financing for homebuyers in the Cedar Glen and Golf Villas developments with moderate income or less who are unable to qualify for a home purchase without down payment assistance. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due fifteen years from the date each unit was purchased, but will be forgiven at maturity if the unit was owner occupied for the full fifteen years. As of June 30, 2010, these loans have been forgiven.

***F. 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, 2010, loans related to this Program in the amount of \$1,780,545 had been extended. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due if the home is sold, equity is removed, home is non-owner occupied, or after 40 years.

***G. 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, 2010, loans receivable under this program totaled \$235,329.

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, 2010, loans receivable under this program totaled \$26,726.



**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

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

**H. *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 \$30,000 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, 2010 was \$90,000.

**I. *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, 2010, the developer had not yet 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.

**J. *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.

**K. *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.

**L. *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, 2010, Eden Housing had drawn down the loan in the amount of \$1,680,932.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

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

**M. *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, 2010, the principal outstanding is \$338,040.

**N. *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 is secured by a promissory note.

**O. *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, 2010, \$750,000 has been drawn down from the loan and remains outstanding, and \$1,949,133 of the grant has been drawn down.

**P. *Manteca Unified School District Community Gymnasium***

On September 23, 2008 the Agency agreed to loan the Manteca Unified School District (MUSD) \$1,000,000 for installation and construction of a community gym at the Neil Hafley Elementary School and the installation and construction of a community gymnasium facility at the Shasta Elementary School. The Agency agreed to withhold the tax increment pass through for the MUSD until the loan is paid off. During fiscal year 2010 the Agency withheld \$304,312 of the tax increment from MUSD and that money was used to pay off the remaining loan balance.

**Q. *Senior Rehabilitation Loans***

During fiscal year 2010 the Redevelopment 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, 2010, loans receivable under this program totaled \$19,889

**R. *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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 4 – 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.

**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.

**A. Capital Asset Additions and Retirements**

There were no additions or retirements of capital assets during the fiscal year and at June 30, 2010 the balance was comprised of the following:

	Balance at <u>June 30, 2010</u>
Capital assets not being depreciated:	
Land	<u>\$10,818,877</u>

**B. Capital Asset Contributions**

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

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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, 2009	Retirements	Balance June 30, 2010	Current Portion
Series 2002 Subordinated Tax Allocation Refunding Bonds	\$30,765,000	\$27,875,000	\$765,000	\$27,110,000	\$785,000
Series 2004 Subordinated Tax Allocation Bonds	25,925,000	25,280,000	665,000	24,615,000	690,000
Series 2004 Tax Allocation (Housing Set-Aside) Subordinated Bonds	5,310,000	5,200,000	115,000	5,085,000	120,000
Series 2005 Subordinated Tax Allocation Bonds	50,760,000	50,760,000	235,000	50,525,000	475,000
Series 2006 Subordinated Tax Allocation Bonds	22,675,000	22,675,000		22,675,000	385,000
	<u>\$135,435,000</u>	<u>\$131,790,000</u>	<u>\$1,780,000</u>	<u>\$130,010,000</u>	<u>\$2,455,000</u>

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.

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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)**

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 \$10,771,405 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 2010, housing set-aside tax increment revenue amounted to \$3,276,376, which represented coverage of 737% over the \$444,772 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.

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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)**

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 \$216,376,612 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 2010, net tax increment revenues amounted to \$11,622,681, which represented coverage of 171% over the \$6,797,608 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 3.256%. 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, 2010, 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	\$50,525,000	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.



**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)**

As of June 30, 2010, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$8,232,629), a decrease of \$2,309,277 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, 2010, 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.

*Swap payments and associated debt.* Using rates as of June 30, 2010, 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:

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)**

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swap, Net	Total
	Principal	Interest		
2011	\$475,000	\$70,735	\$1,562,509	\$2,108,244
2012	490,000	70,070	1,547,344	2,107,414
2013	690,000	69,384	1,527,195	2,286,579
2014	725,000	68,418	1,504,843	2,298,261
2015	745,000	67,403	1,481,767	2,294,170
2016-2020	6,580,000	315,462	6,859,497	13,754,959
2021-2025	7,200,000	268,079	5,789,918	13,257,997
2026-2030	6,095,000	214,165	4,617,119	10,926,284
2031-2035	5,655,000	179,298	3,851,947	9,686,245
2036-2040	11,985,000	125,608	2,502,598	14,613,206
2041-2043	9,885,000	28,028	382,369	10,295,397
<b>Totals</b>	<b>\$50,525,000</b>	<b>\$1,476,650</b>	<b>\$31,627,106</b>	<b>\$83,628,756</b>

**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	Interest
2011	\$2,455,000	\$5,329,336
2012	2,540,000	5,240,981
2013	2,640,000	5,141,185
2014	2,750,000	5,029,768
2015	2,875,000	4,910,393
2016-2020	16,400,000	22,601,452
2021-2025	17,025,000	19,166,510
2026-2030	21,190,000	15,228,552
2031-2035	26,625,000	9,858,661
2036-2040	22,905,000	4,032,906
2041-2043	12,605,000	598,273
<b>Total</b>	<b>\$130,010,000</b>	<b>\$97,138,017</b>



**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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 Balances, Reserves and Designations**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is not available for appropriation or is legally segregated for a specific future use. The remaining portion is unreserved fund balance.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intentions are subject to change.

**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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**NOTE 8 - PASS THROUGH AGREEMENTS (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 \$9,303,317 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, 2010, 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**

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, which is likely to have a material adverse effect on the financial position of the Agency.

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.

**MANTECA REDEVELOPMENT AGENCY**  
**Notes to Basic Component Unit Financial Statements**  
**Fiscal Year Ended June 30, 2010**

**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, based on the property taxes received in fiscal year 2006-07, 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.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be \$710,522 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

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**MANTECA REDEVELOPMENT AGENCY**

**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, 2010

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES</b>			
Property taxes	\$10,638,200	\$11,227,999	\$589,799
Use of money and property	655,500	494,978	(160,522)
Total Revenues	<u>11,293,700</u>	<u>11,722,977</u>	<u>429,277</u>
<b>EXPENDITURES</b>			
Current:			
Community development	2,417,075	1,929,325	487,750
Supplemental Educational Revenue			
Augmentation Fund payment	6,657,835	6,664,258	(6,423)
Capital outlay	37,000	22,415	14,585
Debt Service:			
Principal	1,631,340	1,631,340	
Interest and fiscal charges	5,508,535	5,598,643	(90,108)
Total Expenditures	<u>16,251,785</u>	<u>15,845,981</u>	<u>405,804</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,958,085)</u>	<u>(4,123,004)</u>	<u>835,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<u>(1,700,000)</u>		<u>1,700,000</u>
Total Other Financing Sources (Uses)	<u>(1,700,000)</u>		<u>1,700,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$6,658,085)</u></u>	<u>(4,123,004)</u>	<u><u>\$2,535,081</u></u>
<b>BEGINNING FUND BALANCE</b>		<u>34,030,065</u>	
<b>ENDING FUND BALANCE</b>		<u><u>\$29,907,061</u></u>	

MANTECA REDEVELOPMENT AGENCY  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$842,500	\$18,259	(\$824,241)
Total Revenues	<u>842,500</u>	<u>18,259</u>	<u>(824,241)</u>
EXPENDITURES			
Current:			
Community development	377,500	96,432	281,068
Public works	775,105		775,105
Capital outlay:			
Capital projects	<u>7,563,420</u>	<u>1,200,566</u>	<u>6,362,854</u>
Total Expenditures	<u>8,716,025</u>	<u>1,296,998</u>	<u>7,419,027</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$7,873,525)</u></u>	<u>(1,278,739)</u>	<u><u>\$6,594,786</u></u>
BEGINNING FUND BALANCE		<u>46,291,135</u>	
ENDING FUND BALANCE		<u><u>\$45,012,396</u></u>	

MANTECA REDEVELOPMENT AGENCY  
 ECONOMIC DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$30,000	\$28,561	(\$1,439)
Total Revenues	<u>30,000</u>	<u>28,561</u>	<u>(1,439)</u>
EXPENDITURES			
Current:			
Community development	770,660	81,594	689,066
Total Expenditures	<u>770,660</u>	<u>81,594</u>	<u>689,066</u>
NET CHANGE IN FUND BALANCE	<u>(\$740,660)</u>	(53,033)	<u>\$687,627</u>
BEGINNING FUND BALANCE		<u>2,979,485</u>	
ENDING FUND BALANCE		<u>\$2,926,452</u>	



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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 Redevelopment Agency of the City of Manteca as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. 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***

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. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. 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 the accompanying Schedule of Findings.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 17, 2010.

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

This report is intended solely for the information and use of management, Board, others within the Agency, and 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.

*Mane & Associates*

November 17, 2010

## SCHEDULE OF CURRENT YEAR FINDINGS

### **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.

#### ***Management's Response:***

In an effort to comply with Health and Safety Code Section 33418 a database has been created of all Agency assistance to low and moderate income housing recipients. This database will be used to monitor and track all applicable projects.

### **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.

#### ***Management's Response:***

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 moderate income housing. The resolution will be reviewed and adopted with each subsequent budget adoption.

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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, 2010, 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, 2010 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



November 17, 2010

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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, 2010

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
<b>ASSETS</b>					
Current Assets:					
Investments held by trustee (Note 2)	\$217,639	\$3,837,488	\$4,841,140	\$2,117,703	\$11,013,970
Interest receivable		124,293	970,602	175,971	1,270,866
Total Current Assets	<u>217,639</u>	<u>3,961,781</u>	<u>5,811,742</u>	<u>2,293,674</u>	<u>12,284,836</u>
Receivable from the City of Manteca (Note 3)		<u>28,162,512</u>	<u>37,873,860</u>	<u>16,882,297</u>	<u>82,918,669</u>
Total Assets	<u>217,639</u>	<u>32,124,293</u>	<u>43,685,602</u>	<u>19,175,971</u>	<u>95,203,505</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accrued interest payable		124,293	970,602	175,971	1,270,866
Lease revenue bonds payable (Note 4)					
Due within one year		<u>690,000</u>	<u>480,000</u>		<u>1,170,000</u>
Total Current Liabilities		<u>814,293</u>	<u>1,450,602</u>	<u>175,971</u>	<u>2,440,866</u>
Non-Current Liabilities:					
Lease revenue bonds payable (Note 4)					
Due in more than one year		<u>31,310,000</u>	<u>42,235,000</u>	<u>19,000,000</u>	<u>92,545,000</u>
Total Liabilities		<u>32,124,293</u>	<u>43,685,602</u>	<u>19,175,971</u>	<u>94,985,866</u>
<b>NET ASSETS</b>					
Restricted for Debt Service	<u>217,639</u>				<u>217,639</u>
Total Net Assets	<u>\$217,639</u>				<u>\$217,639</u>

See accompanying notes to financial statements



MANTECA FINANCING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
<b>OPERATING REVENUE</b>					
Interest on base rental payments	\$226,108	\$1,179,378	\$567,714	\$2,570,901	\$4,544,101
Operating Revenue	226,108	1,179,378	567,714	2,570,901	4,544,101
<b>OPERATING EXPENSES</b>					
Interest and fiscal fees	8,469	1,498,662	1,985,245	1,162,952	4,655,328
Total Operating Expenses	8,469	1,498,662	1,985,245	1,162,952	4,655,328
Operating Income (Loss)	217,639	(319,284)	(1,417,531)	1,407,949	(111,227)
<b>NONOPERATING INCOME</b>					
Interest on investments		159,578	82,969	148	242,695
Net Nonoperating Income		159,578	82,969	148	242,695
Income (Loss) Before Transfers	217,639	(159,706)	(1,334,562)	1,408,097	131,468
Transfers In		511,238		31	511,269
Transfers (Out)		(31)		(511,238)	(511,269)
Net Transfers		511,207		(511,207)	
Change in net assets	217,639	351,501	(1,334,562)	896,890	131,468
Net assets at beginning of year		(351,501)	1,334,562	(896,890)	86,171
Net assets at end of year	\$217,639				\$217,639

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from the City	\$238,770	\$1,815,800	\$2,174,134		\$4,228,704
Payments to bond trustees	(13,770)	(1,500,091)	(1,945,163)	(\$1,074,721)	(4,533,745)
Cash Flows from Operating Activities	<u>225,000</u>	<u>315,709</u>	<u>228,971</u>	<u>(1,074,721)</u>	<u>(305,041)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Long-term debt payment - principal	(225,000)	(635,000)	(360,000)		(1,220,000)
Transfers In		511,238		31	511,269
Transfers (Out)		(31)		(511,238)	(511,269)
Transfer to the City				(14,487,367)	(14,487,367)
Cash Flows from Noncapital Financing Activities	<u>(225,000)</u>	<u>(123,793)</u>	<u>(360,000)</u>	<u>(14,998,574)</u>	<u>(15,707,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment interest received		159,578	82,969	148	242,695
Cash Flows from Investing Activities		<u>159,578</u>	<u>82,969</u>	<u>148</u>	<u>242,695</u>
Net Cash Flows		351,494	(48,060)	(16,073,147)	(15,769,713)
Cash and investments at beginning of period	217,639	3,485,994	4,889,200	18,190,850	26,783,683
Cash and investments at end of period	<u>\$217,639</u>	<u>\$3,837,488</u>	<u>\$4,841,140</u>	<u>\$2,117,703</u>	<u>\$11,013,970</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$217,639	(\$319,284)	(\$1,417,531)	\$1,407,949	(\$111,227)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Change in assets and liabilities:					
Receivable from City of Manteca	7,361	634,993	1,646,502	(2,394,930)	(106,074)
Interest receivable	5,301	1,429	(40,082)	(175,971)	(209,323)
Accrued interest payable	(5,301)	(1,429)	40,082	88,231	121,583
Cash Flows from Operating Activities	<u>\$225,000</u>	<u>\$315,709</u>	<u>\$228,971</u>	<u>(\$1,074,721)</u>	<u>(\$305,041)</u>

See accompanying notes to financial statements

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Organization and Purpose***

The Manteca Financing Authority is a Joint Powers Authority organized by the City of Manteca and the Manteca Redevelopment Agency on May 1, 1991 under the laws of the State of California. The Authority was organized to provide assistance to the City and Agency in financing public improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying financial statements. Such expenses are insignificant to the Authority's operations.

The Authority is an integral part of the City and the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

**B. *Basis of Presentation***

The Authority's Basic Component Unit financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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

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

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

**Fund Financial Statements:** The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Authority considers all its funds to be major funds.

**C. *Major Funds***

The Authority's major funds are required to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total.

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

**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

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

**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	11 to 23 Years	Total
<i>Held by Trustees:</i>			
Money Market Funds (U.S. Securities)	\$4,215,132		\$4,215,132
Guaranteed Investment Contracts		\$6,798,838	6,798,838
Total Investments	<u>\$4,215,132</u>	<u>\$6,798,838</u>	<u>\$11,013,970</u>

**C. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2010 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, 2010, have an average maturity of 33-49 days. The Guaranteed Investment Contracts were not rated as of June 30, 2010.

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

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

**NOTE 3 - RECEIVABLE FROM THE CITY OF MANTECA**

The Authority used the proceeds from its Bond issues to finance capital improvements throughout the City. The City has leased these improvements from the Authority under the terms of several leases that expire through 2037.

Anticipated receipts of the base rental payments, net of cash and investments held by trustee, capitalized interest proceeds and interest expense net of anticipated interest earned on the investments, are as follows:

Year ending June 30	Principal	Interest	Total
2011	\$1,170,000	\$4,232,184	\$5,402,184
2012	1,365,000	4,194,576	5,559,576
2013	1,570,000	4,146,255	5,716,255
2014	1,795,000	4,087,843	5,882,843
2015	1,930,000	4,164,396	6,094,396
2016-2020	12,650,000	20,102,110	32,752,110
2021-2025	17,380,000	16,641,423	34,021,423
2026-2030	22,610,000	11,765,868	34,375,868
2031-2035	26,370,000	5,041,099	31,411,099
2036-2037	6,875,000	400,917	7,275,917
	<u>\$93,715,000</u>	<u>\$74,776,671</u>	168,491,671
	<u>Less:</u>		
		Investments held by trustee	10,796,331
		Amount representing interest	<u>74,776,671</u>
		Receivable from the City of Manteca at June 30, 2010	<u><u>\$82,918,669</u></u>

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

**NOTE 4 – LONG TERM DEBT**

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

Year	Principal	Interest	Total
2011	\$1,170,000	\$4,474,723	\$5,644,723
2012	1,365,000	4,437,115	5,802,115
2013	1,570,000	4,388,794	5,958,794
2014	1,795,000	4,330,382	6,125,382
2015	1,930,000	4,406,935	6,336,935
2016-2020	12,650,000	20,344,649	32,994,649
2021-2025	17,380,000	16,883,962	34,263,962
2026-2030	22,610,000	12,008,407	34,618,407
2031-2035	26,370,000	5,283,638	31,653,638
2036-2037	6,875,000	400,917	7,275,917
Total	<u>\$93,715,000</u>	<u>\$76,959,522</u>	<u>\$170,674,522</u>

**A. Lease Revenue Bonds**

On March 15, 1994 the Authority issued \$2,200,000 principal amount of Lease Revenue Bonds due March 15, 2010 and bearing interest at rates ranging from 6.625% to 8.10%. The Bonds were secured by revenue from the lease payments discussed in Note 3. The bonds were fully repaid during the fiscal year.

**B. Sewer Revenue Bonds**

On December 11, 2003 the Manteca Financing Authority issued 2003 Sewer Revenue Bonds Series 2003A in the amount of \$18,155,000 and Series 2003B in the amount of \$25,665,000 to refund 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.

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 \$98,004,498. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,190,902 and \$8,869,305 respectively.

**MANTECA FINANCING AUTHORITY**  
**Notes to Basic Component Unit Financial Statements**  
**June 30, 2010**

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

**C. *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 \$72,670,024. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,305,164 and \$6,212,476, respectively.