

City of Manteca

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2009**

CITY OF MANTECA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

Prepared by
FINANCE DEPARTMENT

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CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

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CITY OF MANTECA

FINANCE DEPARTMENT

December 1, 2009

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, 2009 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 67,754 residents as of January 1, 2009. 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 became appointed positions in November 2000 when the terms of the incumbents expired. 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 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 Walnut Creek, 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 statement 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. The San Joaquin County is still among the highest in the nation for foreclosures. The current recession has reduced consumer spending and increased unemployment. Among the hardest hit segments in retail sales are automobile sales and construction. Unemployment in the valley has reached double digits.

Sales tax throughout the region continues to reflect the conditions of the declining economy. During the past twelve months, the City has lost one major retailer and two major dealerships. Consumer spending in key economic areas such as construction, car sales and retail has continued to deteriorate. Current information indicates that sales tax is 9.2% lower than revenues for the same period last year. This trend is anticipated to continue throughout Fiscal Year 2009-10 and into Fiscal Year 2010-2011.

Helping to combat these trends, the City has established an aggressive economic development program to assist the City Council, City Manager and department managers 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.

Strong residential growth over the past decade has contributed to increased commercial, industrial, and retail opportunities. The most recent opportunity is the **Promenade Shops at Orchard Valley** comprising a 700,000 square foot regional lifestyle center anchored by Bass Pro Shops. Other tenants include J.C. Penny, Best Buy and Kerasotes Showplace Theater. In February 2009, Craig Realty Group teamed with Poag & McEwen to expand the concept to include upscale factory outlet centers. The first stores are anticipated to be open by spring 2010.

Additionally, in spite of increasing foreclosure trends, residential home construction has not been severely impacted. The Building Safety division issued 303 permits for new residential construction compared to 353 permits for fiscal year 2007-08.

Both the new residential and commercial growth had 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 sale tax to the City. Action continues to be taken to stem structural budget deficits resulting from declining revenues. Council and staff will continue to meet to discuss not only budget strategies, but economic and development strategies that will be required to sustain the City during these difficult times. Long-term forecasting will continue to be implemented for all funds.

Community Development

The EIR and Master Plan are under way for the CenterPoint industrial project. At completion, the project will feature 273 acres of development with an intermodal center, light industrial, warehouse, office, and commercial uses. The EIR is anticipated to be completed by fall 2010.

Additionally, work continues of Union Crossing. Union Crossing is a proposed commercial center at the southwest quadrant of Union Road and the Highway 120 Bypass across from the Promenade Shops at Orchard Valley. The project will include 47 acres with approximately eight major retailers and additional space for small retailers.

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 South Union/Atherton Road improvements and Airport Road Widening.

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.

Construction on a 10 acre BMX Park is being finalized. It is anticipated the park will be open in early 2010.

changed. In order to meet the current challenges of maintaining fiscal stability, a City Council strategy and goal setting session was held in January 2009.

From this meeting, a 15 citizen budget advisory committee was formed and a 5 year pro-forma was developed. Negotiations were held with all bargaining units in order to garner employee support in making changes necessary to maintain financial stability for the City.

Recognizing the need to maintain service levels, the City is established a Public Safety Endowment Fund with the principal funded by negotiated development agreement fees. The use of interest earnings from initial deposits has enabled the City to fund two positions. Additionally, in November 2006 voters approved a 1/2 cent public safety sales tax measure. The adopted expenditure plan anticipates hiring 15 police officers and 15 fire fighters over a five year period beginning in July 2007.

The City will continue to develop long-term financial planning strategies. It is 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.

Budgetary Controls. In addition to internal controls, the City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual Appropriated Budget approved by the City Council. The Annual Appropriated Budget includes the activities of the general fund, special revenue funds, budgeted capital improvement funds, debt service funds, enterprise funds, and internal service funds. The level of budgetary control, that is, the level at which expenditures cannot legally exceed the appropriated amount, is at the department level within the general fund and at the fund level for all other funds. All budget adjustments are approved by the City Council.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and are generally re-encumbered during the following year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

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. 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.

Cash Management Cash temporarily idle during the year was invested in demand deposits, obligations of the United States Treasury and its Agencies, high-grade corporate notes and guaranteed investment contracts. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Additional information regarding the City's investments is detailed in Note 3 to the financial statements

Risk Management : During fiscal year 2008-09 City of Manteca continued its commitment to risk management programs for safety, general liability, and workers' compensation. Aggressive claims handling and a strong litigation stand have assisted in maintaining an appropriate reserve for current and future claim payments. In addition, various risk control techniques including employee accident prevention training, loss control through safety programs, and employee hazardous materials identification programs were implemented by the City to minimize accident-related losses and exposure to public hazards.

The City is a member of the Municipal Pooling Authority of Northern California (JPA). The City is self-insured for general liability purposes up to \$100,000, with the JPA providing excess insurance coverage up to \$15,000,000. In June 2002 the City changed from being self-insured for worker's compensation to coverage with the Municipal Pooling Authority of Northern California.

The City of Manteca established a Risk Management Policy in July of 1986. This policy sets forth a Risk Management Program establishing centralized uniform procedures that maximize loss control services. The successful implementation and maintenance of this Risk Management Program mandates continuous cooperation and interaction among management personnel. Commercial insurance coverages are secured to protect against the financial consequences of accidental losses that are catastrophic in nature.

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, 2008. This was the twentieth year the City has received this prestigious awards.

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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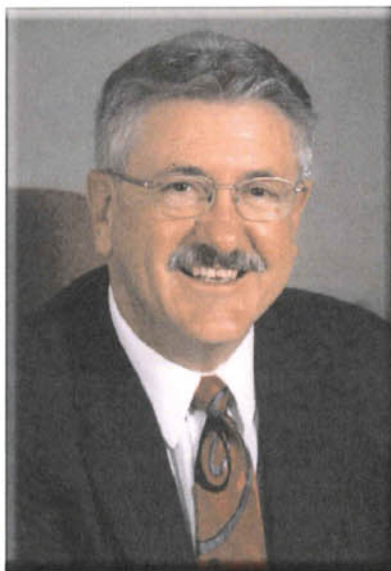
CITY OF MANTECA CITY COUNCIL



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
Parks and Recreation Director
Community Development Director
Public Works Director
Fire Chief
Chief of Police

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

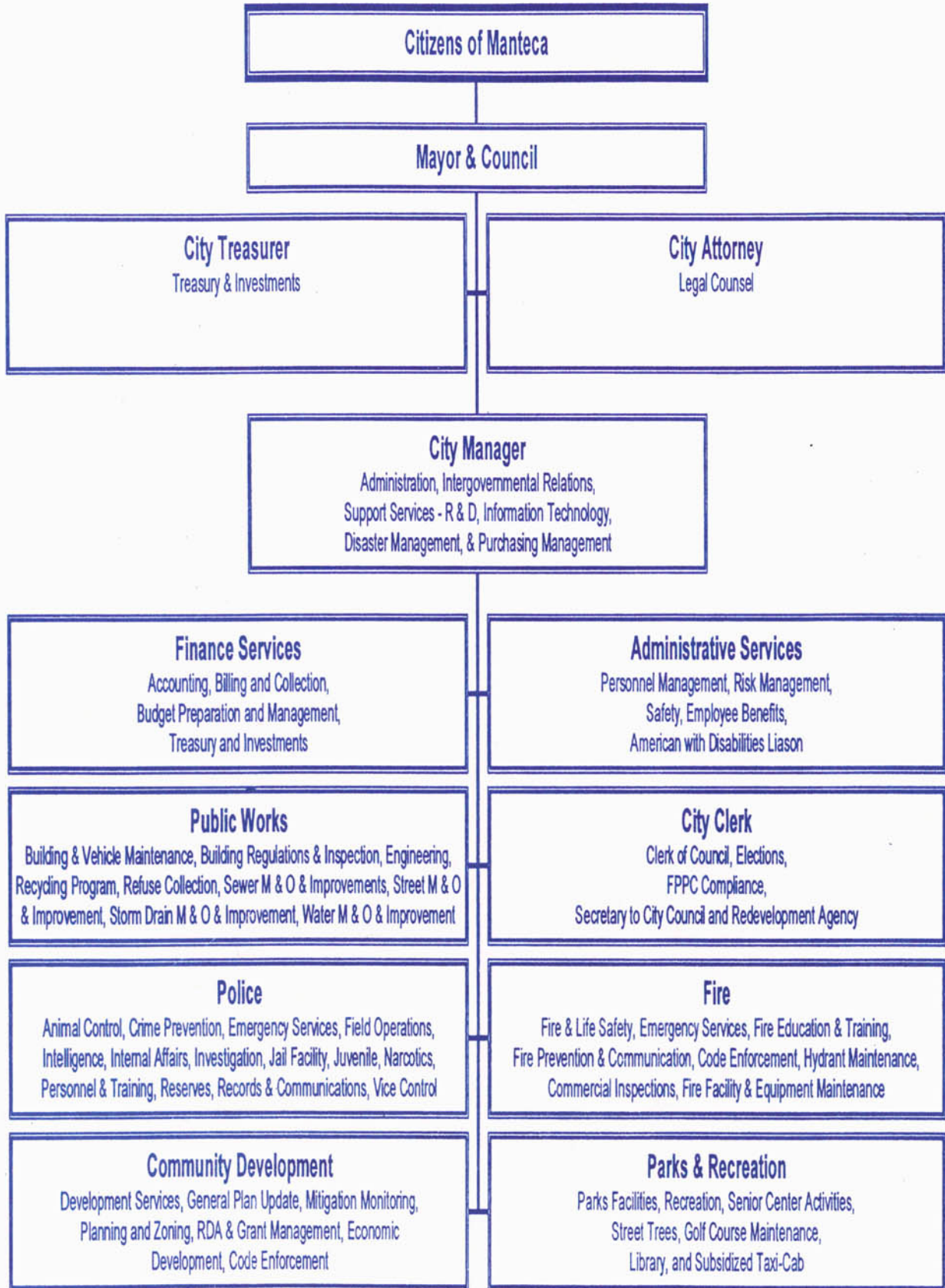


CALIFORNIA

0 20 40 80 160 MI.

Cities and Towns	0 to 50,000	○	1,000,000 and over	●
	50,000 to 500,000	⊙	Capital	⊛
	500,000 to 1,000,000	⊚		

City Services



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, 2008

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, 2009 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, 2009 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note 11, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Post Employment Benefits Other Than Pensions*.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2009 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.

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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

October 5, 2009

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 2009 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The City's total net assets at June 30, 2009 totaled \$472 million. This is an increase of \$36 million from the prior year.
- Total City revenues, including program and general revenues, were \$132 million, while total expenses were \$95 million in fiscal 2009. This is a 3% increase in expense totaling \$3 million, while revenues decreased by 14% or \$21 million.
- Net assets in Governmental funds increased \$23.7 million, while net assets in Business activities increased \$12.7 million.
- Governmental Activities Program Revenues were \$37 million, a decrease of \$10 million from fiscal 2008's \$47 million.
- Governmental Activities Program Expenses were \$61.5 million in fiscal 2009, an increase of \$1.4 million from 2008's \$60.4 million.
- Program revenues from Business-Type activities decreased to \$42 million in fiscal 2009, down \$3 million from the prior year.
- Expenses of Business-Type Activities increased to \$33.7 million in fiscal 2009, a \$2 million increase from the prior year.
- General Fund revenues excluding transfers were \$30.9 million, a decrease of \$1.5 million from the prior year amounts.
- General Fund expenditures excluding transfers were \$36 million, an increase of \$.3 million over the prior year amounts.
- General Fund balance as of June 30, 2009 was \$15.2 million compared to the prior year's actual fund balance of \$14.5 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 a separate legal entity, the Manteca Redevelopment Agency, because the City is financially accountable for the Agency.
- **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 and 5) 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, 2009
(in Millions)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 195.8	\$ 195.8
Other assets	28.8	32.8
Capital assets	250.8	223.4
Total assets	475.4	452.0
Long-term debt outstanding	133.8	135.2
Other liabilities	28.1	27.2
Total liabilities	161.9	162.4
Net assets:		
Invested in capital assets, net of debt	168.4	141.6
Restricted	148.1	144.0
Unrestricted	(3.0)	4.0
Total Net Assets	<u>\$ 313.3</u>	<u>\$ 289.6</u>

Net assets are a useful indicator of a government's financial position. The City of Manteca's net assets from governmental activities increased 7% from \$290 million in 2008 to \$313 million in 2009. Of this amount, \$168.4 million or 54% of net assets are invested in capital assets; land, buildings, infrastructure, machinery, and equipment and are being used to provide services to its citizens. Capital assets increased by \$27.4 million as the City continues to invest heavily in road and transportation projects, storm drain improvements, and parks improvements. Of net assets that are available for future spending, \$148.1 million are restricted in how they may be used.

Changes in Net Assets

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

Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	8.0	8.9
Operating contributions and grants	4.3	7.1
Capital Grants and Contributions	25.0	31.0
Total program revenues	<u>37.3</u>	<u>47.0</u>
General revenues:		
Taxes:		
Property taxes	27.2	27.2
Sales taxes	9.3	9.8
Other taxes	3.9	3.9
Motor Vehicle in Lieu	.2	.3
Interest income	4.6	7.3
Intergovernmental	.4	.3
Development Agreements, Unrestricted	.9	3.7
Other Revenue	1.6	3.7
Transfers	0	0
Total general revenues	<u>48.1</u>	<u>56.2</u>
Total revenues	<u>85.4</u>	<u>103.2</u>
Expenses		
General government	5.1	5.5
Community Development	5.8	6.9
Public Safety	27.5	24.0
Library	.1	.2
Public Works	3.9	4.7
Parks and Recreation	8.0	7.3
Streets and Highways	5.1	4.8
Interest and fiscal charges	6.0	7.0
Total expenses	<u>61.5</u>	<u>60.4</u>
Change in net assets	<u>\$ 23.9</u>	<u>\$ 42.8</u>

The City's net assets increased by \$23.9 million or 8%. As stated above, the largest increase in net assets was a result of expenditures related to the construction or purchase of capital assets. 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 2009 by \$17.8 million. \$8.8 million of the decline are related to decreases in operating grants and capital grants that heavily funded transportation projects in the prior year. This includes reductions to the City’s share of Local Transportation Funds, Proposition 1 B funds, and Flexible Congestion Relief Funds. Another \$2.7 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 1.377% in June 2009 as compared to 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. This is mainly due to continued increases in labor & benefit costs.

**Table 3
Governmental Activities
(in Millions)**

	Net (Expense) Revenue	
	From Services	
	2009	2008
General government	(1.2)	(1.6)
Community Development	(4.8)	(4.8)
Public Safety	(25.3)	(21.7)
Library	(.1)	(.2)
Public Works	(2.0)	(1.1)
Parks and Recreation	(5.5)	(4.6)
Streets and Highways	20.8	27.5
Interest and Fiscal Charges	(6.0)	(7.0)
Totals	\$ (24.1)	\$ (13.5)

Public safety net revenues continued to decline as a result of increases in personnel costs associated with rising cost of living adjustments and additional police and fire personnel hired in association with the implementation of the public safety sales tax expenditure plan. Net revenues for Streets and Highways declined by \$6.7 million, which is reflective of the decrease in operating and capital grant revenue.

Business-Type Activities Financial Analysis

Net Assets

Table 4
Business-Type Net Assets
(in Millions)

	<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>
Cash and investments	90.5	73.6
Other current assets	2.7	(7.4)
Capital assets	<u>177.7</u>	<u>175.9</u>
Total assets	270.9	242.1
Long-term debt outstanding	95.8	80.3
Other liabilities	<u>16.2</u>	<u>15.6</u>
Total liabilities	112.0	95.9
Net assets:		
Invested in capital assets, net of debt	100.1	95.6
Restricted	27.1	9.0
Unrestricted	<u>31.7</u>	<u>41.6</u>
Total net assets	<u>\$ 158.9</u>	<u>\$ 146.2</u>

The net assets of business-type activities were \$158.9 million in fiscal 2009. This was a \$12.7 million or 9% increase over the beginning balance of net assets. This increase was largely due to increased cash and investments of \$16.9 million with a corresponding increase to long-term debt of \$15.5 million resulting from the issuance of the 2009 Sewer Bonds. Additionally, net assets reflect a \$2.4 million decrease in long-term debt associated with extraordinary mandatory payments against the 2003 Sewer Bond Issue. \$100.1 million or 63% of net assets are invested in capital assets. \$31.7 million or 20% 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)

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services	37.5	40.1
Operating contributions and grants	0	0
Capital Grants and Contributions	4.5	4.8
Total program revenues	<u>42.0</u>	<u>44.9</u>
General revenues:		
Interest income	3.9	4.1
Other Revenue	.4	.4
Transfers	0	0
Total general revenues	<u>4.3</u>	<u>4.5</u>
Total revenues	<u>46.3</u>	<u>49.4</u>
Expenses		
Water	12.7	12.3
Sewer	11.1	10.5
Solid Waste	8.7	7.7
Golf	1.2	1.2
Total expenses	<u>33.7</u>	<u>31.7</u>
Change in net assets	<u>\$ 12.6</u>	<u>\$ 17.7</u>

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

	Business-type Activities	
	2009	2008
Net Revenues from Business-type activities:		
Water	3.6	4.4
Sewer	5.6	8.5
Solid Waste	(.7)	.3
Golf	(.1)	0
Total Business-type Activities	<u>\$8.4</u>	<u>\$13.2</u>

Net revenues of Business-type Activities decreased \$4.8 million primarily as a result of declines in the Water and Sewer Funds' charges for services. These declines were primarily attributable to decrease in development fees related to infrastructure. Program expenditures remained stable with the exception of the Solid Waste Fund which experienced increased operating expenditures of \$1.0 million associated with increased personnel expenditures and the costs associated with the recording of the OPEB liability.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2009, the City's governmental funds reported combined fund balances of \$189 million, which is a decrease of \$2 million or 1% compared with the prior year. Governmental fund revenues were \$68.9 million this year. The General Fund accounted for 45% of this total. Expenses were \$71.3 million this year. Of this total, \$36 million was in the General Fund, \$18.9 million was in the RDA Funds and the remainder was in non-Major funds.

Proprietary Funds

Proprietary Fund net assets totaled \$158.9 million at June 30, 2009. Enterprise operating revenues were \$38 million this year with an additional \$4.5 in contributions associated with infrastructure.

Enterprise Fund operating expenses were \$29.5 million in fiscal 2009, up \$1.7 million from the prior year. The increase is attributable to increases in personnel costs and increased depreciation expense.

Analyses of Major Governmental Funds

General Fund

General Fund revenues declined by \$1.5 million or 5% as compared to fiscal year end 2008. Property taxes remained stable despite declines in the housing market. Sales tax revenue declined by \$.6 million or 10%. This trend was consistent throughout the region and the State as the City faced deepening declines in the local economy.

General Fund expenditures remained consistent totaling \$35.9 million in fiscal year 2009

At June 30, 2009, the General Fund Balance was comprised of \$5.8 million in unreserved, undesignated balances, \$7.6 million in unreserved but designated balances, and \$1.8 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 \$10.3 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2009. 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 \$15.2 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 increased \$6.7 million. Revenue decreased slightly by \$.3 million due to declines in assessed valuations primarily in residential activity. \$3.2 million was transferred from the capital project funds as a result of reallocation of debt service reserve funds.

Redevelopment Capital Improvement and Economic Development

Fund balance in these funds decreased by \$9.6 million. Interest revenues declined sharply by \$2.1 million as project funds remaining on hand declined. Current expenditures totaled \$7.6 million with \$7.4 million in funding was spent on transportation projects to support economic development.

Public Facilities Implementation Plan

The fund balance in these funds shows a slight increase of \$4.6 million. Development fees are collected in the areas designated in the Public Facilities Implementation Plan to finance the construction of future transportation and storm drainage infrastructure. As the initial plan approaches the point of review, associated revenues collected in the designated PFIP areas has slowed. Additionally due to declines in residential and commercial development activity, revenues decreased by \$5 million over fiscal year 2008 receipts. 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 \$61.7 million in the current year. This total comprised \$13.6 million in Operating Revenues for the current year, plus \$3.2 million in non-operating revenues and contributed capital.

Approximately \$34.2 million of the \$61.7 million in this Fund's Net Assets was unrestricted at the fiscal year end.

Sewer

Net assets of the Sewer Funds are \$87.8 million for the current year. The City is completing the final of four phases of the expansion of the Wastewater Control Facility. In June 2009, the City issued \$19 million of bonds to fund construction of the final phase. Operating revenues for fiscal year 2009 have increased by 7% due to scheduled rate increases. Operating expenditures are consistent with those of fiscal year 2008, resulting in a \$6.9 million increase to net assets. A total of \$72.8 million of the \$87.8 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 \$8.7 million, an increase of 12.9%. The increased were related to personnel expenditures, including the recording of this fund's contribution to the OPEB liability. Net Assets for Solid Waste decreased slightly by \$.3 million. A total of \$5.7 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 maintaining overall Net Assets to just under \$1 million. The General Fund continues to contribute to the Golf Fund to compensate for the reduced rate for youth programs. In fiscal year end 2009 this contribution was \$155,000.

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

CAPITAL ASSETS

At the end of fiscal 2009 the City had \$429 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in Table 6 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	2008
<i>Governmental Activities:</i>		
Land and Improvements	28	24
Construction in progress	57	52
Buildings and improvements	15	15
Machinery & Equipment	13	12
Storm Drain	35	30
Streets	101	88
Parks	52	46
Less accumulated depreciation	(50)	(44)
Totals	251	223
<i>Business-type Activities</i>		
Land and Improvements	4	4
Construction in Progress	47	50
Sewer Lines and Improvements	41	38
Water Wells and Pipelines	84	78
Buildings and Improvements	7	8
Machinery and Equipment	16	15
Sewer Plant Expansion	41	41
Less accumulated depreciation	(62)	(58)
Totals	178	176

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>2009</u>	<u>2008</u>
<i>Governmental activities</i>		
Tax Allocation Bonds (issued by the Redevelopment Agency)	131.8	133.3
Installment Purchase Obligations	.1	.3
Energy Conservation Assistance Loans	.0	.1
Capital Lease	<u>1.9</u>	<u>1.5</u>
	<u>133.8</u>	<u>135.2</u>
<i>Business-type Activities</i>		
Sewer Revenue Bonds	51.6	35.3
Water Revenue Bonds	43.1	43.3
Lease Revenue Bonds	.2	.4
Energy Conservation Assistance Loans	.6	.9
Capital Lease	<u>.3</u>	<u>.3</u>
	<u>95.8</u>	<u>80.2</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 the City's Governmental Activities in a single column, and the financial position of all 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, and follows these with 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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$137,335,365	\$63,394,183	\$200,729,548
Restricted cash and investments (Note 3)	58,513,874	27,090,732	85,604,606
Accounts receivables, net	7,941,964	5,490,621	13,432,585
Taxes receivable	5,296,762		5,296,762
Interest receivable	680,455	389,561	1,070,016
Internal balances (Note 4D)	4,445,415	(4,445,415)	
Prepaid items and deposits	151,685	2,079	153,764
Long-term notes receivable (Note 5)	10,188,947		10,188,947
Employee notes receivable (Note 6)	115,418		115,418
Bond issue costs, net of amortization		1,282,754	1,282,754
Capital assets, not being depreciated (Note 7)	84,723,710	50,747,273	135,470,983
Capital assets, being depreciated (net) (Note 7)	166,069,719	126,944,100	293,013,819
	<u>475,463,314</u>	<u>270,895,888</u>	<u>746,359,202</u>
Total Assets			
LIABILITIES			
Contracts and accounts payable	8,994,810	12,206,783	21,201,593
Refundable deposits	5,319,466	1,663,968	6,983,434
Accrued liabilities	2,805,431	1,197,872	4,003,303
Unearned revenue	255,628		255,628
Compensated absences (Note 1G):			
Due within one year	371,039		371,039
Due in more than one year	3,347,430		3,347,430
Estimated claims liability (Note 13):			
Due within one year	161,458		161,458
Due in more than one year	2,890,785		2,890,785
Long-term debt (Note 8):			
Due within one year	2,241,560	1,607,399	3,848,959
Due in more than one year	131,584,840	94,223,491	225,808,331
OPEB liability (Note 11)	3,915,840	1,103,745	5,019,585
	<u>161,888,287</u>	<u>112,003,258</u>	<u>273,891,545</u>
Total Liabilities			
NET ASSETS (Note 9):			
Invested in capital assets, net of related debt	168,403,886	100,051,333	268,455,219
Restricted for:			
Capital projects	50,916,869	27,090,732	78,007,601
Debt service	34,030,065		34,030,065
Redevelopment projects	61,466,016		61,466,016
Special Revenue projects	1,714,665		1,714,665
	<u>148,127,615</u>	<u>27,090,732</u>	<u>175,218,347</u>
Total Restricted Net Assets			
Unrestricted	(2,956,474)	31,750,565	28,794,091
	<u>(2,956,474)</u>	<u>31,750,565</u>	<u>28,794,091</u>
Total Net Assets	<u>\$313,575,027</u>	<u>\$158,892,630</u>	<u>\$472,467,657</u>

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General government	\$5,058,599	\$3,863,991		
Community development	5,829,037	990,726		
Public safety	27,534,943	1,295,958	\$672,146	\$220,337
Library	136,037			
Public works	3,901,601		71,707	1,847,858
Parks and recreation	7,941,094	1,657,534	11,830	791,234
Streets and highways	5,112,187	164,000	3,561,468	22,211,520
Interest and fiscal charges	6,035,886			
Total Governmental Activities	61,549,384	7,972,209	4,317,151	25,070,949
Business-type Activities:				
Water	12,667,365	13,291,670		2,926,531
Sewer	11,067,524	15,084,085		1,553,958
Solid waste	8,712,715	7,994,026		
Golf	1,244,412	1,196,998		
Total Business-type Activities	33,692,016	37,566,779		4,480,489
Total	\$95,241,400	\$45,538,988	\$4,317,151	\$29,551,438

General revenues:
Taxes:
Property taxes
Sales taxes
Other taxes
Interest income
Intergovernmental, unrestricted:
Motor vehicle-in-lieu
Grants
Development agreements, unrestricted
Other revenue

Total general revenues and transfers

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
(\$1,194,608)		(\$1,194,608)
(4,838,311)		(4,838,311)
(25,346,502)		(25,346,502)
(136,037)		(136,037)
(1,982,036)		(1,982,036)
(5,480,496)		(5,480,496)
20,824,801		20,824,801
(6,035,886)		(6,035,886)
<u>(24,189,075)</u>		<u>(24,189,075)</u>
	\$3,550,836	3,550,836
	5,570,519	5,570,519
	(718,689)	(718,689)
	(47,414)	(47,414)
	<u>8,355,252</u>	<u>8,355,252</u>
<u>(24,189,075)</u>	<u>8,355,252</u>	<u>(15,833,823)</u>
27,225,355		27,225,355
9,278,231		9,278,231
3,854,252		3,854,252
4,641,537	3,891,990	8,533,527
244,605		244,605
418,794		418,794
842,274		842,274
1,625,719	436,866	2,062,585
<u>48,130,767</u>	<u>4,328,856</u>	<u>52,459,623</u>
23,941,692	12,684,108	36,625,800
<u>289,633,335</u>	<u>146,208,522</u>	<u>435,841,857</u>
<u>\$313,575,027</u>	<u>\$158,892,630</u>	<u>\$472,467,657</u>

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2009. 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, 2009

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
ASSETS					
Cash and investments (Note 3)	\$13,642,190	\$11,483,625	\$11,645,161	\$20,873,727	\$2,628,506
Restricted cash and investments (Note 3)			3,521,992	10,045,520	43,666,981
Accounts receivables (net of allowance for estimated uncollectible accounts)	401,812	10,000			
Taxes receivable	1,500,311			3,341,969	
Interest receivable	183,736	63,871	32,778	60,710	4,606
Due from other funds (Note 4B)	209,934				
Advances to other funds (Note 4C)	1,161,577				
Prepaid items	151,233			452	
Long-term notes receivable (Note 5)			10,347,729		1,791,749
Total Assets	\$17,250,793	\$11,557,496	\$25,547,660	\$34,322,378	\$48,091,842
LIABILITIES					
Contracts and accounts payable	\$576,919	\$100,899	\$25,050	\$287,313	\$313,270
Accrued liabilities	382				
Refundable deposits	1,503,658			5,000	
Due to other funds (Note 4B)					
Advances from other funds (Note 4C)					
Deferred revenue (Note 5)			10,347,729		1,487,437
Total Liabilities	2,080,959	100,899	10,372,779	292,313	1,800,707
FUND BALANCES					
Fund balance (Note 9):					
Reserved for:					
Encumbrances	24,310	106,817			801
Revolving fund, prepaid items, and advances	1,412,039				
Assets seizure	37,618				
Debt service	349,000			34,030,065	
Low and moderate income housing			15,174,881		
Long-term notes receivable					304,312
Capital outlay					
Unreserved:					
Designated for:					
Subsequent years' expenditures	1,577,000				26,426
PFIP excise tax expenditures	6,001,746				
Undesignated, reported in:					
General Fund	5,768,121				
Special Revenue Funds		11,349,780			
Capital Projects Fund					45,959,596
Total Fund Balances	15,169,834	11,456,597	15,174,881	34,030,065	46,291,135
Total Liabilities and Fund Balances	\$17,250,793	\$11,557,496	\$25,547,660	\$34,322,378	\$48,091,842

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>
\$2,971,518	\$25,482,647	\$31,580,774	\$120,308,148
		1,279,381	58,513,874
	3,099,487	4,362,654	7,873,953
		454,482	5,296,762
8,209	84,505	164,214	602,629
			209,934
	4,011,508	28,000	5,201,085
			151,685
<u>368,377</u>			<u>12,507,855</u>
<u>\$3,348,104</u>	<u>\$32,678,147</u>	<u>\$37,869,505</u>	<u>\$210,665,925</u>
\$242	\$933,868	\$557,331	\$2,794,892
			382
	3,120,671	690,137	5,319,466
		85,834	85,834
	879,770		879,770
<u>368,377</u>		<u>255,628</u>	<u>12,459,171</u>
<u>368,619</u>	<u>4,934,309</u>	<u>1,588,930</u>	<u>21,539,515</u>
		263,259	395,187
	4,011,508	3,291,070	8,714,617
			37,618
			34,379,065
			15,174,881
			304,312
	23,589,689	11,174,547	34,764,236
			1,603,426
			6,001,746
			5,768,121
		15,628,127	26,977,907
<u>2,979,485</u>	<u>142,641</u>	<u>5,923,572</u>	<u>55,005,294</u>
<u>2,979,485</u>	<u>27,743,838</u>	<u>36,280,575</u>	<u>189,126,410</u>
<u>\$3,348,104</u>	<u>\$32,678,147</u>	<u>\$37,869,505</u>	<u>\$210,665,925</u>

CITY OF MANTECA
 Reconciliation of the
 GOVERNMENTAL FUNDS-- BALANCE SHEET
 with the
 GOVERNMENTAL ACTIVITIES NET ASSETS
 JUNE 30, 2009

Total fund balances reported on the Governmental Funds Balance Sheet \$189,126,410

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.

248,994,934

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	17,027,217
Accounts receivable	68,011
Interest receivable	77,826
Employee notes receivable	115,418
Capital assets (net of accumulated depreciation)	1,798,495
Contracts and accounts payable	(99,017)
Accrued liabilities	(1,828,933)
Compensated absences	(3,718,469)
Long-term debt	(447,955)
Estimated claims liability	(3,052,243)
Net OPEB liability	(31,695)

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.

12,203,543

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	(133,378,445)
Interest payable	(976,116)
Net OPEB liability	(3,884,145)
Accounts payable	(6,100,901)
Amortization of conditional grants	(2,318,908)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$313,575,027

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, 2009

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
REVENUES					
Property taxes	\$11,031,346		\$3,733,266	\$12,460,743	
Sales taxes	5,540,084				
Other taxes	4,299,140				
Licenses and permits	1,044,031				
Fines and forfeitures	289,147				
Use of money and property	703,735	\$589,009	291,337	823,541	\$969,742
Revenue from other agencies	601,393				
Charges for current services	7,276,873	785,081			
Other revenue	98,306	57,193	1,000	20	1,889
Total Revenues	30,884,055	1,431,283	4,025,603	13,284,304	971,631
EXPENDITURES					
Current:					
General government	3,397,186	359,583			
Community development	2,661,775	191,062	1,136,835	2,340,912	6,675
Public safety	20,961,027	4,693			
Library	101,234	30,000			
Public works	3,379,155	38,205			243
Parks and recreation	4,121,756				
Streets and highways					
Nondepartmental	1,078,035			315,930	
Capital outlay		1,414,957			7,404,946
Debt service:					
Principal	258,861		142,340	1,347,660	
Interest and fiscal charges	28,117		296,423	5,715,942	
Total Expenditures	35,987,146	2,038,500	1,575,598	9,720,444	7,411,864
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,103,091)	(607,217)	2,450,005	3,563,860	(6,440,233)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligations (Note 8)					
Transfers in (Note 4A)	6,000,000			3,183,981	69,561
Transfers (out) (Note 4A)	(206,196)	(6,000,000)		(69,561)	(3,183,981)
Total Other Financing Sources (Uses)	5,793,804	(6,000,000)		3,114,420	(3,114,420)
NET CHANGE IN FUND BALANCES	690,713	(6,607,217)	2,450,005	6,678,280	(9,554,653)
BEGINNING FUND BALANCES	14,479,121	18,063,814	12,724,876	27,351,785	55,845,788
ENDING FUND BALANCES	\$15,169,834	\$11,456,597	\$15,174,881	\$34,030,065	\$46,291,135

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>
			\$27,225,355
		\$3,738,147	9,278,231
			4,299,140
		974,134	2,018,165
			289,147
\$71,103	\$866,585	1,518,294	5,833,346
		6,571,670	7,173,063
	1,587,271	2,611,580	12,260,805
	743	379,666	538,817
<u>71,103</u>	<u>2,454,599</u>	<u>15,793,491</u>	<u>68,916,069</u>
	514,903	49,145	4,320,817
126,632		32,083	6,495,974
		3,216,386	24,182,106
			131,234
8,166		788,997	4,214,766
		1,968,671	6,090,427
		2,533,710	2,533,710
			1,393,965
13,150	1,325,967	3,409,035	13,568,055
		234,516	1,983,377
		59,664	6,100,146
<u>147,948</u>	<u>1,840,870</u>	<u>12,292,207</u>	<u>71,014,577</u>
<u>(76,845)</u>	<u>613,729</u>	<u>3,501,284</u>	<u>(2,098,508)</u>
		164,949	164,949
		206,196	9,459,738
			(9,459,738)
		371,145	164,949
(76,845)	613,729	3,872,429	(1,933,559)
<u>3,056,330</u>	<u>27,130,109</u>	<u>32,408,146</u>	<u>191,059,969</u>
<u>\$2,979,485</u>	<u>\$27,743,838</u>	<u>\$36,280,575</u>	<u>\$189,126,410</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, 2009

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 (\$1,933,559)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance.	14,886,860
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$540,550 which has already been allocated to serviced funds).	(5,912,262)
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.	18,426,336

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Proceeds from capital lease obligations are deducted from fund balance.	(164,949)
Repayment of debt principal is added back to fund balance.	1,983,377

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	674,636
Contracts and accounts payable	96,578
Interest payable	64,260
Allowance for conditional grants	(80,686)
Net OPEB liability	(3,884,145)

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	(214,754)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$23,941,692
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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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$11,005,300	\$11,005,300	\$11,031,346	\$26,046
Sales taxes	6,595,000	6,595,000	5,540,084	(1,054,916)
Other taxes	4,465,500	4,465,500	4,299,140	(166,360)
Licenses and permits	1,398,200	1,398,200	1,044,031	(354,169)
Fines and forfeitures	222,500	411,500	289,147	(122,353)
Use of money and property	495,000	495,000	703,735	208,735
Revenue from other agencies	820,000	820,000	601,393	(218,607)
Charges for current services	7,384,800	7,673,860	7,276,873	(396,987)
Other revenue	90,500	90,500	98,306	7,806
Total Revenues	32,476,800	32,954,860	30,884,055	(2,070,805)
EXPENDITURES:				
Current:				
General government				
Legislative	689,785	689,785	613,494	76,291
City Attorney	159,120	159,120	151,237	7,883
Administration	727,660	727,660	617,596	110,064
Administrative services	431,065	431,065	425,542	5,523
Financial services	998,675	1,003,360	838,998	164,362
Information systems	756,330	779,850	750,319	29,531
Total general government	3,762,635	3,790,840	3,397,186	393,654
Community development				
Development services	2,104,135	2,118,084	1,590,135	527,949
Building inspection	1,053,426	1,067,426	1,071,640	(4,214)
Total community development	3,157,561	3,185,510	2,661,775	523,735
Public safety				
Police	15,657,042	15,945,410	13,967,329	1,978,081
Fire	6,938,825	7,017,840	6,689,848	327,992
Animal control	323,570	323,570	303,850	19,720
Total public safety	22,919,437	23,286,820	20,961,027	2,325,793
Library	121,470	121,470	101,234	20,236
Public works				
Engineering	1,847,212	1,980,151	1,600,914	379,237
Street maintenance	382,740	382,740	348,085	34,655
Storm drain maintenance and operation	494,575	555,542	398,114	157,428
Vehicle maintenance	440,980	440,980	380,277	60,703
Building maintenance	677,578	677,928	651,765	26,163
Total public works	3,843,085	4,037,341	3,379,155	658,186
Parks and recreation				
Park facility maintenance	4,223,180	4,223,180	3,879,049	344,131
Senior center	245,910	245,910	242,707	3,203
Total parks and recreation	4,469,090	4,469,090	4,121,756	347,334
Nondepartmental charges	1,039,107	1,172,326	1,078,035	94,291

(Continued)

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Capital outlay	28,000	57,635		57,635
Debt service:				
Principal	258,865	258,865	258,861	4
Interest and fiscal charges	28,130	28,130	28,117	13
Total Expenditures	<u>39,627,380</u>	<u>40,408,027</u>	<u>35,987,146</u>	<u>4,420,881</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,150,580)</u>	<u>(7,453,167)</u>	<u>(5,103,091)</u>	<u>2,350,076</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000,000	6,000,000	6,000,000	
Transfers (out)	<u>(200,000)</u>	<u>(203,242)</u>	<u>(206,196)</u>	<u>(2,954)</u>
Total Other Financing Sources (Uses)	<u>5,800,000</u>	<u>5,796,758</u>	<u>5,793,804</u>	<u>(2,954)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$1,350,580)</u></u>	<u><u>(\$1,656,409)</u></u>	690,713	<u><u>\$2,347,122</u></u>
BEGINNING FUND BALANCE			<u>14,479,121</u>	
ENDING FUND BALANCE			<u><u>\$15,169,834</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, 2009

	<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	\$589,009	\$104,009
Charges for current services	1,431,400	1,431,400	785,081	(646,319)
Other revenue	73,000	73,000	57,193	(15,807)
Total Revenues	<u>1,989,400</u>	<u>1,989,400</u>	<u>1,431,283</u>	<u>(558,117)</u>
EXPENDITURES:				
Current:				
General government	380,000	1,145,932	359,583	786,349
Community development			191,062	(191,062)
Public safety			4,693	(4,693)
Library			30,000	(30,000)
Public works		456,836	38,205	418,631
Capital outlay	<u>1,056,000</u>	<u>5,177,457</u>	<u>1,414,957</u>	<u>3,762,500</u>
Total Expenditures	<u>1,436,000</u>	<u>6,780,225</u>	<u>2,038,500</u>	<u>4,741,725</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>553,400</u>	<u>(4,790,825)</u>	<u>(607,217)</u>	<u>4,183,608</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(6,000,000)</u>	<u>(6,000,000)</u>	<u>(6,000,000)</u>	
Total Other Financing Sources (Uses)	<u>(6,000,000)</u>	<u>(6,000,000)</u>	<u>(6,000,000)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$5,446,600)</u>	<u>(\$10,790,825)</u>	<u>(6,607,217)</u>	<u>\$4,183,608</u>
BEGINNING FUND BALANCE			<u>18,063,814</u>	
ENDING FUND BALANCE			<u>\$11,456,597</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$3,689,785	\$3,689,785	\$3,733,266	\$43,481
Use of money and property	250,000	250,000	291,337	41,337
Other revenue			1,000	1,000
			<u>1,000</u>	<u>1,000</u>
Total Revenues	<u>3,939,785</u>	<u>3,939,785</u>	<u>4,025,603</u>	<u>85,818</u>
EXPENDITURES:				
Current:				
Community development	7,890,230	9,903,633	1,136,835	8,766,798
Debt service:				
Principal	141,900	141,900	142,340	(440)
Interest and fiscal charges	303,100	303,100	296,423	6,677
			<u>296,423</u>	<u>6,677</u>
Total Expenditures	<u>8,335,230</u>	<u>10,348,633</u>	<u>1,575,598</u>	<u>8,773,035</u>
NET CHANGE IN FUND BALANCE	<u>(\$4,395,445)</u>	<u>(\$6,408,848)</u>	2,450,005	<u>\$8,858,853</u>
BEGINNING FUND BALANCE			<u>12,724,876</u>	
ENDING FUND BALANCE			<u>\$15,174,881</u>	

See accompanying notes to basic financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City has determined all of its enterprise funds to be major funds in fiscal 2009, 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, 2009

	<u>Business-type Activities-Enterprise Funds</u>					Governmental Activities- Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total</u>	
ASSETS						
Current assets						
Cash and investments (Note 3)	\$40,468,565	\$17,508,391	\$5,417,227		\$63,394,183	\$17,027,217
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,958,458	2,596,373	901,762	\$34,028	5,490,621	68,011
Interest receivable	221,579	136,817	31,165		389,561	77,826
Total current assets	42,648,602	20,241,581	6,350,154	34,028	69,274,365	17,173,054
Non-current assets						
Restricted cash and investments (Note 3)	4,982,824	21,890,269		217,639	27,090,732	
Advances to other funds (Note 4C)	360,560	907,091			1,267,651	
Prepaid items and deposits	693	693	693		2,079	
Employee notes receivable (Note 6)						115,418
Bond issue costs/premium, net	61,792	1,219,907		1,055	1,282,754	
Capital assets not being depreciated (Note 7)	707,324	49,017,161	385	1,022,403	50,747,273	
Capital assets (net of accumulated depreciation) (Note 7)	<u>65,056,713</u>	<u>57,929,760</u>	<u>2,697,585</u>	<u>1,260,042</u>	<u>126,944,100</u>	<u>1,798,495</u>
Total non-current assets	71,169,906	130,964,881	2,698,663	2,501,139	207,334,589	1,913,913
Total Assets	113,818,508	151,206,462	9,048,817	2,535,167	276,608,954	19,086,967
LIABILITIES						
Current liabilities						
Contracts and accounts payable	4,186,702	7,808,607	189,878	21,596	12,206,783	99,017
Accrued liabilities						1,828,933
Refundable deposits	956,260	707,708			1,663,968	
Interest payable	976,305	216,266		5,301	1,197,872	
Due to other funds (Note 4B)				124,100	124,100	
Compensated absences (Note 1G)						371,039
Estimated claims liability (Note 13)						161,458
Revenue bonds (Note 8)	360,000	635,000		225,000	1,220,000	
Energy conservation assistance loans payable (Note 8)	55,402	274,832			330,234	
Capital lease obligations (Note 8)	23,552	33,613			57,165	85,694
Total current liabilities	6,558,221	9,676,026	189,878	375,997	16,800,122	2,546,141
Long-term liabilities						
Advances from other funds (Note 4C)	2,423,769	1,975,620		1,189,577	5,588,966	
Compensated absences (Note 1G)						3,347,430
Estimated claims liability (Note 13)						2,890,785
Revenue bonds (Note 8)	42,715,000	51,000,000			93,715,000	
Energy conservation assistance loans payable (Note 8)		283,139			283,139	
Capital lease obligations (Note 8)	92,843	132,509			225,352	362,261
OPEB liability (Note 11)	285,643	332,883	415,999	69,220	1,103,745	31,695
Total long-term liabilities	45,517,255	53,724,151	415,999	1,258,797	100,916,202	6,632,171
Total Liabilities	52,075,476	63,400,177	605,877	1,634,794	117,716,324	9,178,312
NET ASSETS (Note 9):						
Invested in capital assets, net of related debt	22,517,240	72,778,678	2,697,970	2,057,445	100,051,333	1,350,540
Restricted for capital projects	4,982,824	21,890,269		217,639	27,090,732	
Unrestricted	<u>34,242,968</u>	<u>(6,862,662)</u>	<u>5,744,970</u>	<u>(1,374,711)</u>	<u>31,750,565</u>	<u>8,558,115</u>
Total Net Assets	\$61,743,032	\$87,806,285	\$8,442,940	\$900,373	\$158,892,630	\$9,908,655

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, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
OPERATING REVENUES						
Charges for services	\$13,291,670	\$15,084,085	\$7,994,026	\$1,196,998	\$37,566,779	\$599,263
Settlements						5,000
Insurance premium contribution from other funds						1,824,564
Miscellaneous	265,508	12,448	158,595	315	436,866	40,980
Total Operating Revenues	13,557,178	15,096,533	8,152,621	1,197,313	38,003,645	2,469,807
OPERATING EXPENSES						
Personnel services	2,848,788	3,378,435	4,234,758	781,296	11,243,277	599,475
Contractual services	297,405	546,587	1,734,258	88,883	2,667,133	498,472
Supplies	2,888,817	508,215	527,586	52,747	3,977,365	219,757
Utilities	409,621	912,225	10,191	42,899	1,374,936	410
Repairs and maintenance	32,656	224,944	24,473	26,509	308,582	
Vehicle maintenance and operations	46,534	70,990	665,259	40,884	823,667	
Interdepartmental	1,111,425	1,412,715	849,800		3,373,940	119,950
Insurance	145,496	192,091	156,589	6,439	500,615	1,410,565
Claims						49,765
Depreciation	2,863,701	1,619,244	493,211	115,939	5,092,095	540,550
Miscellaneous	51,181	98,827	16,590	2,741	169,339	
Total Operating Expenses	10,695,624	8,964,273	8,712,715	1,158,337	29,530,949	3,438,944
Operating Income (Loss)	2,861,554	6,132,260	(560,094)	38,976	8,472,696	(969,137)
NONOPERATING REVENUES (EXPENSES)						
Interest income	2,220,006	1,382,029	288,822	1,133	3,891,990	759,960
Interest (expense)	(1,971,741)	(2,103,251)		(34,075)	(4,109,067)	(5,577)
Lease (expenses)				(52,000)	(52,000)	
Net Nonoperating Revenues (Expenses)	248,265	(721,222)	288,822	(84,942)	(269,077)	754,383
Income (Loss) Before Contributions and Transfers	3,109,819	5,411,038	(271,272)	(45,966)	8,203,619	(214,754)
Contributions	2,926,531	1,553,958			4,480,489	
Net Contributions and Transfers	2,926,531	1,553,958			4,480,489	
Change in net assets	6,036,350	6,964,996	(271,272)	(45,966)	12,684,108	(214,754)
BEGINNING NET ASSETS	55,706,682	80,841,289	8,714,212	946,339	146,208,522	10,123,409
ENDING NET ASSETS	\$61,743,032	\$87,806,285	\$8,442,940	\$900,373	\$158,892,630	\$9,908,655

See accompanying notes to basic financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$13,460,807	\$14,640,132	\$8,118,991	\$1,196,963	\$37,416,893	\$2,370,134
Payments to suppliers	(4,328,091)	(3,092,820)	(3,134,031)	(262,677)	(10,817,619)	(2,232,589)
Payments to employees	(2,563,145)	(3,045,552)	(3,818,759)	(712,076)	(10,139,532)	(320,420)
Internal activity - payments to other funds	(1,111,425)	(1,412,715)	(849,800)		(3,373,940)	
Receipts on employee notes receivable						11,596
Claims paid						(49,765)
Cash Flows from Operating Activities	5,458,146	7,089,045	316,401	222,210	13,085,802	(221,044)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts and payments		(9,026,893)		124,099	(8,902,794)	
Cash Flows from Noncapital Financing Activities		(9,026,893)		124,099	(8,902,794)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(1,721,499)	(648,821)	(288,875)	(54,207)	(2,713,402)	(292,670)
Long-term debt payment - principal	(326,736)	(2,933,061)		(205,000)	(3,464,797)	
Long-term debt payment - interest	(1,971,421)	(2,133,470)		(37,426)	(4,142,317)	(4,523)
Proceeds from long-term obligations		19,000,000			19,000,000	460,462
Lease payments				(52,000)	(52,000)	(12,507)
Cash Flows from Capital and Related Financing Activities	(4,019,656)	13,284,648	(288,875)	(348,633)	8,627,484	150,762
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	2,310,564	1,431,279	302,551	1,133	4,045,527	812,843
Cash Flows from Investing Activities	2,310,564	1,431,279	302,551	1,133	4,045,527	812,843
Net Cash Flows	3,749,054	12,778,079	330,077	(1,191)	16,856,019	742,561
Cash and investments at beginning of period	41,702,335	26,620,581	5,087,150	218,830	73,628,896	16,284,656
Cash and investments at end of period	<u>\$45,451,389</u>	<u>\$39,398,660</u>	<u>\$5,417,227</u>	<u>\$217,639</u>	<u>\$90,484,915</u>	<u>\$17,027,217</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	\$2,861,554	\$6,132,260	(\$560,094)	\$38,976	\$8,472,696	(\$969,137)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation	2,863,701	1,619,244	493,211	115,939	5,092,095	540,550
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	(213,102)	(707,292)	(33,630)	(350)	(954,374)	2,603
Related party notes receivable						11,596
Prepaid items	1,988	1,988	1,988		5,964	
Accounts payable and other accrued expenses	(341,638)	(290,038)	(1,073)	(1,575)	(634,324)	(116,498)
Accrued liabilities						30,787
Compensated absences						247,360
OPEB liability	285,643	332,883	415,999	69,220	1,103,745	31,695
Cash Flows from Operating Activities	\$5,458,146	\$7,089,045	\$316,401	\$222,210	\$13,085,802	(\$221,044)
Noncash transactions:						
Contributions of capital assets, net	<u>\$2,926,531</u>	<u>\$1,553,958</u>			<u>\$4,480,489</u>	

See accompanying notes to basic financial statements

FIDUCIARY FUNDS

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, 2009

<u>Assets</u>	
Cash and investments (Note 3)	\$611,400
Restricted cash and investments (Note 3)	<u>217,477</u>
Total Assets	<u><u>\$828,877</u></u>
<u>Liabilities</u>	
Due to stakeholders	<u>\$828,877</u>
Total Liabilities	<u><u>\$828,877</u></u>

See accompanying notes to basic financial statements

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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 U.S.A.

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, 2009

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, 2009

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, 2009

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, 2009

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	\$3,471,109
Additions	8,219,706
Payments	<u>(7,972,346)</u>
Ending Balance	<u><u>\$3,718,469</u></u>
Current Portion	<u><u>\$371,039</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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 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. *Adjustments to GAAP Basis from Budgetary Basis*

Capital projects expenditures in the Special Revenue Funds and Capital Improvement Funds are budgeted on a project length basis, with the exception of capital projects expenditures in the Community Development Block Grant, Police Grants, Subsidized Cab Transportation, Federal Transit Management, Recreation, Development Mitigation, Major Equipment Purchase Fee, and Landscape and Lighting Maintenance District Special Revenue Funds, and the State Gasoline Tax and Government Building Facilities Capital Improvement Funds. Accordingly, the results of these funds' operations reported on the GAAP basis differ from the results of these funds operations reported on the budgetary basis. A budget basis to GAAP basis reconciliation is included, where applicable, on each Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual.

C. *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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009 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.

	1900
Cash and investments available for City operations	\$200,729,548
Restricted cash and investments	85,604,606
Total City cash and investments of primary government	286,334,154
Cash and investments in Fiduciary Funds	828,877
Total cash and investments	\$287,163,031

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$3,275
Deposits with financial institutions	2,511,850
Investments	284,647,906
Total cash and investments	\$287,163,031

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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	\$40 million/account	\$40 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, 2009

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, 2009

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

Investment Type	12 Months or less	13 to 24 Months	25 to 36 Months	More than 36 Months	Total
<i>Held by City:</i>					
U.S. Government Agency Obligations:					
Non-callable		\$24,407,574	\$10,734,965		\$35,142,539
Callable	\$25,095,976				25,095,976
Corporate Notes		7,029,022	13,775,169		20,804,191
U.S. Treasury Notes		22,405,186	27,315,799		49,720,985
California Local Agency Investment Fund	67,011,932				67,011,932
Money Market Mutual Funds (U.S. Securities)	754,566				754,566
<i>Held by Trustees:</i>					
California Local Agency Investment Fund	1,115,083				1,115,083
Money Market Mutual Funds (U.S. Securities)	71,079,732				71,079,732
Guaranteed Investment Contracts	457,883		1,428,034	\$11,819,508	13,705,425
California Asset Management Program	217,477				217,477
Total Investments	<u>\$165,732,649</u>	<u>\$53,841,782</u>	<u>\$53,253,967</u>	<u>\$11,819,508</u>	<u>\$284,647,906</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, 2009, these investments have an average maturity of 235 days.

The City is a voluntary 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, 2009, the fair value approximated is the City's cost. At June 30, 2009, these investments have an average maturity of 57 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, have an average maturity of 49 to 76 days.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA	AA-	A+	AAAm	Total
Held by City:					
U.S. Government Agency Obligations:					
Non-callable	\$35,142,539				\$35,142,539
Callable	25,095,976				25,095,976
Corporate Notes	15,276,821	\$3,170,408	\$2,356,962		20,804,191
Money Market Mutual Funds (U.S. Securities)				\$754,566	754,566
Held by Trustees:					
California Asset Management Program				217,477	217,477
Money Market Mutual Funds (U.S. Securities)				71,079,732	71,079,732
Totals	<u>\$75,515,336</u>	<u>\$3,170,408</u>	<u>\$2,356,962</u>	<u>\$72,051,775</u>	<u>153,094,481</u>
Not rated:					
California Local Agency Investment Fund					68,127,015
Guaranteed Investment Contracts					13,705,425
Exempt from credit rating disclosure:					
U.S. Treasury Notes					49,720,985
Total Investments					<u>\$284,647,906</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
Governmental Activities:			
	Federal National Mortgage Association	United States Government Agency Obligations	\$25,306,618
	Federal Home Loan Bank Corporation	United States Government Agency Obligations	18,871,505
	Federal Home Loan Bank	United States Government Agency Obligations	16,060,392
Major Funds:			
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, 2009

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	Amount Transferred	
General Fund	Development Mitigation Fund	\$6,000,000	A
Redevelopment Debt Service Fund	Redevelopment Capital Improvement Fund	3,183,981	B
Redevelopment Capital Improvement Fund	Redevelopment Debt Service Fund	69,561	B
Non-Major Governmental Funds	General Fund	206,196	C
	Total Interfund Transfers	<u>\$9,459,738</u>	

A To fund debt service, capital projects, and personnel costs

B Recurring transfer, trust activity

C To fund recreation activities and police activities

B. Current Interfund Balances

Current interfund balances arise mainly due to the time lag between the dates that (1) interfund good 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, 2009, interfund balances were as follows:

<u>Due To Funds</u>	<u>Due From Other Funds</u>	Amount
General Fund	Golf Enterprise Fund	\$124,100
	Non-Major Governmental Funds	85,834
	Total	<u>\$209,934</u>

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

At June 30, 2009 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 developers and golf fees.

(Asset) Fund Making Advance	(Liability) Fund Receiving Advance	Amount of Advance
General Fund	Golf Fund	\$1,161,577
Public Facilities Implementation Plan Fund	Water Fund	2,035,888
	Sewer Fund	1,975,620
Water Fund	Public Facilities Implementation Plan Fund	360,560
Sewer Fund	Public Facilities Implementation Plan Fund	519,210
	Water Fund	387,881
Non-Major Governmental Funds	Golf Fund	28,000
	Total Advances	<u>\$6,468,736</u>

Golf Advances

Advances above in the amount of \$1,189,577 have been made from the General and Parks Funds, 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 \$5,279,159 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 seventeen years.

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, 2009

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, 2009, these Notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,438,694
Down Payment Assistance Program	2,324,570
Residential Rehabilitation	356,960
First-Time Homebuyer Program	90,000
AKF Development, LLC	54,080
Mid-Peninsula Housing Coalition	2,500,000
Eden Housing Inc. - Union Court Apartment	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	701,683
MUSD Community Gym	<u>304,312</u>
 Total notes receivable	 12,507,855
Less: Allowance for conditional grants	<u>2,318,908</u>
 Net long-term notes receivable	 <u><u>\$10,188,947</u></u>

Deferred revenue at June 30, 2009 consisted of the outstanding balances of the above notes, except for the \$304,312 loan to MUSD for the community gym.

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.

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, 2009

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, 2009, three loans have been repaid. The terms of the remaining loan call for an interest rate of 5 percent; the loan is due in 2010. At June 30, 2009, the total outstanding balance on this loan was \$1,438,694.

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 is 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.

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. At June 30, 2009, loans related to this Program in the amount of \$574,025 had been extended. 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. The loans mature in 2008-2011. Under the terms of the Program, loans must be repaid in full if the property is sold to a nonqualified buyer.

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, 2009, loans related to this Program in the amount of \$1,750,545 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, 2009, loans receivable under this program totaled \$330,233.

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, 2009, loans receivable under this program totaled \$26,726.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009 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, due the earliest of the sixth anniversary or 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, 2009, 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 construction completion of the project. Principal and interest payments will be due annually and equal to 50% of residual receipts, if any. 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, 2009, 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, 2009

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, 2009, 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 to be used for the development costs for the fifty-two-unit apartment complex available for low income households. The Agency agreed to forgive the loans after fifty-five years based on program provisions; the loan bears a 3 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, 2009, \$701,683 has been drawn down from the loan and remains outstanding.

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 2009 the Agency withheld \$695,688 of the tax increment from MUSD. As of June 30, 2009, the principal balance outstanding was \$304,312.

Q. Conditional Grants

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

NOTE 6 – EMPLOYEE NOTES RECEIVABLE

All full-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$3,000 to purchase a computer. All requests for loans are subject to review by the employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally over a three year period. Employees must repay the outstanding balance of their loans upon ending their employment with the City. As of June 30, 2009, 105 employees had notes totaling \$115,418 due to the City.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 7 - CAPITAL ASSETS

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

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

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

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

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2009 were as follows:

<i>Governmental activities</i>	Balance at June 30, 2008	Additions	Retirements	Transfers and Adjustments	Balance at June 30, 2009
Capital assets not being depreciated:					
Land and improvements	\$24,136,386	\$1,179,224		\$2,283,583	\$27,599,193
Construction in progress	52,272,094	12,692,765		(7,840,342)	57,124,517
Total capital assets not being depreciated	<u>76,408,480</u>	<u>13,871,989</u>		<u>(5,556,759)</u>	<u>84,723,710</u>
Capital assets being depreciated:					
Buildings and improvements	14,898,301	54,557	(\$7,089)		14,945,769
Machinery and equipment	12,047,423	1,096,497	(335,885)		12,808,035
Storm drain	30,422,379	4,121,004		1,000,624	35,544,007
Streets	88,018,738	9,789,558		3,445,330	101,253,626
Parks	45,769,346	4,967,075		1,110,805	51,847,226
Total capital assets being depreciated	<u>191,156,187</u>	<u>20,028,691</u>	<u>(342,974)</u>	<u>5,556,759</u>	<u>216,398,663</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,265,090)	(479,660)	7,089		(5,737,661)
Machinery and equipment	(6,864,222)	(948,435)	234,227		(7,578,430)
Storm drain	(4,613,311)	(616,357)			(5,229,668)
Streets	(23,399,981)	(2,888,333)			(26,288,314)
Parks	(3,974,844)	(1,520,027)			(5,494,871)
Total accumulated depreciation	<u>(44,117,448)</u>	<u>(6,452,812)</u>	<u>241,316</u>		<u>(50,328,944)</u>
Net capital assets being depreciated	<u>147,038,739</u>	<u>13,575,879</u>	<u>(101,658)</u>	<u>5,556,759</u>	<u>166,069,719</u>
Governmental activity capital assets, net	<u>\$223,447,219</u>	<u>\$27,447,868</u>	<u>(\$101,658)</u>		<u>\$250,793,429</u>

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 7 - CAPITAL ASSETS (Continued)

<i>Business-type activities</i>	Balance at June 30, 2008	Additions	Retirements	Transfers and Adjustments	Balance at June 30, 2009
Capital assets not being depreciated:					
Land and improvements	\$4,059,848				\$4,059,848
Construction in progress	49,648,712	\$1,144,791		(\$4,106,078)	46,687,425
Total capital assets not being depreciated	<u>53,708,560</u>	<u>1,144,791</u>		<u>(4,106,078)</u>	<u>50,747,273</u>
Capital assets being depreciated:					
Sewer lines and improvements	38,204,102	1,553,958		1,223,430	40,981,490
Water wells, pipelines and water rights	78,244,362	2,946,647		2,881,772	84,072,781
Buildings and improvements	7,365,714	18,701			7,384,415
Machinery and equipment	15,045,772	1,324,377	(\$640,649)		15,729,500
Infrastructure	47,335			876	48,211
Sewer plant expansion	40,912,342				40,912,342
	<u>179,819,627</u>	<u>5,843,683</u>	<u>(640,649)</u>	<u>4,106,078</u>	<u>189,128,739</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(10,423,908)	(761,016)			(11,184,924)
Water wells, pipelines and water rights	(19,623,266)	(2,639,739)			(22,263,005)
Buildings and improvements	(2,495,903)	(271,756)			(2,767,659)
Machinery and equipment	(9,588,846)	(797,402)	547,399		(9,838,849)
Infrastructure	(8,733)	(1,594)			(10,327)
Sewer plant expansion	(15,499,285)	(620,588)			(16,119,873)
	<u>(57,639,941)</u>	<u>(5,092,095)</u>	<u>547,399</u>		<u>(62,184,637)</u>
Net capital assets being depreciated	<u>122,179,686</u>	<u>751,588</u>	<u>(93,250)</u>	<u>4,106,078</u>	<u>126,944,102</u>
Total Business-type activity capital assets, net	<u>\$175,888,246</u>	<u>\$1,896,379</u>	<u>(\$93,250)</u>		<u>\$177,691,375</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, 2009

NOTE 7 - CAPITAL ASSETS (Continued)
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C. Depreciation Allocation

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

Governmental Activities	
General government	\$17,134
Community development	31,664
Public safety	591,488
Public works	1,235,972
Parks and recreation	1,658,767
Streets and highways	<u>2,917,787</u>
Total Governmental Activities	<u><u>\$6,452,812</u></u>
Business-Type Activities	
Water	\$2,863,701
Sewer	1,619,244
Solid waste	493,211
Golf	<u>115,939</u>
Total Business-Type Activities	<u><u>\$5,092,095</u></u>

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Debt:						
Redevelopment Agency Tax						
Allocation Bonds -						
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$30,765,000	\$28,610,000		\$735,000	\$27,875,000	\$765,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	25,925,000	25,925,000		645,000	25,280,000	665,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	5,310,000	5,310,000		110,000	5,200,000	115,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	50,760,000	50,760,000			50,760,000	235,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	22,675,000	22,675,000			22,675,000	
Installment Purchase Obligations -						
Storm Drain, 5.85%	1,911,200	317,095		208,337	108,758	108,758
Energy Conservation Assistance						
Loans, 3%	239,165	63,749		31,399	32,350	32,350
Capital Leases						
Iron Project, 5.3%	947,049	507,900		81,819	426,081	86,213
Fire Engine, 3.58%	350,000	37,860		37,860		
Fire Engine, 4.60%	1,055,000	990,269		133,962	856,307	140,195
Telephone System, 4.025% (Internal Service)	460,462		\$460,462	12,507	447,955	85,694
Boom Truck, 4.48%	164,949		164,949		164,949	8,350
Total Governmental Activity Debt	\$140,562,825	\$135,196,873	\$625,411	\$1,995,884	\$133,826,400	\$2,241,560
Business-type Activity Debt:						
Sewer Revenue Bonds						
Series 2003-A Bonds, 2.35-4.50%	\$18,155,000	\$18,155,000		\$235,000	\$17,920,000	\$635,000
Series 2003-B Bonds, 5.00%	25,665,000	17,115,000		2,400,000	14,715,000	
Series 2009 Bonds, 4.875-5.75%	19,000,000		\$19,000,000		19,000,000	
2003 Water Revenue Bonds, 2.00-5.00%	43,325,000	43,325,000		250,000	43,075,000	360,000
Lease Revenue Bonds, 6.625-8.10%	2,200,000	430,000		205,000	225,000	225,000
Energy Conservation Assistance						
Loans, 3%	2,401,332	933,919		320,546	613,373	330,234
Capital Lease, 5.3%	627,951	336,768		54,251	282,517	57,165
Total Business - Type Activity Debt	\$111,374,283	\$80,295,687	\$19,000,000	\$3,464,797	\$95,830,890	\$1,607,399

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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.

As discussed above, the Agency has pledged all future tax increment revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project for the repayment of both the 2002 Subordinated Tax Allocation Refunding Bonds and 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds. The pledge of all future tax increment revenues end upon repayment of the combined remaining debt service of \$97,171,532 on the Bonds above, which is scheduled to occur in 2037. Projected tax increment revenues are expected to provide coverage over debt service of 100 percent over the life of the two Bonds. For fiscal year 2009, tax increment revenues amounted to \$12,460,743, which represented coverage of 316% over the \$3,941,640 of debt service of the two Bonds.

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, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$9,071,935 remaining debt service on the Bonds, which is scheduled to occur in 2035. Projected tax increment revenues are expected to provide coverage over debt service of 100% over the life of the Bonds. For fiscal year 2009, tax increment revenue amounted to \$3,733,266, which represented coverage of 1,066% over the \$350,072 of debt service.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

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

The 2005 Subordinated Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from XL Capital Assurance and a standby purchase agreement with State Street Corporation. The interest rate on the Bonds resets daily according to market conditions and is capped at 12%. During fiscal year 2008, the Agency substituted an irrevocable letter of credit issued by State Street Bank and Trust Company for the standby purchase agreement in order to remarket the bonds at lower interest rates. The Street Bank and Trust Company's letter of credit is valid through May 13, 2010. 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.

The Agency has pledged all future tax increment, 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, for the repayment of both the 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 \$97,171,532 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 two Bonds. For fiscal year 2009, subordinated tax increment revenues amounted to \$12,252,369 which represented coverage of 309% over the \$3,941,640 of debt service of the two Bonds.

C. *Interest Rate Swap Agreement*

The Agency entered into an interest rate swap in connection with 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 3.356 %.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2009, 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	Issuer Pays	Issuer Receives	Maturity/ Termination Date
Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005	\$50,760,000	12/13/2005	Piper Jaffray Financial Products Inc, with credit guarantee by Morgan	Aa3/A+/AA-	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. On June 30, 2009, the swap had a negative value of \$5,923,352 to the Agency.

Credit risk. As of June 30, 2009, 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 Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch 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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

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

Swap payments and associated debt. Using rates as of June 30, 2009, debt service requirements of the Authority'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 J below:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total Interest
	Principal	Interest		
2010	\$235,000	\$111,672	\$1,591,834	\$1,703,506
2011	475,000	111,155	1,584,464	1,695,619
2012	490,000	110,110	1,569,568	1,679,678
2013	690,000	109,032	1,554,202	1,663,234
2014	725,000	107,514	1,532,563	1,640,077
2015-2019	5,805,000	508,497	7,248,393	7,756,890
2020-2024	7,000,000	436,667	6,224,489	6,661,156
2025-2029	6,970,000	351,879	5,015,875	5,367,754
2030-2034	5,010,000	292,776	4,173,388	4,466,164
2035-2039	10,420,000	220,308	3,140,391	3,360,699
2040-2044	12,940,000	72,512	1,033,625	1,106,137
Totals	<u>\$50,760,000</u>	<u>\$2,432,122</u>	<u>\$34,668,792</u>	<u>\$37,100,914</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.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the Sewer Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net sewer revenues. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$59,281,151. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$4,266,425 and \$6,356,027, respectively.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

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 Sewer Revenue Bonds through 2036. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net sewer revenues. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$101,195,419. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$4,266,425 and \$6,356,027 respectively.

E. Water Revenue Bonds

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

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Water Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$74,975,188. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,201,624 and \$3,239,743, 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 are 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 are payable semi-annually each March 15, and September 15, through March 15, 2010.

The City has pledged all future golf course revenues to repay the Lease Revenue Bonds through 2010. Annual principal and interest payments on the bonds are expected to require less than 100 percent of golf revenues. The Golf Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$238,771. The Golf Enterprise Fund's principal and interest paid for the current year and total gross revenues were \$235,780 and \$1,198,131, respectively.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

G. *Installment Purchase Obligation*

The City is purchasing storm drain improvements and various pieces of equipment and vehicles on the installment basis. The equipment and vehicle obligations are paid from Solid Waste Enterprise Fund revenues, Equipment Internal Service Fund revenues and Major Equipment Purchase Fee Special Revenue Fund revenues. The Storm Drain obligations are paid from General Fund revenues. Installment payment dates and due dates vary.

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 reduction 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 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 payment on the \$648,780 loan is funded by General Fund, Special Apportionment Streets Capital Improvement Fund, and Water Enterprise Fund based on the debt proceeds that each of these funds received.

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 25, 2003, the City entered into a lease agreement in the amount of \$350,000 with Lasalle Bank National Association for the purchase of a fire engine. The lease interest and principal payments are due on February 25 and August 25 with a final payment on August 25, 2008.

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

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

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT (Continued)

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

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
2010	\$2,241,560	\$5,544,389	\$1,607,399	\$4,015,642
2011	2,813,253	5,459,152	1,513,368	4,492,270
2012	2,915,062	5,353,879	1,428,468	4,445,036
2013	3,032,665	5,240,870	1,636,879	4,393,308
2014	3,090,114	5,111,207	1,829,771	4,331,304
2015-2019	15,813,746	23,643,582	11,675,005	20,923,146
2020-2024	16,885,000	20,232,669	16,610,000	17,672,213
2025-2029	20,270,000	16,444,748	21,180,000	13,218,869
2030-2034	25,430,000	11,301,730	28,315,000	6,868,083
2035-2039	24,865,000	5,377,249	10,035,000	1,175,589
2040-2044	16,470,000	1,434,638		
Total	<u>\$133,826,400</u>	<u>\$105,144,113</u>	<u>\$95,830,890</u>	<u>\$81,535,460</u>

K. Debt Defeased in Prior Years

In 2006 the Agency defeased the Tax Allocation Revenue Bonds, Series 1998 by establishing an irrevocable trust to provide for all future debt service payments. The remaining balance of the defeased debt was fully repaid as of June 30, 2009.

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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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, 2009, reserves included:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Improvement Funds
Encumbrances	\$24,310	\$317,660		\$53,217
Revolving fund, prepaid items, and advances	1,412,039			7,302,578
Asset seizure	37,618			
Debt service	349,000		\$34,030,065	
Low and moderate income housing		15,174,881		
Long-term notes receivable				304,312
Capital outlay				34,764,236
Total Reserves	<u>\$1,822,967</u>	<u>\$15,492,541</u>	<u>\$34,030,065</u>	<u>\$42,424,343</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.

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 **long-term notes receivable** is the portion of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

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

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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, 2009, designations included:

	General Fund	Capital Improvement Funds
Subsequent Years' Expenditures	\$1,577,000	\$26,426
PFIP Excise Tax Expenditures	6,001,746	
Total Designations	\$7,578,746	\$26,426

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.

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

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, 2009, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4% - 3.0%	1.426% - 2.7%
Required employee contribution rates	9%	7% - 8%
Required employer contribution rates	26.631%	16.526%

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 10 – PENSION PLAN (Continued)

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. 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
<i>Safety Plan</i>			
June 30, 2007	\$2,356,783	100%	\$0
June 30, 2008	2,585,214	100%	0
June 30, 2009	1,433,913	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2007	\$2,277,625	100%	\$0
June 30, 2008	2,806,287	100%	0
June 30, 2009	1,099,307	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. 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:

Valuation Date	Actuarial		Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets				
2005	\$59,166,191	\$44,774,825	\$14,391,366	75.7%	\$8,154,834	176.5%
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%

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 10 – PENSION PLAN (Continued)

Miscellaneous Plan:

Actuarial							Unfunded (Overfunded)
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Liability as % of Payroll	
2005	\$56,997,261	\$46,247,479	\$10,749,782	81.1%	\$12,829,585	83.8%	
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%	

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.

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, 2009, five employees and three retirees were participating in these plans and the City's required contribution of \$149,050 was made.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009 there were 94 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)	\$530 for single \$1,010 for two party \$1,220 for family	\$531 for single \$1,005 for two party \$1,270 for family	Greater of 100% Kaiser or \$555 for single \$880 for two party \$1,130 for family	\$555 for single \$1,032 for two party \$1,341 for family	\$575 for single \$1,016 for two \$1,315 for family	\$583 for single \$1,151 for two \$1,511 for family	\$583 for single \$1,151 for two party \$1,511 for family

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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Progress and Funded Status

In accordance with the City’s budget, the annual required contribution (ARC) to the Plan 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, 2009, the City has calculated and recorded the Net OPEB Liability, representing the difference between the ARC and contributions, as presented below:

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$5,486,000	\$466,415	9%	\$5,019,585

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

Annual required contribution (ARC) and Annual OPEB cost	\$5,486,000
Contributions made:	
Benefits payment	(466,415)
(Decrease) increase in net OPEB obligations	5,019,585
Net OPEB obligation June 30, 2009	\$5,019,585

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 actuarial studies is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Overfunded (Underfunded) Actuarial Accrued Liability (A – B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]</u>
6/30/2009	\$0	\$43,225,000	(\$43,225,000)	0.00%	\$24,936,000	-173%

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

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:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$100,000)	\$25,000,000
All Risk Fire and Property (generally \$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 excess 50,000,000

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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 13 - RISK MANAGEMENT (Continued)

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, 2007	\$1,571,267	\$1,480,976	\$3,052,243
Net change in:			
Liability for current fiscal year claims		464,324	464,324
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	38,142	(281,505)	(243,363)
Claims paid	(38,142)	(182,819)	(220,961)
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 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	<u>\$1,571,267</u>	<u>\$1,480,976</u>	<u>\$3,052,243</u>
Claims liability, due within one year	<u>\$118,855</u>	<u>\$42,603</u>	<u>\$161,458</u>

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

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 \$7,064,333 have been passed through directly to these taxing agencies.

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

B. *Public Facilities Implementation Plan*

The City of Manteca has developed a Public Facilities Implementation Plan (PFIP) to ensure that public facilities are adequate and constructed in accordance with the adopted master plans for water, sewer, storm drainage and traffic as the City grows and develops in accordance with its General Plan. Development Impact Fees are collected at or near the time of development and are used wherever practical to finance the expansion of infrastructure necessary to accommodate the demand for new capacity. In certain cases, developers may construct public improvements that are in the PFIP and enter into reimbursement agreements with the City. Developers are then granted credit against the fees owed or are reimbursed any remaining amounts owed to the developer by the City when sufficient funds are available from future development impact fees paid by subsequent development that benefit from the available improvements. As of June 30, 2009, the City had outstanding reimbursement commitments totaling \$17,073,495.

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.

CITY OF MANTECA
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

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 15 – AUTHORIZED BUT UNISSUED DEBT

At June 30, 2003, the City authorized the issuance of Water Revenue Bonds, Series 2003A in the amount of \$65,000,000 to fund the costs of constructing a water treatment plant and certain related capital facilities. As of June 30, 2009, 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, 2009, the City had issued bonds in the amount of \$25,925,000 and \$5,310,000 respectively; \$10,575,000 and \$340,000 of these bonds remain authorized but unissued.

NOTE 16 – SUBSEQUENT EVENT

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$6,657,837 in fiscal year 2009-10 and \$1,370,731 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 17% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future 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.

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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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, 2009

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$11,909,065	\$12,460,743	\$551,678
Use of money and property	538,000	823,541	285,541
Other revenue		20	20
	<u>12,447,065</u>	<u>13,284,304</u>	<u>837,239</u>
EXPENDITURES			
Current:			
Community development	2,387,605	2,340,912	46,693
Nondepartmental	260,000	315,930	(55,930)
Debt service:			
Principal	1,380,000	1,347,660	32,340
Interest and fiscal charges	4,344,320	5,715,942	(1,371,622)
	<u>8,371,925</u>	<u>9,720,444</u>	<u>(1,348,519)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,075,140</u>	<u>3,563,860</u>	<u>(511,280)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,184,000	3,183,981	(19)
Transfers (out)	(109,985)	(69,561)	40,424
	<u>3,074,015</u>	<u>3,114,420</u>	<u>40,405</u>
NET CHANGE IN FUND BALANCE	<u>\$7,149,155</u>	<u>6,678,280</u>	<u>(\$470,875)</u>
BEGINNING FUND BALANCE		<u>27,351,785</u>	
ENDING FUND BALANCE		<u>\$34,030,065</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$580,000	\$969,742	\$389,742
Other revenue		1,889	1,889
	<u>580,000</u>	<u>971,631</u>	<u>391,631</u>
EXPENDITURES			
Current:			
Community development	480,000	6,675	473,325
Public works	128,400	243	128,157
Capital outlay	<u>32,943,587</u>	<u>7,404,946</u>	<u>25,538,641</u>
	<u>33,551,987</u>	<u>7,411,864</u>	<u>26,140,123</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(32,971,987)</u>	<u>(6,440,233)</u>	<u>26,531,754</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	69,565	69,561	(4)
Transfers (out)	<u>(3,184,000)</u>	<u>(3,183,981)</u>	<u>19</u>
	<u>(3,114,435)</u>	<u>(3,114,420)</u>	<u>15</u>
NET CHANGE IN FUND BALANCE			
	<u>(\$36,086,422)</u>	<u>(9,554,653)</u>	<u>\$26,531,769</u>
BEGINNING FUND BALANCE			
		<u>55,845,788</u>	
ENDING FUND BALANCE			
		<u>\$46,291,135</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, 2009

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$15,000	\$71,103	\$56,103
Total Revenues	15,000	71,103	56,103
EXPENDITURES			
Current:			
Community development	347,355	126,632	220,723
Public works	17,000	8,166	8,834
Capital outlay	64,620	13,150	51,470
Total Expenditures	428,975	147,948	281,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(413,975)	(76,845)	337,130
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	40,420		(40,420)
Total Other Financing Sources (Uses)	40,420		(40,420)
NET CHANGE IN FUND BALANCE	(\$373,555)	(76,845)	\$296,710
BEGINNING FUND BALANCE		3,056,330	
ENDING FUND BALANCE		\$2,979,485	

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$435,000	\$866,585	\$431,585
Charges for current services	285,000	1,587,271	1,302,271
Other revenue		743	743
	<u>720,000</u>	<u>2,454,599</u>	<u>1,734,599</u>
EXPENDITURES			
Current:			
General government	1,138,652	514,903	623,749
Capital outlay	<u>1,305,588</u>	<u>1,325,967</u>	<u>(20,379)</u>
	<u>2,444,240</u>	<u>1,840,870</u>	<u>603,370</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,724,240)</u>	613,729	<u>\$2,337,969</u>
BEGINNING FUND BALANCE		<u>27,130,109</u>	
ENDING FUND BALANCE		<u>\$27,743,838</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:**COMMUNITY DEVELOPMENT BLOCK GRANT**

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

POLICE GRANTS

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

SUPPLEMENTAL LAW ENFORCEMENT SERVICES

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

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.

PARK GRANTS

Established to account for purchase of trees for planting on City streets, parking lots, and schools through grants provided by the State Department of Forestry and Fire Protection under the California Wildlife, Coastal, and Park Land Conservation Bond Act of 1988.

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.

CAPITAL IMPROVEMENT FUNDS:**STATE GASOLINE TAX**

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

REGIONAL TRANSPORTATION IMPACT FEES

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

MEASURE K

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

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

PARKS

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

GOVERNMENT BUILDING FACILITIES

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

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, 2009

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Park Grants
ASSETS					
Cash and investments		\$5,543	\$87,459	\$101,668	
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$98,529	23,291	34,769	289,848	
Taxes receivable					
Interest receivable			86		
Advances to other funds					
Total Assets	\$98,529	\$28,834	\$122,314	\$391,516	
LIABILITIES					
Contracts and accounts payable	\$27,177	\$1,617		\$39,744	
Refundable deposits		12,735			
Due to other funds	71,352	14,482			
Deferred revenue				255,628	
Total Liabilities	98,529	28,834		295,372	
Net Assets					
Fund balance:					
Reserved for encumbrances		2,975	\$41,148		
Reserved for revolving fund, prepaid items, and advances					
Reserved for capital outlay					
Unreserved, undesignated		(2,975)	81,166	96,144	
Total Fund Balances			122,314	96,144	
Total Liabilities and Fund Balances	\$98,529	\$28,834	\$122,314	\$391,516	

SPECIAL REVENUE FUNDS						CAPITAL IMPROVEMENT FUNDS	
Recreation	Street Improvements	Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Sales Tax	Public Safety Endowment	State Gasoline Tax	Regional Transportation Impact Fees
\$90,730	\$48,462	\$717,138 164,949	\$1,436,700	\$4,184,684	\$8,645,836	\$556,079	\$4,640,816
18,365		25,017		33,992		10,166	298,839
	171	3,682	177,665 7,021	140,280 24,658	47,175	136,537 685	24,230
<u>\$109,095</u>	<u>\$48,633</u>	<u>\$910,786</u>	<u>\$1,621,386</u>	<u>\$4,383,614</u>	<u>\$8,693,011</u>	<u>\$703,467</u>	<u>\$4,963,885</u>
\$11,924 74,809	\$10	\$161 25,017	\$29,035	\$3,069	\$1,988	\$17,777	\$75,661 304,896
<u>86,733</u>	<u>10</u>	<u>25,178</u>	<u>29,035</u>	<u>3,069</u>	<u>1,988</u>	<u>17,777</u>	<u>380,557</u>
394		160,950	5,376				
<u>21,968</u>	<u>48,623</u>	<u>724,658</u>	<u>1,586,975</u>	<u>4,380,545</u>	<u>8,691,023</u>	<u>685,690</u>	<u>4,583,328</u>
<u>22,362</u>	<u>48,623</u>	<u>885,608</u>	<u>1,592,351</u>	<u>4,380,545</u>	<u>8,691,023</u>	<u>685,690</u>	<u>4,583,328</u>
<u>\$109,095</u>	<u>\$48,633</u>	<u>\$910,786</u>	<u>\$1,621,386</u>	<u>\$4,383,614</u>	<u>\$8,693,011</u>	<u>\$703,467</u>	<u>\$4,963,885</u>

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

CAPITAL IMPROVEMENT FUNDS

	<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>
ASSETS						
Cash and investments	\$1,017,736	\$3,211,013	\$2,262,121	\$4,506,434	\$68,355	\$31,580,774
Restricted cash and investments				1,114,432		1,279,381
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,931,047	1,332,023	(5,912)	272,680		4,362,654
Taxes receivable						454,482
Interest receivable	5,651	15,924	10,959	23,630	342	164,214
Advances to other funds			28,000			28,000
Total Assets	<u>\$2,954,434</u>	<u>\$4,558,960</u>	<u>\$2,295,168</u>	<u>\$5,917,176</u>	<u>\$68,697</u>	<u>\$37,869,505</u>
LIABILITIES						
Contracts and accounts payable	\$213,818	\$77,278	\$25,978	\$32,094		\$557,331
Refundable deposits				272,680		690,137
Due to other funds						85,834
Deferred revenue						255,628
Total Liabilities	<u>213,818</u>	<u>77,278</u>	<u>25,978</u>	<u>304,774</u>		<u>1,588,930</u>
Fund Balance						
Fund balance:						
Reserved for encumbrances	39,660	2,255	10,501			263,259
Reserved for revolving fund, prepaid items, and advances	1,931,047	1,332,023	28,000			3,291,070
Reserved for capital outlay	230,818	3,137,359	2,218,270	5,588,100		11,174,547
Unreserved, undesignated	539,091	10,045	12,419	24,302	\$68,697	21,551,699
Total Fund Balances	<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>
Total Liabilities and Fund Balances	<u>\$2,954,434</u>	<u>\$4,558,960</u>	<u>\$2,295,168</u>	<u>\$5,917,176</u>	<u>\$68,697</u>	<u>\$37,869,505</u>

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CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Park Grants
REVENUES					
Sales tax					
Licenses and permits					
Use of money and property			\$580	\$3,253	
Revenue from other agencies	\$418,796	\$88,302	100,000	766,688	\$99,995
Charges for current services				46,183	
Other revenue					
Total Revenues	<u>418,796</u>	<u>88,302</u>	<u>100,580</u>	<u>816,124</u>	<u>99,995</u>
EXPENDITURES					
Current:					
General government	37,047				
Community development	32,083				
Public safety		94,498			
Public works				788,997	
Parks and recreation					
Streets and highways					
Capital outlay	349,666		26,081		99,995
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>418,796</u>	<u>94,498</u>	<u>26,081</u>	<u>788,997</u>	<u>99,995</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(6,196)</u>	<u>74,499</u>	<u>27,127</u>	
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligations					
Transfers in		6,196			
Total Other Financing Sources (Uses)		<u>6,196</u>			
NET CHANGE IN FUND BALANCES			74,499	27,127	
BEGINNING FUND BALANCES			47,815	69,017	
ENDING FUND BALANCES			<u>\$122,314</u>	<u>\$96,144</u>	

SPECIAL REVENUE FUNDS				CAPITAL IMPROVEMENT FUNDS			
Recreation	Street Improvements	Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Sales Tax	Public Safety Endowment	State Gasoline Tax	Regional Transportation Impact Fees
				\$3,738,147			
\$98	\$1,264	\$31,673	\$59,428	208,526	\$450,447	\$6,891	\$213,175
701,946		101,447	895,296	182,684		1,640,651	702,708
						6,786	
<u>702,044</u>	<u>1,264</u>	<u>133,120</u>	<u>954,724</u>	<u>4,129,357</u>	<u>450,447</u>	<u>1,818,328</u>	<u>915,883</u>
		5,067					
				2,777,641	344,247		
905,958		62	649,432			1,425,740	5,860
	6,645	44,799					
		37,860					
		678					
<u>905,958</u>	<u>6,645</u>	<u>88,466</u>	<u>649,432</u>	<u>2,777,641</u>	<u>344,247</u>	<u>1,425,740</u>	<u>5,860</u>
<u>(203,914)</u>	<u>(5,381)</u>	<u>44,654</u>	<u>305,292</u>	<u>1,351,716</u>	<u>106,200</u>	<u>392,588</u>	<u>910,023</u>
		164,949					
<u>200,000</u>							
<u>200,000</u>		<u>164,949</u>					
<u>(3,914)</u>	<u>(5,381)</u>	<u>209,603</u>	<u>305,292</u>	<u>1,351,716</u>	<u>106,200</u>	<u>392,588</u>	<u>910,023</u>
<u>26,276</u>	<u>54,004</u>	<u>676,005</u>	<u>1,287,059</u>	<u>3,028,829</u>	<u>8,584,823</u>	<u>293,102</u>	<u>3,673,305</u>
<u>\$22,362</u>	<u>\$48,623</u>	<u>\$885,608</u>	<u>\$1,592,351</u>	<u>\$4,380,545</u>	<u>\$8,691,023</u>	<u>\$685,690</u>	<u>\$4,583,328</u>

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

CAPITAL IMPROVEMENT FUNDS						
	Measure K	Special Apportionment Streets	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
REVENUES						
Sales tax						\$3,738,147
Licenses and permits				\$974,134		974,134
Use of money and property	\$34,770	\$156,194	\$103,260	245,442	\$3,293	1,518,294
Revenue from other agencies	929,822	1,764,793	579,939			6,571,670
Charges for current services						2,611,580
Other revenue	451	60,416	312,013			379,666
Total Revenues	965,043	1,981,403	995,212	1,219,576	3,293	15,793,491
EXPENDITURES						
Current:						
General government				87	6,944	49,145
Community development						32,083
Public safety						3,216,386
Public works						788,997
Parks and recreation			413,219			1,968,671
Streets and highways		1,102,110				2,533,710
Capital outlay	934,458	574,462	394,886	978,043		3,409,035
Debt service:						
Principal		62,694		133,962		234,516
Interest and fiscal charges		14,957		44,029		59,664
Total Expenditures	934,458	1,754,223	808,105	1,156,121	6,944	12,292,207
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,585	227,180	187,107	63,455	(3,651)	3,501,284
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						164,949
Transfers in						206,196
Total Other Financing Sources (Uses)						371,145
	30,585	227,180	187,107	63,455	(3,651)	3,872,429
BEGINNING FUND BALANCES	2,710,031	4,254,502	2,082,083	5,548,947	72,348	32,408,146
ENDING FUND BALANCES	\$2,740,616	\$4,481,682	\$2,269,190	\$5,612,402	\$68,697	\$36,280,575

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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, 2009

	COMMUNITY DEVELOPMENT BLOCK GRANT			POLICE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property						
Revenue from other agencies	\$822,413	\$418,796	(\$403,617)	\$629,234	\$88,302	(\$540,932)
Charges for current services						
Other revenue						
Total Revenues	822,413	418,796	(403,617)	629,234	88,302	(540,932)
EXPENDITURES						
Current:						
General government	95,621	37,047	58,574			
Community development	57,130	32,083	25,047			
Public safety				558,876	94,498	464,378
Public works						
Parks and recreation						
Streets and highways						
Capital outlay	669,662	349,666	319,996	73,600		73,600
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	822,413	418,796	403,617	632,476	94,498	537,978
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				(3,242)	(6,196)	(2,954)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in				3,242	6,196	2,954
Total Other Financing Sources (Uses)				3,242	6,196	2,954
NET CHANGE IN FUND BALANCES						
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			FEDERAL TRANSIT MANAGEMENT			PARK GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$105,956	\$580 100,000	\$580 (5,956)	\$2,122,029 38,700	\$3,253 766,688 46,183	\$3,253 (1,355,341) 7,483	\$100,000	\$99,995	(\$5)
<u>105,956</u>	<u>100,580</u>	<u>(5,376)</u>	<u>2,160,729</u>	<u>816,124</u>	<u>(1,344,605)</u>	<u>100,000</u>	<u>99,995</u>	<u>(5)</u>
9,240		9,240	2,196,679	788,997	1,407,682			
138,232	26,081	112,151				100,000	99,995	5
<u>147,472</u>	<u>26,081</u>	<u>121,391</u>	<u>2,196,679</u>	<u>788,997</u>	<u>1,407,682</u>	<u>100,000</u>	<u>99,995</u>	<u>5</u>
<u>(41,516)</u>	<u>74,499</u>	<u>116,015</u>	<u>(35,950)</u>	<u>27,127</u>	<u>63,077</u>			
<u>(\$41,516)</u>	<u>74,499</u>	<u>\$116,015</u>	<u>(\$35,950)</u>	<u>27,127</u>	<u>\$63,077</u>			
	<u>47,815</u>			<u>69,017</u>				
	<u>\$122,314</u>			<u>\$96,144</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, 2009

	RECREATION			STREET IMPROVEMENTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property	\$600	\$98	(\$502)		\$1,264	\$1,264
Revenue from other agencies						
Charges for current services	694,550	701,946	7,396			
Other revenue						
Total Revenues	<u>695,150</u>	<u>702,044</u>	<u>6,894</u>		<u>1,264</u>	<u>1,264</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation	946,707	905,958	40,749			
Streets and highways						
Capital outlay				\$6,648	6,645	3
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>946,707</u>	<u>905,958</u>	<u>40,749</u>	<u>6,648</u>	<u>6,645</u>	<u>3</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(251,557)</u>	<u>(203,914)</u>	<u>47,643</u>	<u>(6,648)</u>	<u>(5,381)</u>	<u>1,267</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in	200,000	200,000				
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>				
NET CHANGE IN FUND BALANCES	<u>(\$51,557)</u>	<u>(3,914)</u>	<u>\$47,643</u>	<u>(\$6,648)</u>	<u>(5,381)</u>	<u>\$1,267</u>
BEGINNING FUND BALANCES		<u>26,276</u>			<u>54,004</u>	
ENDING FUND BALANCES		<u>\$22,362</u>			<u>\$48,623</u>	

MAJOR EQUIPMENT PURCHASE FEE			LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT			PUBLIC SAFETY SALES TAX		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$4,300,000	\$3,738,147	(\$561,853)
\$29,200	\$31,673	\$2,473	\$24,500	\$59,428	\$34,928	70,000	208,526	138,526
175,000	101,447	(73,553)	888,705	895,296	6,591	156,120	182,684	26,564
<u>204,200</u>	<u>133,120</u>	<u>(71,080)</u>	<u>913,205</u>	<u>954,724</u>	<u>41,519</u>	<u>4,526,120</u>	<u>4,129,357</u>	<u>(396,763)</u>
16,000	5,067	10,933						
						2,919,051	2,777,641	141,410
165,000	62	164,938	1,004,663	649,432	355,231			
182,995	44,799	138,196						
37,860	37,860							
680	678	2						
<u>402,535</u>	<u>88,466</u>	<u>314,069</u>	<u>1,004,663</u>	<u>649,432</u>	<u>355,231</u>	<u>2,919,051</u>	<u>2,777,641</u>	<u>141,410</u>
(198,335)	44,654	242,989	(91,458)	305,292	396,750	1,607,069	1,351,716	(255,353)
343,250	164,949	(178,301)						
<u>343,250</u>	<u>164,949</u>	<u>(178,301)</u>						
<u>\$144,915</u>	<u>209,603</u>	<u>\$64,688</u>	<u>(\$91,458)</u>	<u>305,292</u>	<u>\$396,750</u>	<u>\$1,607,069</u>	<u>1,351,716</u>	<u>(\$255,353)</u>
	<u>676,005</u>			<u>1,287,059</u>			<u>3,028,829</u>	
	<u>\$885,608</u>			<u>\$1,592,351</u>			<u>\$4,380,545</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, 2009

	PUBLIC SAFETY ENDOWMENT			STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property	\$250,000	\$450,447	\$200,447	\$19,000	\$6,891	(\$12,109)
Revenue from other agencies				1,795,960	1,640,651	(155,309)
Charges for current services				164,000	164,000	
Other revenue	<u>739,790</u>		<u>(739,790)</u>		<u>6,786</u>	<u>6,786</u>
Total Revenues	<u>989,790</u>	<u>450,447</u>	<u>(539,343)</u>	<u>1,978,960</u>	<u>1,818,328</u>	<u>(160,632)</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety	344,400	344,247	153			
Public works						
Parks and recreation						
Streets and highways				2,148,580	1,425,740	722,840
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>344,400</u>	<u>344,247</u>	<u>153</u>	<u>2,148,580</u>	<u>1,425,740</u>	<u>722,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>645,390</u>	<u>106,200</u>	<u>(539,190)</u>	<u>(169,620)</u>	<u>392,588</u>	<u>562,208</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$645,390</u>	<u>106,200</u>	<u>(\$539,190)</u>	<u>(\$169,620)</u>	<u>392,588</u>	<u>\$562,208</u>
BEGINNING FUND BALANCES		<u>8,584,823</u>			<u>293,102</u>	
ENDING FUND BALANCES		<u>\$8,691,023</u>			<u>\$685,690</u>	

REGIONAL TRANSPORTATION IMPACT FEES			MEASURE K			SPECIAL APPORTIONMENT STREETS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$213,175	\$213,175	\$82,000	\$34,770	(\$47,230)	\$43,000	\$156,194	\$113,194
	702,708	702,708	3,053,740	929,822	(2,123,918)	1,853,140	1,764,793	(88,347)
				451	451		60,416	60,416
	915,883	915,883	3,135,740	965,043	(2,170,697)	1,896,140	1,981,403	85,263
\$12,000	5,860	6,140	3,720,818	934,458	2,786,360	1,491,917	1,102,110	389,807
						3,051,974	574,462	2,477,512
						62,695	62,694	1
						14,960	14,957	3
12,000	5,860	6,140	3,720,818	934,458	2,786,360	4,621,546	1,754,223	2,867,323
(12,000)	910,023	922,023	(585,078)	30,585	615,663	(2,725,406)	227,180	2,952,586
(\$12,000)	910,023	\$922,023	(\$585,078)	30,585	\$615,663	(\$2,725,406)	227,180	\$2,952,586
	3,673,305			2,710,031			4,254,502	
	\$4,583,328			\$2,740,616			\$4,481,682	

(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, 2009

	PARKS			GOVERNMENT BUILDING FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits				\$275,000	\$974,134	\$699,134
Use of money and property	\$278,600	\$103,260	(\$175,340)	130,000	245,442	115,442
Revenue from other agencies	400,000	579,939	179,939			
Charges for current services						
Other revenue		312,013	312,013			
Total Revenues	678,600	995,212	316,612	405,000	1,219,576	814,576
EXPENDITURES						
Current:						
General government				30,042	87	29,955
Community development						
Public safety						
Public works						
Parks and recreation	781,159	413,219	367,940			
Streets and highways						
Capital outlay	1,519,269	394,886	1,124,383	5,423,417	978,043	4,445,374
Debt service:						
Principal				133,960	133,962	(2)
Interest and fiscal charges				44,030	44,029	1
Total Expenditures	2,300,428	808,105	1,492,323	5,631,449	1,156,121	4,475,328
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,621,828)</u>	<u>187,107</u>	<u>1,808,935</u>	<u>(5,226,449)</u>	<u>63,455</u>	<u>5,289,904</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u><u>(\$1,621,828)</u></u>	<u>187,107</u>	<u><u>\$1,808,935</u></u>	<u><u>(\$5,226,449)</u></u>	<u>63,455</u>	<u><u>\$5,289,904</u></u>
BEGINNING FUND BALANCES		<u>2,082,083</u>			<u>5,548,947</u>	
ENDING FUND BALANCES		<u><u>\$2,269,190</u></u>			<u><u>\$5,612,402</u></u>	

COMMUNITY
FACILITIES DISTRICT

Budget	Actual	Variance Positive (Negative)
	\$3,293	\$3,293
	<u>3,293</u>	<u>3,293</u>
\$6,950	6,944	6
6,950	6,944	6
<u>(6,950)</u>	<u>(3,651)</u>	<u>3,299</u>
<u>(\$6,950)</u>	<u>(3,651)</u>	<u>\$3,299</u>
	<u>72,348</u>	
	<u>\$68,697</u>	

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INTERNAL SERVICE FUNDS

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

For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net 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, 2009

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
ASSETS					
Current Assets:					
Cash and investments	\$778,377	\$780,520	\$9,312,958	\$6,155,362	\$17,027,217
Accounts receivable	20,251		13,329	34,431	68,011
Interest receivable	4,024	1,027	42,809	29,966	77,826
Employee notes receivable			115,418		115,418
Total Current Assets	<u>802,652</u>	<u>781,547</u>	<u>9,484,514</u>	<u>6,219,759</u>	<u>17,288,472</u>
Capital assets (net of accumulated depreciation)	<u>1,343,222</u>	<u>455,273</u>			<u>1,798,495</u>
Total Assets	<u>2,145,874</u>	<u>1,236,820</u>	<u>9,484,514</u>	<u>6,219,759</u>	<u>19,086,967</u>
LIABILITIES					
Current Liabilities:					
Contracts and accounts payable	344	11,197	71,437	16,039	99,017
Accrued liabilities		1,054	1,827,879		1,828,933
Compensated absences			371,039		371,039
Estimated claims liability				161,458	161,458
Capital lease obligations		85,694			85,694
Total Current Liabilities	<u>344</u>	<u>97,945</u>	<u>2,270,355</u>	<u>177,497</u>	<u>2,546,141</u>
Long-term Liabilities:					
Compensated absences			3,347,430		3,347,430
Estimated claims liability				2,890,785	2,890,785
Capital lease obligations		362,261			362,261
OPEB liability				31,695	31,695
Total Liabilities	<u>344</u>	<u>460,206</u>	<u>5,617,785</u>	<u>3,099,977</u>	<u>9,178,312</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,343,222	7,318			1,350,540
Unrestricted	<u>802,308</u>	<u>769,296</u>	<u>3,866,729</u>	<u>3,119,782</u>	<u>8,558,115</u>
Total Net Assets	<u>\$2,145,530</u>	<u>\$776,614</u>	<u>\$3,866,729</u>	<u>\$3,119,782</u>	<u>\$9,908,655</u>

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
OPERATING REVENUES					
Charges for services		\$351,903	\$247,360		\$599,263
Settlements				\$5,000	5,000
Insurance premium contribution from other funds				1,824,564	1,824,564
Miscellaneous	(\$50)		34,227	6,803	40,980
Total Operating Revenues	(50)	351,903	281,587	1,836,367	2,469,807
OPERATING EXPENSES					
Personnel services			248,560	350,915	599,475
Contractual services		332,501	48,398	117,573	498,472
Supplies		219,094		663	219,757
Utilities				410	410
Interdepartmental	17,674	102,276			119,950
Insurance				1,410,565	1,410,565
Claims				49,765	49,765
Depreciation	367,835	172,715			540,550
Total Operating Expenses	385,509	826,586	296,958	1,929,891	3,438,944
Total Operating Income (Loss)	(385,559)	(474,683)	(15,371)	(93,524)	(969,137)
NONOPERATING REVENUES (EXPENSES)					
Interest income	41,050	14,752	433,341	270,817	759,960
Interest (expense)		(5,577)			(5,577)
Total Nonoperating Revenues (Expenses)	41,050	9,175	433,341	270,817	754,383
Income (Loss) Before Transfers	(344,509)	(465,508)	417,970	177,293	(214,754)
Change in Net Assets	(344,509)	(465,508)	417,970	177,293	(214,754)
BEGINNING NET ASSETS	2,490,039	1,242,122	3,448,759	2,942,489	10,123,409
ENDING NET ASSETS	\$2,145,530	\$776,614	\$3,866,729	\$3,119,782	\$9,908,655

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		\$249,627	\$268,258	\$1,852,249	\$2,370,134
Payments to suppliers	(\$31,268)	(592,811)	(48,601)	(1,559,909)	(2,232,589)
Payments to employees			(1,200)	(319,220)	(320,420)
Receipts on employee notes receivable			11,596		11,596
Claims paid				(49,765)	(49,765)
Cash Flows from (used by) Operating Activities	<u>(31,268)</u>	<u>(343,184)</u>	<u>230,053</u>	<u>(76,645)</u>	<u>(221,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(289,961)	(2,709)			(292,670)
Proceeds from capital leases		460,462			460,462
Payments on capital leases		(12,507)			(12,507)
Interest paid on capital lease obligations		(4,523)			(4,523)
Cash Flows from (used by) Capital and Related Financing Activities	<u>(289,961)</u>	<u>440,723</u>			<u>150,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	45,237	18,095	462,177	287,334	812,843
Cash Flows from Investing Activities	<u>45,237</u>	<u>18,095</u>	<u>462,177</u>	<u>287,334</u>	<u>812,843</u>
Net Cash Flows	(275,992)	115,634	692,230	210,689	742,561
Cash and investments at beginning of period	1,054,369	664,886	8,620,728	5,944,673	16,284,656
Cash and investments at end of period	<u>\$778,377</u>	<u>\$780,520</u>	<u>\$9,312,958</u>	<u>\$6,155,362</u>	<u>\$17,027,217</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$385,559)	(\$474,683)	(\$15,371)	(\$93,524)	(\$969,137)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	367,835	172,715			540,550
Change in assets and liabilities:					
Receivables, net	50		(13,329)	15,882	2,603
Related party notes receivable			11,596		11,596
Accounts and other payables	(13,594)	(41,216)	(30,990)	(30,698)	(116,498)
Accrued liabilities			30,787		30,787
Compensated absences			247,360		247,360
Claims liability					
OPEB liability				31,695	31,695
Cash Flows from (used by) Operating Activities	<u>(31,268)</u>	<u>(343,184)</u>	<u>230,053</u>	<u>(76,645)</u>	<u>(221,044)</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
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2009

<u>AGENCY FUND</u>	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Assets</u>				
Cash and investments		\$611,400		\$611,400
Restricted cash and investments	\$448,189		\$230,712	217,477
Total Assets	<u>\$448,189</u>	<u>\$611,400</u>	<u>\$230,712</u>	<u>\$828,877</u>
<u>Liabilities</u>				
Due to stakeholders	\$448,189	\$611,400	\$230,712	\$828,877
Total Liabilities	<u>\$448,189</u>	<u>\$611,400</u>	<u>\$230,712</u>	<u>\$828,877</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

STATISTICAL SECTION (Continued)
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Operating Information

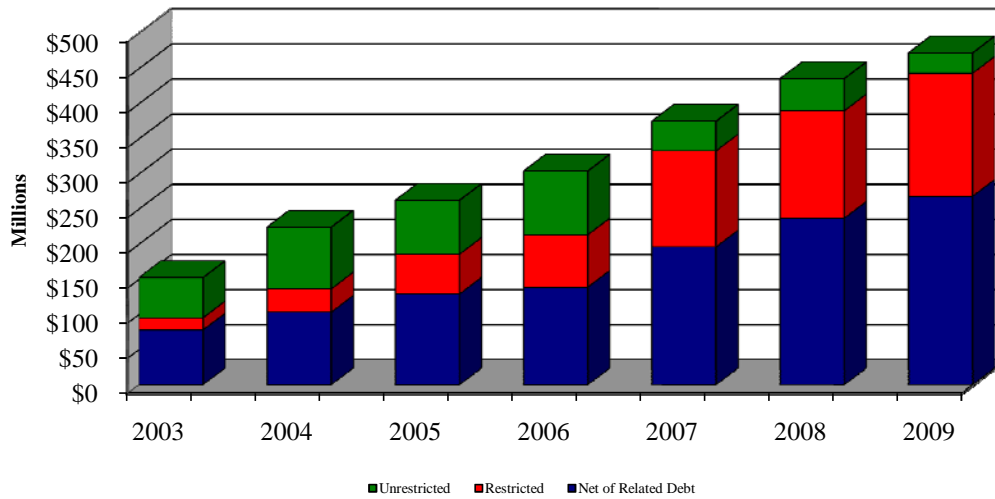
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Seven Fiscal Years
(accrual basis of accounting)



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

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

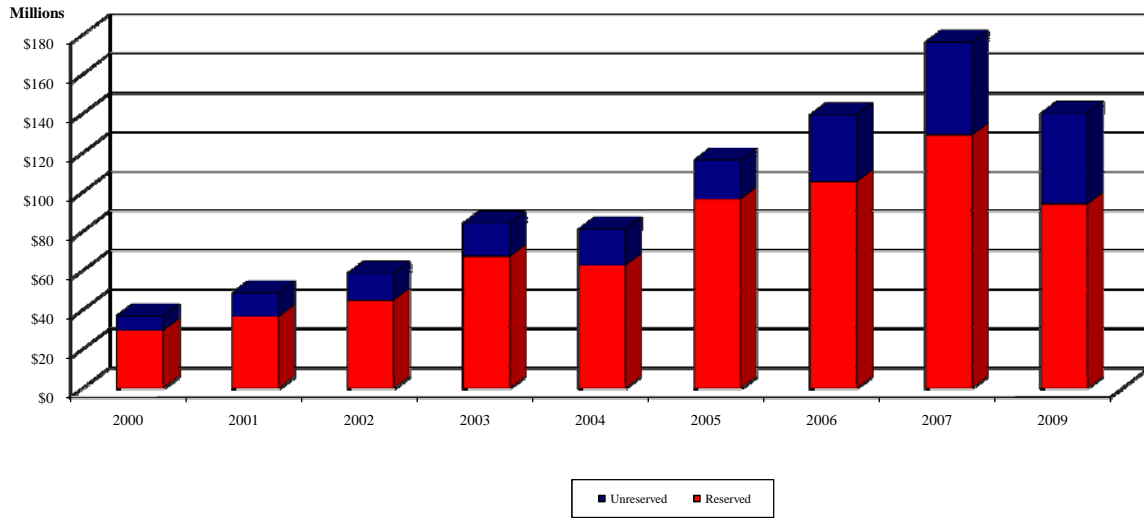
	Fiscal Year Ended June 30,						
	2003 ⁽¹⁾	2004 ⁽¹⁾	2005	2006	2007	2008	2009
Expenses:							
Governmental Activities:							
General Government	\$2,133,713	\$2,185,084	\$2,689,034	\$3,101,277	\$3,534,631	\$5,520,665	\$5,058,599
Community Development	1,801,120	3,722,586	3,179,472	3,612,393	7,211,719	6,932,523	5,829,037
Public Safety	13,891,700	15,832,705	18,007,598	19,174,823	20,392,894	23,982,219	27,534,943
Library	158,933	148,312	149,066	136,299	152,824	157,466	136,037
Public Works	5,386,065	4,784,045	4,242,238	3,770,569	5,070,777	4,726,065	3,901,601
Parks and Recreation	3,401,318	3,829,457	4,181,382	4,670,081	5,824,783	7,260,986	7,941,094
Streets and Highways	1,890,231	4,378,143	4,168,396	4,527,550	3,894,616	4,843,101	5,112,187
Interest and Fiscal Charges	4,196,550	2,033,331	3,144,190	6,250,427	5,819,231	7,029,436	6,035,886
Total Governmental Activities Expenses	32,859,630	36,913,663	39,761,376	45,243,419	51,901,475	60,452,461	61,549,384
Business-Type Activities:							
Water	3,764,450	6,352,282	6,658,946	10,656,869	10,715,712	12,291,710	12,667,365
Sewer	5,096,641	7,708,958	8,890,124	10,430,995	10,536,235	10,511,796	11,067,524
Solid Waste	5,527,190	6,006,453	6,384,377	6,726,094	7,193,512	7,717,703	8,712,715
Golf	1,084,850	1,192,828	1,281,187	1,324,738	1,326,557	1,170,939	1,244,412
Total Business-Type Activities Expenses	15,473,131	21,260,521	23,214,634	29,138,696	29,772,016	31,692,148	33,692,016
Total Primary Government Expenses	\$48,332,761	\$58,174,184	\$62,976,010	\$74,382,115	\$81,673,491	\$92,144,609	\$95,241,400
Program Revenues:							
Governmental Activities:							
Charges for Services:							
General Government	\$2,822,236	\$3,526,429	\$3,333,396	\$3,548,649	\$5,795,799	\$3,865,283	\$3,863,991
Community Development	1,319,744	1,673,472	2,639,435	4,556,434	2,849,501	2,104,057	990,726
Public Safety	857,446	828,850	751,415	883,380	1,018,344	1,173,161	1,295,958
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	1,657,534
Streets and Highways				164,000	340,938	164,000	164,000
Operating Grants and Contributions	4,190,854	3,650,927	4,016,078	3,971,741	4,331,741	7,075,977	4,317,151
Capital Grants and Contributions	21,221,765	14,379,009	9,626,053	16,587,571	28,202,450	30,997,048	25,070,949
Total Government Activities Program Revenues	32,185,313	25,867,030	21,498,953	30,795,773	43,476,881	46,969,846	37,360,309
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	13,291,670
Wastewater	5,666,336	9,063,607	16,807,866	14,639,742	19,304,123	16,137,851	15,084,085
Solid Waste	5,864,931	6,152,162	6,665,600	7,166,076	7,769,529	7,996,902	7,994,026
Golf	1,186,845	1,191,270	1,149,984	1,140,547	1,170,209	1,198,976	1,196,998
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	4,480,489
Total Business-Type Activities Program Revenue	24,377,950	31,087,002	41,042,799	35,333,049	47,398,447	44,915,172	42,047,268
Total Primary Government Program Revenues	\$56,563,263	\$56,954,032	\$62,541,752	\$66,128,822	\$90,875,328	\$91,885,018	\$79,407,577
Net (Expense)/Revenue:							
Governmental Activities	(\$674,317)	(\$11,046,633)	(\$18,262,423)	(\$14,447,646)	(\$8,424,594)	(\$13,482,615)	(\$24,189,075)
Business-Type Activities	8,904,819	9,826,481	17,828,165	6,194,353	17,626,431	13,223,024	8,355,252
Total Primary Government Net Expense	\$8,230,502	(\$1,220,152)	(\$434,258)	(\$8,253,293)	\$9,201,837	(\$259,591)	(\$15,833,823)

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

	Fiscal Year Ended June 30,						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other							
Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Property Taxes	\$10,839,472	\$14,567,005	\$17,691,016	\$20,549,378	\$25,849,273	\$27,228,016	\$27,225,355
Sales Taxes	6,600,171	7,089,594	6,097,917	6,431,206	6,356,704	9,779,701	9,278,231
Other Taxes	111,556	1,623,270	3,602,415	3,812,202	4,112,928	3,940,114	3,854,252
Interest Earnings	2,887,761	235,849	1,471,001	1,961,103	4,369,508	7,243,110	4,641,537
Intergovernmental:							
Motor Vehicle In-Lieu	3,169,212	2,618,118	1,332,594	405,607	406,742	308,149	244,605
Grants	322,010	272,313	285,507	427,720	520,630	312,945	418,794
Other Revenue	695,167	3,176,261	4,597,246	1,002,262	2,833,230	3,745,107	1,625,719
Developer Contributions	2,709,626			12,949,245	13,782,813	3,737,123	842,274
Transfers, net		(2,660,438)	33,780	(204,000)	(23,900)		
Total Government 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>	<u>48,130,767</u>
Business-Type Activities:							
Interest Earnings	992,641	741,645	1,812,237	2,030,279	3,292,440	4,079,798	3,891,990
Other Revenue			1,039,011	299,036	362,500	374,597	436,866
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>	<u>4,328,856</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>	<u>\$52,459,623</u>
Change in Net Assets:							
Governmental Activities	\$26,660,658	\$15,875,339	\$16,849,053	\$32,887,077	\$49,783,334	\$42,811,650	\$23,941,692
Business-Type Activities	11,674,938	13,228,564	20,645,633	8,727,668	21,305,271	17,677,419	12,684,108
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>	<u>\$36,625,800</u>

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

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



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund:										
Reserved	\$1,260,891	\$1,044,726	\$1,082,779	\$827,341	\$709,085	\$844,083	\$1,214,042	\$1,420,277	\$1,681,076	\$1,822,967
Unreserved	4,806,290	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
Total General Fund	<u>\$6,067,181</u>	<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>
All Other Governmental Funds:										
Reserved	\$28,145,319	\$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
Unreserved, reported in:										
Special revenue funds	2,716,421	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
Capital project funds		103,842	117,313	104,247			869,510	1,931,318	2,054,083	5,923,572
Total All Other Governmental Funds	<u>\$30,861,740</u>	<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>

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

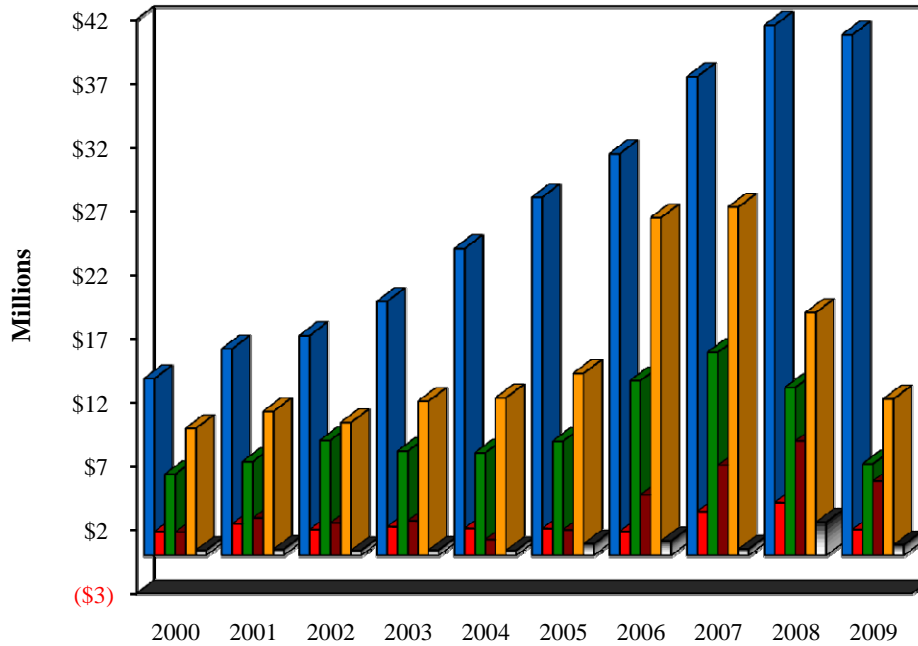
	Fiscal Year Ended June 30,				
	1999	2000	2001	2002	2003
Revenues					
Taxes	\$11,235,443	\$13,662,669	\$16,189,791	\$17,224,500	\$19,902,642
Licenses, permits and fees	1,162,190	1,871,887	2,464,355	2,019,824	2,239,307
Fines and forfeitures	225,664	243,767	245,603	265,415	299,891
Use of money and property	1,625,415	1,814,389	2,922,701	2,533,570	2,701,760
Revenue from other agencies	7,157,975	6,147,187	7,349,951	9,008,029	8,163,279
Charges for services	5,945,611	9,943,646	11,276,512	10,406,939	12,079,900
Other	105,326	150,517	227,875	112,307	107,687
Total Revenues	27,457,624	33,834,062	40,676,788	41,570,584	45,494,466
Expenditures					
Current:					
General government	2,236,925	2,792,178	2,070,438	2,564,490	1,805,873
Community development				884,389	3,163,133
Public safety	8,956,442	9,121,140	9,918,139	10,884,572	13,334,962
Library	63,001	111,669	132,336	135,289	138,763
Public works	2,894,451	2,843,624	3,007,845	2,866,881	3,235,730
Parks and recreation	1,927,742	2,216,650	2,536,764	2,748,239	3,157,634
Streets and highways	1,449,459	1,524,490	1,476,695	1,751,014	1,890,231
Nondepartmental	381,531	1,069,535	2,747,851	2,076,285	475,405
Capital outlay	5,663,617	3,011,140	5,716,172	7,039,490	8,032,525
Debt service:					
Principal repayment	557,074	664,281	466,161	525,557	5,020,140
Interest and fiscal charges	1,666,080	1,319,563	1,281,468	1,274,107	3,508,454
Total Expenditures	25,796,322	24,674,270	29,353,869	32,750,313	43,762,850
Excess (deficiency) of revenues over (under) expenditures	1,661,302	9,159,792	11,322,919	8,820,271	1,731,616
Other Financing Sources (Uses)					
Transfers in	7,163,568	328,545	2,829,833	835,383	24,632,334
Transfers (out)	(7,057,897)	(319,912)	(2,851,885)	(903,322)	(24,004,786)
Issuance of long-term debt	9,675,000				
Bond issuance premium					
Proceeds from installment purchase obligation					
Proceeds from issuance of loans				239,165	
Proceeds from capital lease obligations				947,049	
Proceeds from sale of property					
Proceeds from refunding bonds					31,431,840
Payment to escrow agent	(2,286,241)				(4,631,877)
Total other financing sources (uses)	7,494,430	8,633	(22,052)	1,118,275	27,427,511
Net Change in Fund Balances	\$9,155,732	\$9,168,425	\$11,300,867	\$9,938,546	\$29,159,127
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	24.2%

NOTE:

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

Fiscal Year Ended June 30,					
2004	2005	2006	2007	2008	2009
\$24,051,682	\$28,064,714	\$31,488,644	\$37,519,811	\$41,549,587	\$40,802,726
2,117,767	2,101,007	1,876,789	3,421,479	4,154,266	2,018,165
272,435	246,088	265,458	189,764	292,224	289,147
1,237,990	1,992,315	4,748,065	7,074,383	8,974,771	5,833,346
8,032,506	8,930,535	13,689,426	15,910,594	13,160,419	7,173,063
12,347,427	14,260,891	26,472,384	27,309,138	19,036,847	12,260,805
109,428	660,999	877,815	307,132	2,307,519	538,817
<u>48,169,235</u>	<u>56,256,549</u>	<u>79,418,581</u>	<u>91,732,301</u>	<u>89,475,633</u>	<u>68,916,069</u>
2,376,883	2,658,200	2,873,724	3,379,358	4,988,101	4,320,817
3,400,600	3,256,415	8,083,105	7,239,389	6,142,052	6,495,974
15,181,807	17,335,511	18,520,266	19,719,694	23,235,778	24,182,106
134,911	139,410	127,646	141,817	147,961	131,234
3,549,259	3,614,271	3,203,484	4,226,997	4,009,469	4,214,766
3,568,477	3,984,346	4,390,584	4,665,686	5,724,593	6,090,427
2,663,894	2,849,672	2,237,078	2,761,592	2,818,412	2,533,710
545,039	527,452	695,662	936,759	1,213,134	1,393,965
16,020,421	20,265,542	50,548,786	27,925,988	22,006,218	13,568,055
363,456	415,958	1,132,576	1,060,081	1,168,248	1,983,377
<u>2,033,639</u>	<u>3,124,877</u>	<u>5,596,017</u>	<u>5,705,160</u>	<u>7,119,245</u>	<u>6,100,146</u>
<u>49,838,386</u>	<u>58,171,654</u>	<u>97,408,928</u>	<u>77,762,521</u>	<u>78,573,211</u>	<u>71,014,577</u>
<u>(1,669,151)</u>	<u>(1,915,105)</u>	<u>(17,990,347)</u>	<u>13,969,780</u>	<u>10,902,422</u>	<u>(2,098,508)</u>
10,650,047	6,106,435	11,000,206	20,402,679	7,348,134	9,459,738
(12,330,468)	(6,071,571)	(11,204,206)	(21,191,440)	(8,071,719)	(9,459,738)
350,000	31,235,000	50,760,000	22,675,000		
	217,653		105,544		
	5,555,245		1,123,028	1,055,000	164,949
		(9,637,335)		3,557,101	
<u>(1,330,421)</u>	<u>37,042,762</u>	<u>40,918,665</u>	<u>23,114,811</u>	<u>3,888,516</u>	<u>164,949</u>
<u>(\$2,999,572)</u>	<u>\$35,127,657</u>	<u>\$22,928,318</u>	<u>\$37,084,591</u>	<u>\$14,790,938</u>	<u>(\$1,933,559)</u>
5.1%	6.5%	7.4%	9.5%	11.8%	14.3%

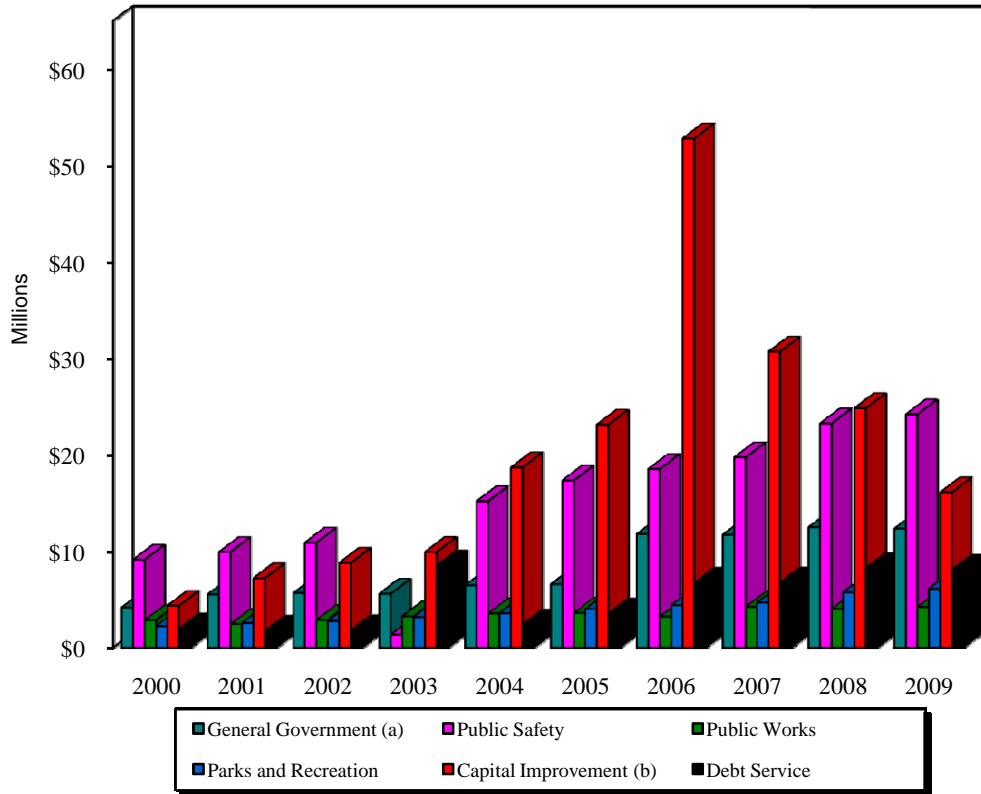
**CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
2000	\$13,860,322	\$1,871,887	\$6,353,027	\$1,814,389	\$9,943,646	\$394,284	\$34,237,555
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

Source: City Operating Budget and City Annual Financial Report

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

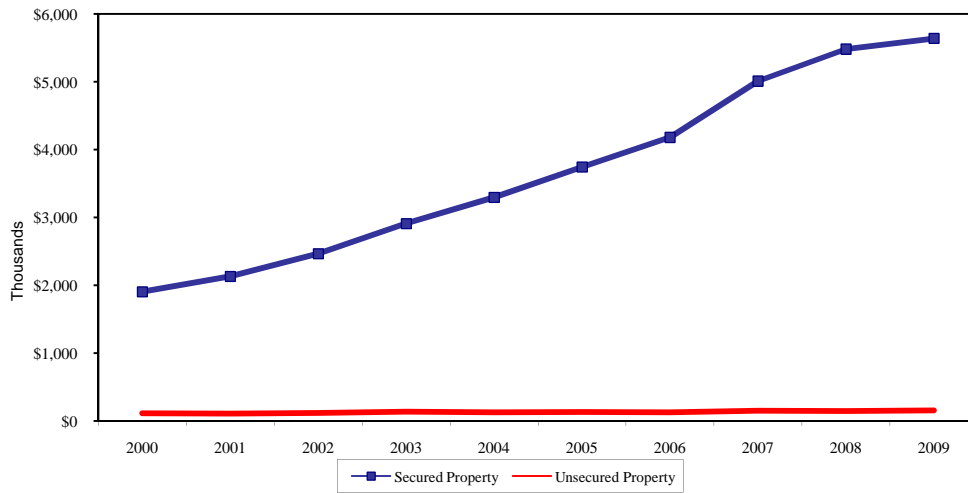


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
2000	\$4,162,672	\$9,121,140	\$2,843,624	\$2,216,650	\$4,346,340	\$1,983,844	\$24,674,270
2001	5,511,983	9,918,139	2,446,487	2,536,764	7,192,867	1,747,629	29,353,869
2002	5,660,453	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

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

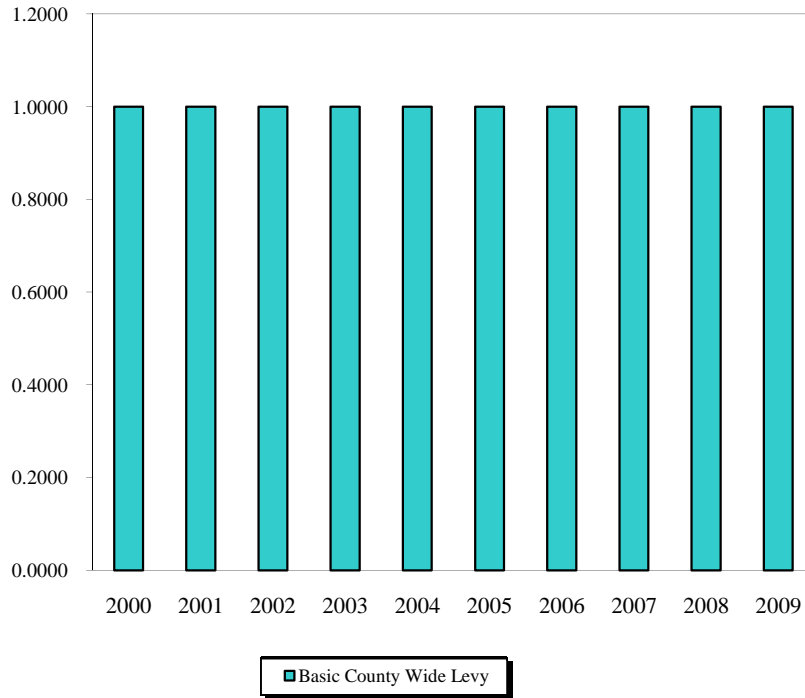


Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
2000	\$618,776	\$1,255,778	\$23,805	\$1,898,359	(\$103,370)	\$491	\$1,795,480	\$110,945	\$1,906,425	\$1,906,425	1%
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%

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>
2000	1.0000	1.0000
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

Source: San Joaquin County Assessors Office

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

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

<u>Taxpayer</u>	<u>2008-2009</u>		<u>1999-2000</u>	
	<u>Type of Business</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Type of Business</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Pulte Home Corp	Residential Development	1.41%		
Deutsche Bank National Trust Co.	Residential Properties	0.69%		
Paseo Apartments LLC	Apartments	0.67%		
Pivotal 650 California St LLC	Shopping Center	0.60%		
SRB Investments LLC	Shopping Center	0.52%		
Millard Refrigerated Services Inc	Cold Storage	0.51%		
Manteca Lifestyle Center LLC	Commercial Land	0.50%		
Stonegate Apts. LLC	Apartments	0.49%		
Metropolitan Life Ins. Co Corp.	Warehouse	0.40%		
Marie Raymus	Residential Properties	0.39%		
Edward J & Dolores M Cardoza	Shopping Center	0.38%		
Prologis	Warehouse	0.37%		
Doctors Hospital of Manteca Inc.	Hospital	0.37%		
U.S. Bank National Association Trust	Residential Properties	0.32%		
John J & Eleanor L Vierra	Residential Properties	0.32%		
Union Ranch Partners LLC	Residential Development	0.31%		
Western Properties Trust	Shopping Center	0.29%		
Wells Fargo Bank Trust	Residential Properties	0.28%		
Health Care REIT Inc	Professional Offices	0.24%		
Jackson Properties	Shopping Center	0.24%		
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>9.30%</u>		<u>0.00%</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, 2009

Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total Assessed Valuation
		2008-09 Project Area No. 1	\$698,269,615
1 Doctor's Hospital of Manteca, Inc	Hospital	\$20,652,699	2.96
2 Stonegate Apts. LLC	Apartments	20,127,498	2.88
3 Edward J. & Dolores M. Cardoza	Shopping Center	14,312,920	2.05
4 Wal Mart Realty Company	Commercial Store	12,003,439	1.72
5 Laurel Glen LLC	Apartments	10,922,700	1.56
6 Raymus Development & Sales	Recreation	8,521,136	1.22
7 VFT Properties LLC	Apartments	7,849,453	1.12
8 Lexington Tramk Manteca Remainderman LP	Commercial Store	6,960,000	1.00
9 Carl Karcher Enterprises Inc.	Warehouse	5,830,081	0.83
10 MBLG LLC	Mini-Storage	5,572,545	0.80
11 Professional Maint Co. Inc.	Shopping Center	5,455,261	0.78
12 Khatri Brothers Partnership	Hotel/Motel	4,969,793	0.71
13 North Main Storage LLC	Mini-Storage	4,797,789	0.69
14 Miner Joaquin Building Corp.	Banks	4,792,044	0.69
15 B.R. Funsten & Co	Warehouse	4,683,591	0.67
16 Eckert Engineering Corporation	Warehouse	4,674,461	0.67
17 Hensley Investment Company LLC	Apartments	4,607,109	0.66
18 Natalie Gianni	Commercial	4,402,500	0.63
19 William D & Miriam Cabral	Auto Sales/Service	4,140,149	0.59
20 John J. Vierra	Shopping Center	4,025,998	0.58
		<u>\$159,301,166</u>	<u>22.81%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA
 MANTECA REDEVELOPMENT PROJECT AREA NO. 2
 TOP TWENTY ASSESSED VALUES
 JUNE 30, 2009**

Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total Assessed
		2008-09 Local Secured Valuation Project Area No. 2	\$1,293,415,483
1 Pivotal 650 California St. LLC	Primary Land Use	\$33,300,000	2.57
2 Millard Refrigerated Services Inc.	Cold Storage	28,337,550	2.19
3 Metropolitan Life Insurance Co.	Warehouse	22,025,665	1.70
4 Prologis	Warehouse	20,808,000	1.61
5 Western Properties Trust	Shopping Center	16,055,972	1.24
6 Jackson Retail Venture LLC	Shopping Center	13,300,000	1.03
7 Kohl's Department Stores Inc	Shopping Center	13,279,886	1.03
8 Deutsche Bank National Trust Co	Residential Properties	12,530,651	0.97
9 Manteca Associates LP	Light Industrial	11,246,826	0.87
10 Catellus Operating LP	Cold Storage	11,080,260	0.86
11 Traget Corp.	Shopping Center	10,626,985	0.82
12 227 Commerce Ave LLC et al	Commercial	10,612,000	0.82
13 Meridian Manteca I LLC	Medical Offices	10,469,280	0.81
14 Inland Western MDS Portfolio LLC	Commercial Store	10,132,404	0.78
15 Stonehenge Manteca LLC	Shopping Center	9,297,239	0.72
16 HD Development Marland Inc.	Commercial Store	9,279,539	0.72
17 Crankbrook Realty Invest Fund LP	Warehouse	9,022,014	0.70
18 John J. & Eleanor L. Vierra	Residential Properties	8,399,927	0.65
19 Speckles Park Retail Delaware LLC	Shopping Center	8,364,000	0.65
20 Daniel M. Sarich	Light Industrial	8,089,052	0.63
		<u>\$276,257,250</u>	<u>21.36%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA
 MANTECA REDEVELOPMENT MERGED PROJECT AREA
 TOP TWENTY ASSESSED VALUES
 JUNE 30, 2009**

Property Owner	Primary Land Use	2008-09 Assessed Valuation	2008-09 Assessed Valuation	% of Total Assessed Valuation
			\$19,509,770	
1 Major Singh Brar	Commercial Land	\$1,388,220		7.12
2 Kelly Mah	Commercial Land	848,960		4.35
3 Chattarpal S. Pabla	Multi-Family Residential	822,430		4.22
4 Gasspecs	Commercial Land	765,000		3.92
5 National City Bank	Residential	765,000		3.92
6 Jose C. Cabral	Residential	631,400		3.24
7 Jose Rene Diaz	Multi-Family Residential	617,035		3.16
8 David L. Peters	Truck Terminal	587,148		3.01
9 Jagohan S. & Jaspinder K. Kailey	Residential	577,422		2.96
10 Joe Y. & Mary Mendoza	Residential	576,700		2.96
11 Natalyn J. & Thomas E. Bergman, Jr.	Residential	530,386		2.72
12 James H. & Kristin Zimmerman	Residential	513,450		2.63
13 Roger O. Beugre	Residential	510,600		2.62
14 Roadrunner Manufacturing Co.	Light Industrial	497,720		2.55
15 Ranjit & Jaswinder Khangura	Residential	479,960		2.46
16 Harpinder Kaur Thiara	Commercial Land	411,319		2.11
17 HSBC Bank USA	Residential	408,562		2.09
18 Manuel Villalobos	Residential	393,750		2.02
19 Citibank Trustee	Residential	386,100		1.98
20 R. D. & Maggie Voyer	Residential	385,389		1.98
		<u>\$12,096,551</u>		<u>62.00%</u>

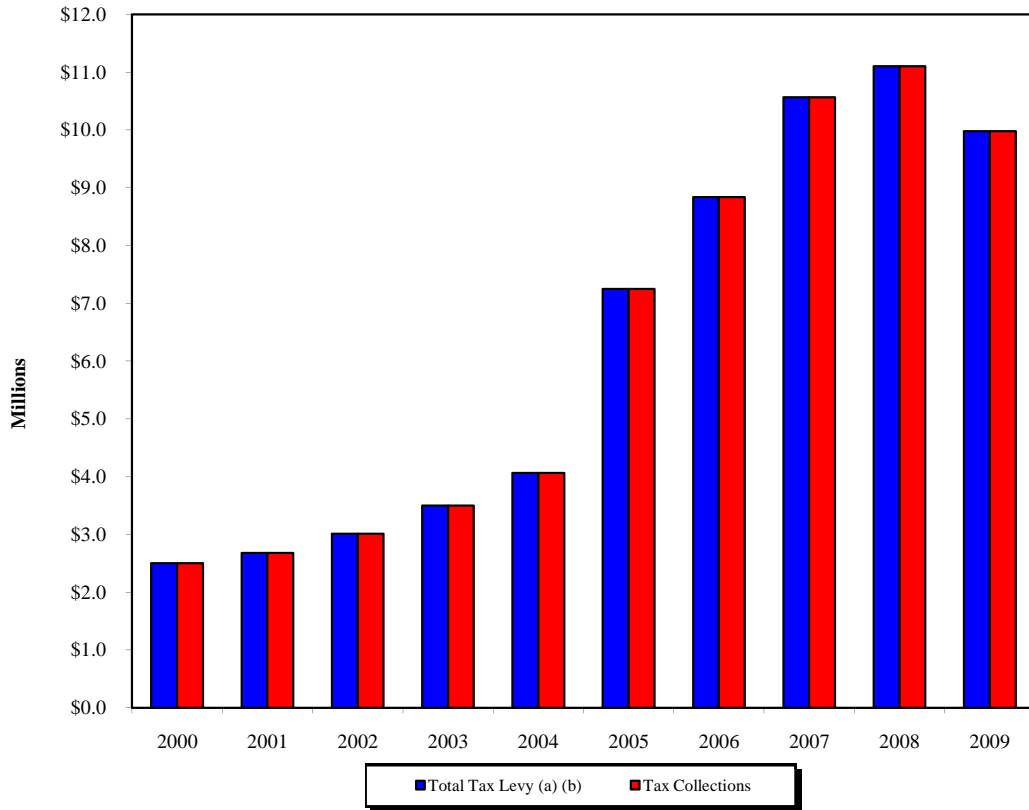
Source: California Municipal Statistics, Inc

**CITY OF MANTECA
 MANTECA REDEVELOPMENT MERGED PROJECT AREA
 TOP TWENTY ASSESSED VALUES
 JUNE 30, 2009**

		2008-09 Local Secured Valuation 2004 Amended Area	\$88,321,369	
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2008-09 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	
1 Manteca Lifestyle Center LLC	Commercial Property	\$27,695,289	31.36	
2 Aassieh Development	Light Industrial	12,094,340	13.69	
3 BS Family Partnership	Commercial Sales	9,494,184	10.75	
4 Lanting Family LLC	Truck Terminal	5,954,202	6.74	
5 Sunny Valley Smoked Meats	Food Processing	3,767,260	4.27	
6 JC Penney Properties Inc	Commercial Land	3,372,000	3.82	
7 Kulvir Singh Cheema	Agricultural	2,364,800	2.68	
8 Tesoro Commons	Residential Properties	2,358,335	2.67	
9 Steve A. & Christine S. Martinez	Industrial Land	1,925,600	2.18	
10 Gateway Storage of Manteca	Industrial Land	1,470,000	1.66	
11 D' Ambrosio Brothers Investment Co. LP	Industrial Land	1,376,604	1.56	
12 Yosemite Square Business Park LLC	Commercial Land	998,000	1.13	
13 John N. & Galatia Aretakis	Agricultural	841,308	0.95	
14 Satinda K. Bahia	Residential Properties	804,270	0.91	
15 RLD Partners LP	Residential Properties	756,704	0.86	
16 Avelino M. & Teresa A. Silva	Residential Properties	749,088	0.85	
17 AT&T Communications of CA Inc	Communications	690,000	0.78	
18 Hari & Manjit Kamboj	Residential Properties	606,900	0.69	
19 Harold & Dorothy Hahn Family LP	Light Industrial	601,163	0.68	
20 Arthur B. Cabral	Residential Properties	465,163	0.53	
		<u>\$78,385,210</u>	<u>88.75%</u>	

Source: California Municipal Statistics, Inc

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



Fiscal Year	Total Tax Levy (a) (b)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2000	\$2,502,269	\$2,502,269	100.0000%	0	\$2,502,269	100.0000%
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%

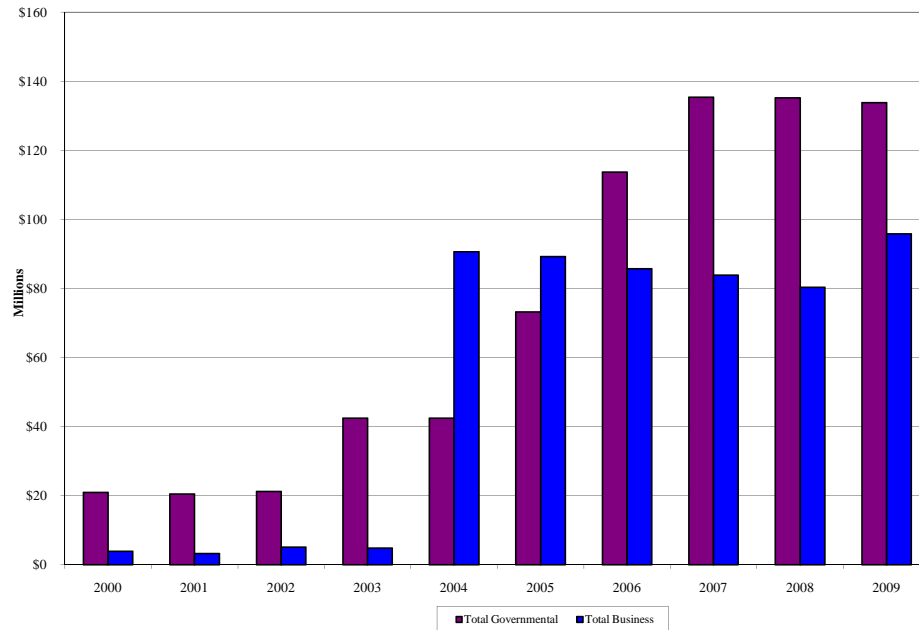
Source: City of Manteca Records

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

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

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

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



Governmental Activities									
Fiscal Year	Tax Allocation Bonds	Capital Leases	Energy Conservation Assistance Loan	Installment Purchase Obligation	Measure K Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2000	\$19,210,000			\$1,716,612		\$20,926,612	\$24,852,109	2074.12%	502
2001	18,925,000			1,535,451		20,460,451	23,746,770	1898.77%	457
2002	18,620,000	\$918,313	\$239,165	1,411,770		21,189,248	26,275,435	1979.10%	478
2003	40,150,000	858,534	207,432	1,219,457		42,435,423	47,231,667	3353.89%	826
2004	40,065,000	1,113,274	180,392	1,040,070		42,398,736	133,020,929	8728.63%	2,228
2005	71,210,000	980,615	152,519	874,644		73,217,778	162,456,409	10020.07%	2,623
2006	112,030,000	841,996	123,804	699,402		113,695,202	199,429,306	10020.07%	3,131
2007	134,005,000	697,143	94,220	513,758		135,310,121	219,163,345	13650.21%	3,368
2008	133,280,000	1,536,029	63,747	317,097		135,196,873	215,492,560	N/A -- (b)	3,243
2009	131,790,000	1,895,292	32,350	108,758		133,826,400	229,657,290	N/A -- (b)	3,088

Business-Type Activities							
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asst Loan	Capital Leases	Lease Revenue Bonds	Certificate of Participation SSJID	Total
2000		\$1,380,000			\$1,645,000		\$3,925,497
2001		1,140,000			1,530,000		3,286,319
2002		885,000	\$1,870,848	\$608,897	1,405,000		5,086,187
2003		610,000	2,346,984	569,260	1,270,000		4,796,244
2004	\$43,325,000	43,520,000	2,124,698	527,495	1,125,000		90,622,193
2005	43,325,000	42,620,000	1,840,144	483,487	970,000		89,238,631
2006	43,325,000	39,620,000	1,546,989	437,115	805,000		85,734,104
2007	43,325,000	38,270,000	1,244,973	388,251	625,000		83,853,224
2008	43,325,000	35,270,000	933,919	336,768	430,000		80,295,687
2009	43,075,000	51,635,000	613,373	282,517	225,000		95,830,890

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**

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	Tax Allocation Bonds	Total		
2000	\$19,210,000	\$19,210,000	1.01%	\$388.13
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

**CITY OF MANTECA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2009**

2008-09 Assessed Valuation	\$5,718,708,475
Redevelopment Incremental Valuation	<u>1,780,284,825</u>
Adjusted Assessed Valuation	<u><u>\$3,638,423,650</u></u>

JURISDICTION	Net Debt Outstanding ¹	Percentage Applicable To City of Manteca	Amount Applicable To City of Manteca ²
Manteca Unified School District Community Facilities District No. 1989-2	\$37,060,000	81.167%	\$30,080,490
Manteca Unified School District Community Facilities District No. 2000-3	16,950,000	99.872%	16,928,304
Manteca Unified School District	63,697,004	39.068%	24,885,146
San Joaquin County Certificates of Participation	197,130,000	6.910%	13,621,683
San Joaquin Delta Community College District	162,819,352	6.233%	10,148,530
City of Manteca Recreational Facilities Bonds	<u>275,000</u>	100.000%	<u>275,000</u>
TOTAL OVERLAPPING DEBT	<u><u>477,931,356</u></u>		<u><u>95,939,153</u></u>
City of Manteca Tax Allocation Bonds, Payable solely from Redevelopment Agency Property Tax Increments	<u>131,790,000</u>	100.000%	<u></u>
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$609,721,356</u></u>		<u><u>\$95,939,153</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, 2009**

ASSESSED VALUATION:

Assessed Value	\$5,648,491,978
Add back: Exempt real property	<u>70,216,497</u>
Total Assessed Valuation	<u><u>\$5,718,708,475</u></u>

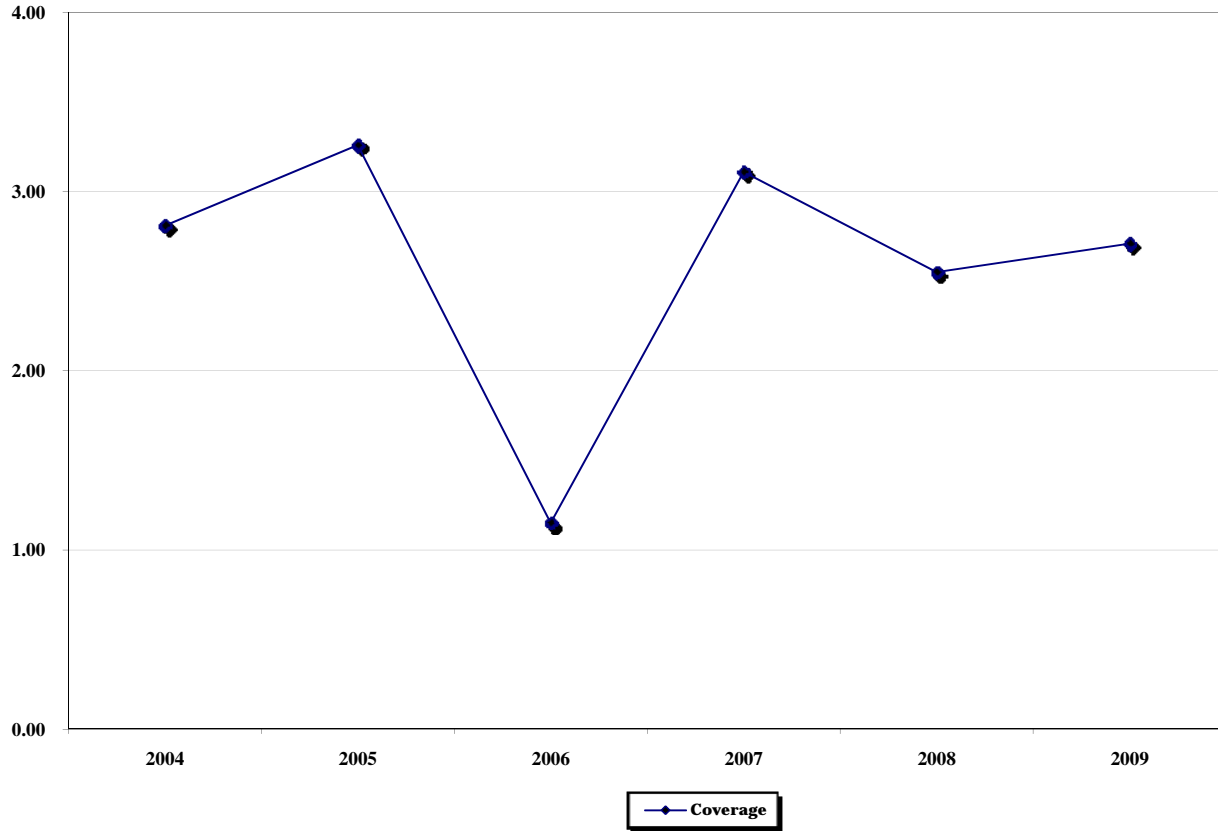
BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) \$857,806,271

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

LEGAL BONDED DEBT MARGIN \$857,806,271

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2000	\$301,652,586	0	\$301,652,586	0.00%
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%

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

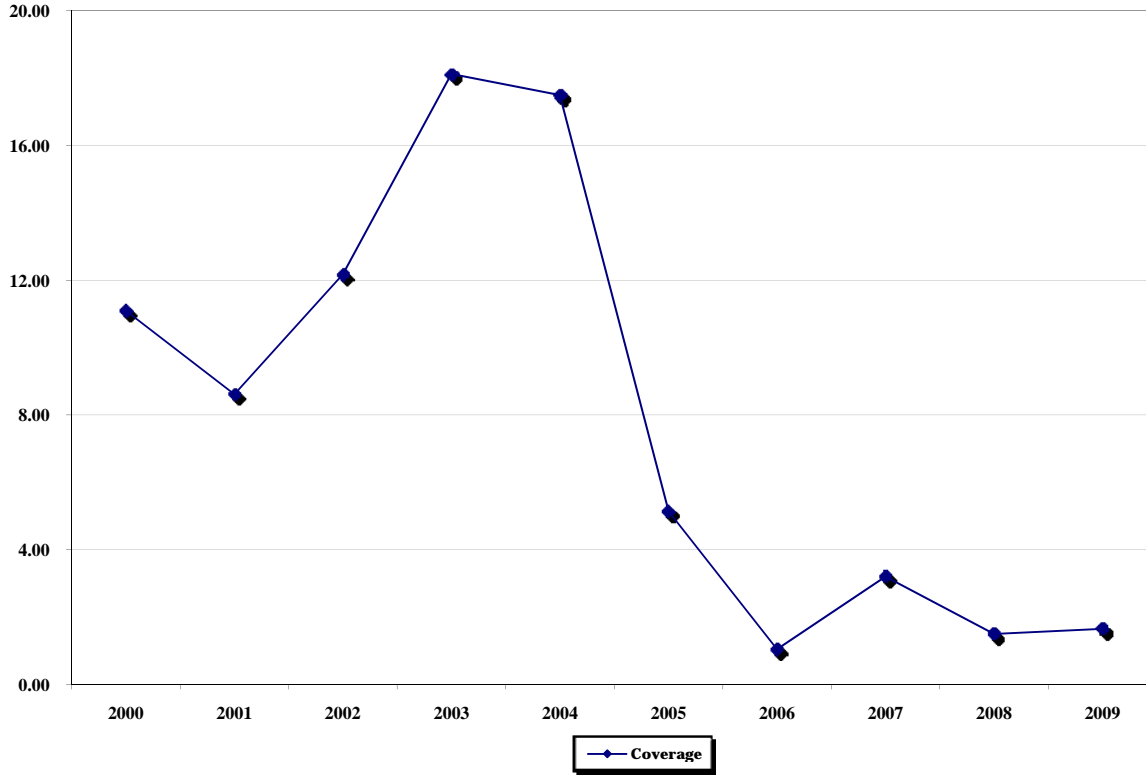


Fiscal Year (a)	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$10,503,016	(\$4,376,643)	(\$647,437)	\$5,478,936	\$0	\$1,948,696	\$1,948,696	2.81
2005	11,518,311	(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

Source: City of Manteca Annual Financial Statements

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

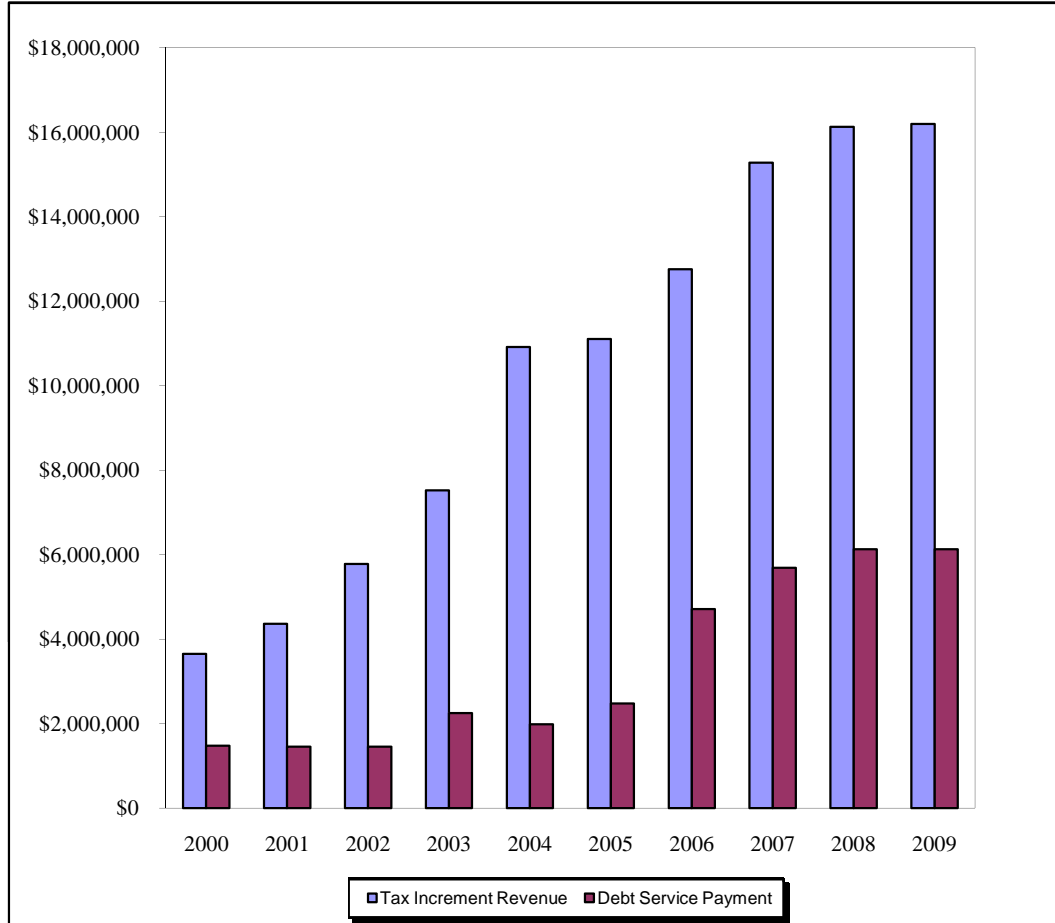
**CITY OF MANTECA
REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2000	\$4,076,936	(\$3,918,230)	\$3,593,598	\$3,752,304	\$225,000	\$113,249	\$338,249	11.09
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

Source: City of Manteca Annual Financial Statements

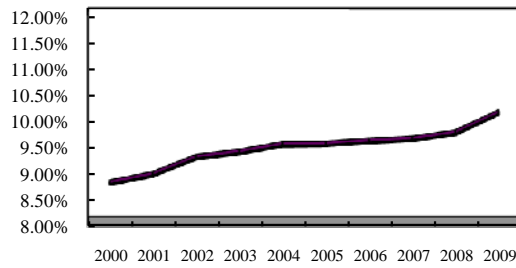
CITY OF MANTECA
BONDED DEBT PLEDGED-REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



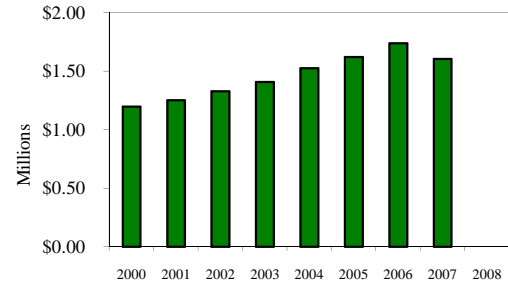
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2000	\$3,651,978	\$285,000	\$1,189,476	\$1,474,476	2.48
2001	4,361,290	285,000	1,170,735	1,455,735	3.00
2002	5,781,959	305,000	1,150,806	1,455,806	3.97
2003	7,519,404	75,000	2,171,358	2,246,358	3.35
2004	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

Source: City of Manteca Annual Financial Statements

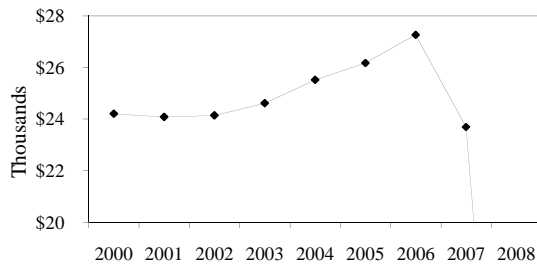
CITY OF MANTECA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



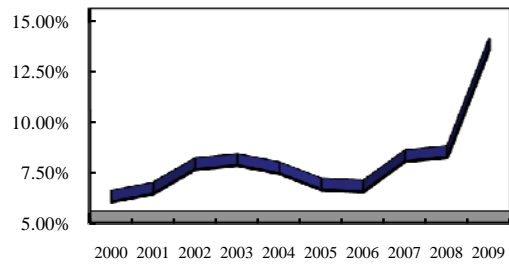
■ City Population as a % of County Population



■ Personal Income (in thousands)



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income ^a	Unemployment Rate (%)	San Joaquin County Population	City Population % of County
2000	49,494	\$1,198,200	\$24,209	6.0%	566,628	8.73%
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%

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

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

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

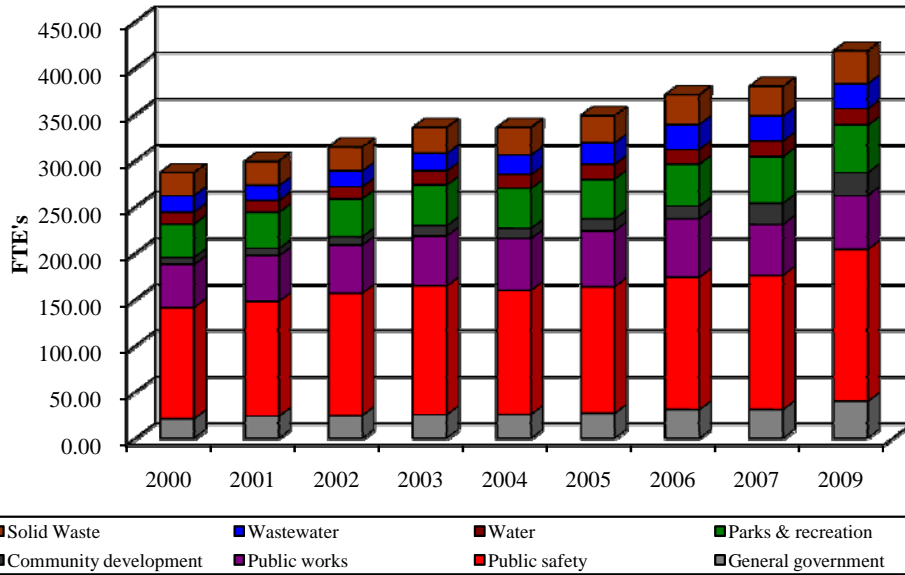
<u>Employer</u>	<u>2008-2009</u>			<u>2006-07</u>		
	<u>(a) Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Manteca Unified School District	2100+	1	3.3%	2100+	1	3.3%
Kaiser Permanente Medical Offices & Hospital	600-650	2	1.0%	600-650	2	0.9%
Doctors Hospital of Manteca	400-450	3	0.6%	400-450	4	0.6%
City of Manteca	400-450	5	0.6%	350-399	6	0.6%
BASS PRO Outdoor World	300-349	5				
Dirksen Transportation				400-450	5	0.6%
Wal-Mart	300-349	6	0.5%	300-349	7	0.5%
Eckert Cold Storage Co.	200-249	7		200-249	9	0.4%
Advance Packaging Distribution Specialist Inc	200-249	8	0.3%	300-349	8	0.5%
The Home Depot Inc				200-249	10	0.3%
Elegant Surfaces	200-249	9	0.3%			
Kenyon Plastering, Inc.				400-450	3	0.7%
COSTCO Wholesale #1031	150-200	10	0.2%			
Total City Day Population	<u>67,754</u>			<u>65,076</u>		

Source: City of Manteca Community Development Department

Notes: Data Not available for historical trend

^(a) Data for employees is a range not specific number

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



	<u>2000</u>	<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>
Function										
General government	21.00	24.00	24.50	25.50	25.75	26.75	30.75	30.75	37.00	40.00
Public safety	120.00	124.00	132.00	139.00	134.00	137.00	143.00	145.00	161.00	164.00
Public works	46.50	49.00	52.00	54.00	56.00	60.00	63.00	55.00	60.00	58.00
Community development	7.50	8.00	9.00	11.00	11.00	13.00	14.00	23.00	26.00	25.00
Parks & recreation	36.00	39.00	41.00	44.00	43.00	43.00	45.00	50.00	51.00	51.00
Water	13.00	13.00	13.00	15.00	15.00	16.00	16.00	17.00	18.00	18.00
Wastewater	18.00	16.00	17.00	19.00	21.00	23.00	27.00	27.00	27.00	27.00
Solid Waste	25.00	26.00	26.00	28.00	29.75	29.75	32.00	32.00	35.00	35.00
Total	<u>287.00</u>	<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>

Source: City of Manteca Budget Document

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

	2000	2001	2002	2003
Population				
Citizens	49,494	51,924	54,975	57,200
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	15.8 Sq Miles	15.9 Sq Miles	15.98 Sq Miles	16.05 Sq Miles
Registered Voters	20,014	20,521	21,557	21,579
Taxable Sales	444,712,900	551,764,700	602,934,900	589,162,700
Building Permits Issued	2,037	.	2,150	2,345
Employees from Budget Document	287	.	315	336
Fire Protection				
Number of Stations	3	.	3	3
Number of Reserve Personnel	17	16	20	20
Number of Sworn Fire Personnel	30	30	30	30
Number of Calls Answered	3,493	3,859	4,074	4,044
Police Protection				
Number of Stations	1	1	1	1
Number of Police Officers	58	60	65	68
Number of Volunteers	80	80	100	112
Number of Support Personnel	24	27	27	27
Number of Calls Answered	27,860	31,362	33,167	35,820
Parks & Recreation				
Park Sites	36	39	39	41
Acres of Parks	228	241	241	273
Senior Centers	1	1	1	1
Swimming Pools	1	1	1	1
Tennis Courts	8	8	8	8
Number of Park/Golf Trees	5,508	5,873	5,973	6,873
Number of Street Trees	4,460	4,568	4,768	5,288
Acres of Golf Course	122	122	122	122
Public Libraries	1	1	1	1
Landscape Maintenance Districts	3	3	12	14
Benefit Area District				
Public Works				
Miles of Streets	150	161	168	171
Number of Street Lights	2,685	2,900	3,050	3,134
Water Utility				
Number of Meters	13,519	14,321	15,203	16,037
Miles of Water Mains	150	160	166	168
Average Daily Consumptions (Gal)	9,536,977	9,906,188	10,161,293	10,597,002
Wastewater				
Number of Connections	17,532	18,337	19,214	20,043
Miles of Sewer Lines	150	160	166	168
Number of Treatment Plants	1	1	1	1
Average Daily Treatment	5.50 MGD	5.50 MGD	6.0 MGD	6.0 MGD
Treatment Capacity	6.95 MGD	6.95 MGD	6.95 MGD	6.95 MGD
Solid Waste				
Number of Accounts	13,386	14,134	14,940	15,866
Education				
Elementary Schools	17	17	17	17
High Schools	4	4	4	4
Adult Education	2	2	1	1
Teachers	885	943	1,031	1,031
Elementary Classrooms	658	658	851	851
High School Classrooms	222	243	259	259
Adult Education Classrooms	31	31	36	36
Current Enrollment	18,454	18,655	21,067	21,067

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					
	2004	2005	2006	2007	2008	2009
Population						
Citizens	59,700	61,927	63,703	65,076	66,451	67,754
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	16.13 Sq Miles	16.19 Sq. Miles	16.19 Sq. Miles	17.7 Sq Miles	17.52 Sq Miles	17.7 Sq Miles
Registered Voters	23,788	25,575	25,209	24,843	24,954	26,500
Taxable Sales	635,916,900	698,218,600	759,729,900	756,216,800	747,746,500	746,658,800
Building Permits Issued	2,300	2,259	2,302	2,596	1,816	1,459
Employees from Budget Document	336	348	370	380	415	418
Fire Protection						
Number of Stations	3	3	3	3	3	3
Number of Reserve Personnel	12	21	15	14	20	11
Number of Sworn Fire Personnel	30	30	30	36	42	43
Number of Calls Answered	4,126	4,203	n/a	n/a	4,589	4,823
Police Protection						
Number of Stations	1	1	1	1	1	1
Number of Police Officers	68	68	72	73	80	83
Number of Volunteers	123	119	114	69	74	153
Number of Support Personnel	29	28	28	30	33	36
Number of Calls Answered	37,251	39,282	39,435	38,763	37,122	37,345
Parks & Recreation						
Park Sites	41	45	46	46	47	47
Acres of Parks	273	266	275	275	326	335
Senior Centers	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	2
Tennis Courts	8	8	8	8	8	8
Number of Park/Golf Trees	6,873	6,873	6,925	7,320	7,596	7,600
Number of Street Trees	5,288	7,000	8,438	8,629	8,801	8,801
Acres of Golf Course	122	122	122	122	111	111
Public Libraries	1	1	1	1	1	1
Landscape Maintenance Districts	14	14	14	21	21	24
Benefit Area District				2	2	2
Public Works						
Miles of Streets	179	180	184	186	193	197
Number of Street Lights	3,314	3,314	3,800	4,300	4,800	4,800
Water Utility						
Number of Meters	16,687	17,199	17,428	21,950	22,172	19,800
Miles of Water Mains	214	212	279	251	254	244
Average Daily Consumptions (Gal)	11,542,356	10,493,809	11.96 MGD	13.7 MGD	13.82 MGD	12.62 MGD
Wastewater						
Number of Connections	20,556	21,248	21,383	21,967	22,212	22,461
Miles of Sewer Lines	163	169	250	209	184	184
Number of Treatment Plants	1	1	1	1	1	1
Average Daily Treatment	6.27 MGD	6.07 MGD	6.50 MGD	6.28 MGD	5.95MGD	6.2 MGD
Treatment Capacity	8.11 MGD	7.50 MGD	8.11 MGD	8.11 MGD	9.87 MGD	9.87 MGD
Solid Waste						
Number of Accounts	16,442	17,073	17,310	17,630	17,799	18,262
Education						
Elementary Schools	17	19	19	21	20	23
High Schools	4	4	4	6	7	4
Adult Education	1	1	4	2	2	1
Teachers	1,144	1,133	1,132	1,236	1,157	1,012
Elementary Classrooms	821	869	869	939	934	900
High School Classrooms	291	304	330	331	330	390
Adult Education Classrooms	27	27	37	37	27	47
Current Enrollment	23,409	23,805	23,393	23,506	23,003	22,900

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, 2009**

	<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 ²	1,000,000
Public Works Director	250,000
Police Chief	250,000
Fire Chief	250,000
Finance Director	250,000
Parks and Recreation Director	250,000
Community Development Director	250,000
Administrative Services Director	250,000
Executive Secretary (Notary)	10,000
City Clerk (Notary)	10,000

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

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

Source: City Administration Department

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, 2009, 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, 2009 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 October 5, 2009 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.

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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

October 5, 2009

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 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 2009 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The Redevelopment Agency's total net assets at June 30, 2009 totaled \$(13.6) million. This is an increase of \$1.6 million from the prior year.
- Total Agency revenues, including program and general revenues, were \$18.3 million, while total expenses were \$16.7 million in fiscal 2009. Revenues decreased by \$6 million, while expenses increased \$1.7 million.
- General revenues from property taxes were \$16.2 million.

OVERVIEW OF THE BASIC COMPONENT UNIT FINANCIAL REPORT

This Basic Component Unit Financial Report is in five 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,

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 2009 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, 2009
(in Millions)

	<u>Governmental Activities</u>	
	2009	2008
Cash and investments	\$ 95.4	\$ 100.0
Other assets	13.5	9.9
Capital assets	10.8	10.8
Total assets	119.8	121.0
Long-term debt outstanding	131.8	133.3
Other liabilities	1.5	2.9
Total liabilities	133.3	136.2
Net assets:		
Invested in capital assets, net of debt	7.0	7.0
Restricted	98.5	99.0
Unrestricted	(119.0)	(121.2)
Total Net Assets	(13.5)	(15.2)

The Agency's net assets from governmental activities increased 13% from \$(15.2) million in 2008 to \$(13.5) million in 2009. Cash and investments decreased by \$4.6 million. Restricted net assets of \$98.5 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	
	2009	2008
Revenues		
Program revenues:		
Charges for services	.0	.0
Operating contributions and grants	.0	3.6
Total program revenues	.0	3.6
General revenues:		
Property taxes	16.2	16.1
Interest income	2.1	4.7
Total general revenues	18.3	20.8
Total revenues	18.3	24.4
Expenses		
Community Development	10.7	8.0
Public Works	0	.1
Interest and fiscal charges	6.0	6.9
Transfers to City	.0	.0
Total expenses	16.7	15.0
Change in net assets	\$ 1.6	\$ (9.4)

Table 2 shows that total governmental activity revenues decreased \$.6 million in fiscal year 2008-09. \$16.2 million, or 89% of the Agency's Fiscal 2009 revenue, came from property taxes. As a result of continuing problems in the housing market, property tax remained static as compared to fiscal year 2007-08 receipts. Interest income declined by \$2.6 million or 55%. The rate for the Local Agency Investment Fund was 1.377% in June 2009 as compared to 2.894% in June 2008.

The Agency's Fund Financial Statements

Governmental Funds

At June 30, 2009, the Agency's governmental funds reported combined fund balances of \$98.5 million, which is a decrease of \$.5 million compared with the prior year

Governmental fund revenues were \$18.3 million this year, down 12% from prior year receipts. The Debt Service Fund accounted for 77% of this total. Expenditures were \$18.9 million this year. Of this total, \$7.4 million was expended on capital projects and \$7.5 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 \$10.3 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2009. 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 \$15.2 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 increased \$6.7 million. Revenue decreased slightly by \$.3 million due to declines in assessed valuations primarily in residential activity. \$3.2 million was transferred from the capital project funds as a result of reallocation of debt service reserve funds.

Redevelopment Capital Improvement and Economic Development

Fund balance in these funds decreased by \$9.6 million. Interest revenues declined sharply by \$2.1 million as project funds remaining on hand declined. Current expenditures totaled \$7.5 million with \$7.4 million in funding was spent on transportation projects to support economic development.

CAPITAL ASSETS

At the end of fiscal 2009 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	
	2009	2008
<i>Governmental Activities:</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 City’s debt comprised:

Table 4
Outstanding Debt
(in Millions)

	2009	2008
<i>Governmental activities</i>		
2002 Tax Allocation Revenue Bonds	27.9	28.6
2004 Subordinated Tax Allocation Revenue Bonds	25.2	25.9
2004 Tax Allocation (Housing Set Aside) Revenue Bonds	5.2	5.3
2005 Subordinated Tax Allocation Revenue Bonds	50.8	50.8
2006 Subordinated Tax Allocation Revenue Bonds	22.7	22.7
Total Outstanding Bonds	131.8	133.3

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 City’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, 2009

	Governmental Activities
ASSETS	
Cash and investments	
available for operations (Note 2)	\$38,118,912
Restricted cash and investments (Note 2)	57,234,493
Tax increment receivable	3,341,969
Interest receivable	106,303
Prepaid items and deposits	452
Long-term notes receivable (Note 3)	10,188,947
Capital assets not being depreciated (Note 5)	10,818,877
Total Assets	119,809,953
LIABILITIES	
Accounts payable	625,875
Accrued liabilities	953,665
Refundable deposits	5,000
Long-term liabilities (Note 6):	
Due within one year	1,780,000
Due within more than one year	130,010,000
Total Liabilities	133,374,540
NET ASSETS (DEFICIT) (Note 7):	
Invested in capital assets, net of related debt	7,000,000
Restricted for:	
Low and moderate income housing	15,174,881
Capital projects	49,270,620
Debt service	34,030,065
Total Restricted Net Assets	98,475,566
Unrestricted	(119,040,153)
Total Net Assets (Deficit)	(\$13,564,587)

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses
Governmental Activities:	
Current:	
Community development	\$10,742,385
Public works	8,409
Interest and fiscal charges	5,955,253
Total Governmental Activities	\$16,706,047
General revenues:	
Property taxes	16,194,009
Interest income	2,149,887
Total General Revenues	18,343,896
Change in Net Assets	1,637,849
Net Assets (Deficit)-Beginning	(15,202,436)
Net Assets (Deficit)-Ending	(\$13,564,587)

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 2009. 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, 2009

	Low and Moderate Income Housing	Debt Service	Capital Projects	Economic Development	Total Governmental Funds
ASSETS					
Cash and investments					
available for operations (Note 2)	\$11,645,161	\$20,873,727	\$2,628,506	\$2,971,518	\$38,118,912
Restricted cash and investments (Note 2)	3,521,992	10,045,520	43,666,981		57,234,493
Tax increment receivable		3,341,969			3,341,969
Interest receivable	32,778	60,710	4,606	8,209	106,303
Prepaid items and deposits		452			452
Long-term notes receivable (Note 3)	10,347,729		1,791,749	368,377	12,507,855
Total Assets	<u>\$25,547,660</u>	<u>\$34,322,378</u>	<u>\$48,091,842</u>	<u>\$3,348,104</u>	<u>\$111,309,984</u>
LIABILITIES					
Accounts payable	\$25,050	\$287,313	\$313,270	\$242	\$625,875
Deferred revenue (Note 3)	10,347,729		1,487,437	368,377	12,203,543
Refundable deposits		5,000			5,000
Total Liabilities	<u>10,372,779</u>	<u>292,313</u>	<u>1,800,707</u>	<u>368,619</u>	<u>12,834,418</u>
FUND EQUITY					
Fund balance (Note 7):					
Reserved for:					
Encumbrances and prepaid items			801		801
Debt service		34,030,065			34,030,065
Low and moderate income housing	15,174,881				15,174,881
Long-term notes receivable			304,312		304,312
Capital outlay			45,986,022	2,979,485	48,965,507
Total Fund Balances	<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>
Total Liabilities and Fund Balances	<u>\$25,547,660</u>	<u>\$34,322,378</u>	<u>\$48,091,842</u>	<u>\$3,348,104</u>	<u>\$111,309,984</u>

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
 Reconciliation of
 GOVERNMENTAL FUND BALANCE
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet	\$98,475,566
<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>	
<p>CAPITAL ASSETS</p>	
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
<p>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</p>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	12,203,543
<p>LONG-TERM ASSETS AND LIABILITIES</p>	
<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	(132,743,665)
Amortization of conditional grants	<u>(2,318,908)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$13,564,587)</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, 2009

	<u>Low and Moderate Income Housing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Economic Development</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$3,733,266	\$12,460,743			\$16,194,009
Use of money and property	291,337	823,541	\$969,742	\$71,103	2,155,723
Other revenue	1,000	20	1,889		2,909
Total Revenues	<u>4,025,603</u>	<u>13,284,304</u>	<u>971,631</u>	<u>71,103</u>	<u>18,352,641</u>
EXPENDITURES					
Current:					
Community development	1,136,835	2,656,842	6,675	126,632	3,926,984
Public works			243	8,166	8,409
Capital outlay:					
Capital projects			7,404,946	13,150	7,418,096
Debt service:					
Principal	142,340	1,347,660			1,490,000
Interest and fiscal charges	296,423	5,715,942			6,012,365
Total Expenditures	<u>1,575,598</u>	<u>9,720,444</u>	<u>7,411,864</u>	<u>147,948</u>	<u>18,855,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,450,005</u>	<u>3,563,860</u>	<u>(6,440,233)</u>	<u>(76,845)</u>	<u>(503,213)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4)		3,183,981	69,561		3,253,542
Transfers (out) (Note 4)		(69,561)	(3,183,981)		(3,253,542)
Total Other Financing Sources (Uses)		<u>3,114,420</u>	<u>(3,114,420)</u>		
NET CHANGE IN FUND BALANCES	2,450,005	6,678,280	(9,554,653)	(76,845)	(503,213)
BEGINNING FUND BALANCES	<u>12,724,876</u>	<u>27,351,785</u>	<u>55,845,788</u>	<u>3,056,330</u>	<u>98,978,779</u>
ENDING FUND BALANCES	<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>

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, 2009

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 (\$503,213)

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

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 1,490,000

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	674,636
Interest payable	57,112
Other	<u>(80,686)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,637,849

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$3,689,785	\$3,689,785	\$3,733,266	\$43,481
Use of money and property	250,000	250,000	291,337	41,337
Other revenue			1,000	1,000
Total Revenues	3,939,785	3,939,785	4,025,603	85,818
EXPENDITURES				
Current:				
General government	7,890,230	9,903,633	1,136,835	8,766,798
Debt service:				
Principal	141,900	141,900	142,340	(440)
Interest and fiscal charges	303,100	303,100	296,423	6,677
Total Expenditures	8,335,230	10,348,633	1,575,598	8,773,035
NET CHANGE IN FUND BALANCE	(\$4,395,445)	(\$6,408,848)	2,450,005	\$8,858,853
BEGINNING FUND BALANCE			12,724,876	
ENDING FUND BALANCE			\$15,174,881	

See accompanying notes to basic financial statements

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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, 2009

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.

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*.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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.

G. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that the Capital Improvement Fund’s capital projects expenditures are budgeted on a project length basis rather than annually. As a result, the results of these funds’ operations reported on the GAAP basis differed from the results of these funds’ operations reported on the budgetary basis.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments or Agency agreements. Cash and investments as of June 30, 2009 are as follows:

Cash and investments available for operations	\$38,118,912
Restricted cash and investments	57,234,493
Total cash and investments	\$95,353,405

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	\$40 million/account	\$40 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, 2009

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, 2009

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	Total
<i>Held by Agency:</i>				
California Local Agency Investment Fund	\$37,366,377			\$37,366,377
Money Market Funds (U.S. Securities)	752,534			752,534
<i>Held by Trustees:</i>				
Money Market Funds (U.S. Securities)	50,327,907			50,327,907
Guaranteed Investment Contracts	457,883	\$1,428,034	\$5,020,670	6,906,587
Total Investments	<u>\$88,904,701</u>	<u>\$1,428,034</u>	<u>\$5,020,670</u>	<u>\$95,353,405</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, 2009, these investments have an average maturity of 235 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, have an average maturity of 49 days.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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, 2009 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA	Total
Held by Agency:		
Money Market Funds (U.S. Securities)	\$752,534	\$752,534
Held by Trustees:		
Money Market Funds (U.S. Securities)	50,327,907	50,327,907
Totals	<u>\$51,080,441</u>	51,080,441
Not rated:		
California Local Agency Investment Fund		37,366,377
Guaranteed Investment Contracts		6,906,587
Total Investments		<u>\$95,353,405</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
Agency-Wide:			
	IXIS	Guaranteed Investment Contract	\$5,020,670
Major Funds:			
Debt Service Fund	IXIS	Guaranteed Investment Contract	2,533,121

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 3 - LONG-TERM NOTES RECEIVABLE AND DEFERRED REVENUE

A. Summary of Notes Receivable and Deferred Revenue

The Agency has deferred the recognition of revenues from the proceeds of the Notes or reserved the portion of fund balance represented by these Notes. At June 30, 2009, these notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,438,694
Down Payment Assistance Program	2,324,570
Residential Rehabilitation	356,960
First-Time Homebuyer Program	90,000
AKF Development, LLC	54,080
Mid-Peninsula Housing Coalition	2,500,000
Eden Housing Inc. - Union Court Apartment	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	701,683
MUSD Community Gym	<u>304,312</u>
Total notes receivable	12,507,855
Less: Allowance for conditional grants	<u>2,318,908</u>
Net long-term notes receivable	<u><u>\$10,188,947</u></u>

Deferred revenue at June 30, 2009 consisted of the outstanding balances of the above notes, excluding the \$304,312 loan to MUSD for the community gym.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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

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.

C. *Habitat for Humanity*

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

D. *Owner Participation Agreements*

During fiscal year 2005 the Redevelopment Agency entered into four Owner Participation Agreements under which it made loans totaling \$204,464 to real property owners in the Redevelopment Area for the purpose of making property improvements. As of June 30, 2009, three loans have been repaid. The terms of the remaining loan call for an interest rate of 5 percent; the loan is due in 2010. At June 30, 2009, the total outstanding balance on this loan was \$1,438,694.

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 is 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.

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. At June 30, 2009, loans related to this Program in the amount of \$574,025 had been extended. 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. The loans mature in 2008-2011. Under the terms of the Program, loans must be repaid in full if the property is sold to a nonqualified buyer.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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

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, 2009, loans related to this Program in the amount of \$1,750,545 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, 2009, loans receivable under this program totaled \$330,234.

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, 2009, loans receivable under this program totaled \$26,726.

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, 2009 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, due the earliest of the sixth anniversary or 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, 2009, the principal balance outstanding was \$54,080.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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

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 construction completion of the project. Principal and interest payments will be due annually and equal to 50% of residual receipts, if any. 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, 2009, Eden Housing had drawn down the loan in the amount of \$1,680,932.

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, 2009, 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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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

O. Manteca Senior Housing Inc. – Affirmed Housing

On March 22, 2007 the Agency agreed to loan Manteca Senior Housing Inc. \$750,000 to be used for the development costs for the fifty-two-unit apartment complex available for low income households. The Agency agreed to forgive the loans after fifty-five years based on program provisions; the loan bears a 3 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, 2009, \$701,683 has been drawn down from the loan and remains outstanding.

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 2009 the Agency withheld \$695,688 of the tax increment from MUSD. As of June 30, 2009, the principal balance outstanding was \$304,312.

Q. Conditional Grants

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

NOTE 4 - INTERFUND TRANSACTIONS

Transfers Between Funds

With Board approval, resources may be transferred from one fund to another. During the fiscal year ended June 30, 2009, the Capital Projects Fund transferred \$3,183,981 to the Debt Service Fund and the Debt Service Fund transferred \$69,561 to the Capital Projects Fund. Both transfers were to fund debt service responsibilities and capital projects.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 5 - CAPITAL ASSETS (Continued)

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

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Balance at June 30, 2009</u>
Capital assets not being depreciated:			
Land	<u>\$10,818,877</u>		<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.

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.

<u>Tax Allocation Bond Issue</u>	<u>Original Issue Amount</u>	<u>Balance June 30, 2008</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Series 2002 Subordinated Tax Allocation Refunding Bonds	\$30,765,000	\$28,610,000	\$735,000	\$27,875,000	\$765,000
Series 2004 Subordinated Tax Allocation Bonds	25,925,000	25,925,000	645,000	25,280,000	665,000
Series 2004 Tax Allocation (Housing Set-Aside) Subordinated Bonds	5,310,000	5,310,000	110,000	5,200,000	115,000
Series 2005 Subordinated Tax Allocation Bonds	50,760,000	50,760,000		50,760,000	235,000
Series 2006 Subordinated Tax Allocation Bonds	<u>22,675,000</u>	<u>22,675,000</u>		<u>22,675,000</u>	
	<u>\$135,435,000</u>	<u>\$133,280,000</u>	<u>\$1,490,000</u>	<u>\$131,790,000</u>	<u>\$1,780,000</u>

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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

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

The Agency has pledged all future tax increment revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project for the repayment of both the 2002 Subordinated Tax Allocation Refunding Bonds and 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds. The pledge of all future tax increment revenues end upon repayment of the combined remaining debt service of \$97,171,532 on the Bonds above, which is scheduled to occur in 2037. Projected tax increment revenues are expected to provide coverage over debt service of 100% over the life of the two Bonds. For fiscal year 2009, tax increment revenues amounted to \$12,460,743 which represented coverage of 316% over the \$3,941,640 of debt service of the two Bonds.

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, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$9,071,935 remaining debt service on the Bonds, which is scheduled to occur in 2035. Projected tax increment revenues are expected to provide coverage over debt service of 100% over the life of the Bonds. For fiscal year 2009, tax increment revenue amounted to \$3,733,266 which represented coverage of 1,066% over the \$350,072 of debt service.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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, 2010. 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.

The Agency has pledged all future tax increment, 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, for the repayment of both the 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 \$130,906,088 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 two Bonds. For fiscal year 2009, subordinated tax increment revenues amounted to \$12,252,369 which represented coverage of 436% over the \$2,826,029 of debt service of the two Bonds.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

B. Interest Rate Swap Agreement

The Agency entered into an interest rate swap in connection with 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 3.356%.

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2009, 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	Issuer Pays	Issuer Receives	Maturity/ Termination Date
Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005	\$50,760,000	12/13/2005	Piper Jaffray Financial Products Inc, with credit guarantee by Morgan	Aa3/A+/AA-	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. On June 30, 2009, the swap had a negative value of \$5,923,352 to the Agency.

Credit risk. As of June 30, 2009, 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 Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch respectively. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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, 2009, debt service requirements of the Authority'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 C. below:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total Interest
	Principal	Interest		
2010	\$235,000	\$111,672	\$1,591,834	\$1,703,506
2011	475,000	111,155	1,584,464	1,695,619
2012	490,000	110,110	1,569,568	1,679,678
2013	690,000	109,032	1,554,202	1,663,234
2014	725,000	107,514	1,532,563	1,640,077
2015-2019	5,805,000	508,497	7,248,393	7,756,890
2020-2024	7,000,000	436,667	6,224,489	6,661,156
2025-2029	6,970,000	351,879	5,015,875	5,367,754
2030-2034	5,010,000	292,776	4,173,388	4,466,164
2035-2039	10,420,000	220,308	3,140,391	3,360,699
2040-2044	12,940,000	72,512	1,033,625	1,106,137
Totals	<u>\$50,760,000</u>	<u>\$2,432,122</u>	<u>\$34,668,792</u>	<u>\$37,100,914</u>

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

C. Debt Service Requirements

Annual debt service requirements, including the effect of the swap agreement as disclosed on Note 6B, are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$1,780,000	\$5,457,316
2011	2,455,000	5,391,711
2012	2,540,000	5,303,245
2013	2,640,000	5,207,840
2014	2,750,000	5,096,584
2015-2019	15,705,000	23,641,255
2020-2024	16,885,000	20,232,669
2025-2029	20,270,000	16,444,748
2030-2034	25,430,000	11,301,730
2035-2039	24,865,000	5,377,249
2040-2044	16,470,000	1,434,638
Total	<u>\$131,790,000</u>	<u>\$104,888,985</u>

D. Debt Defeased in Prior Years

In 2006 the Agency defeased the Tax Allocation Revenue Bonds, Series 1998 by establishing an irrevocable trust to provide for all future debt service payments. As of June 30, 2009 the remaining balance of the defeased debt had been fully repaid.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

NOTE 7 – NET ASSETS AND FUND BALANCES (Continued)

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.

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 \$7,064,333 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, 2009, 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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements
Fiscal Year Ended June 30, 2009

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.

NOTE 11 – SUBSEQUENT EVENTS

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$6,657,837 in fiscal year 2009-10 and \$1,370,731 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 17% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future 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, 2009

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Property taxes	\$11,909,065	\$12,460,743	\$551,678
Use of money and property	538,000	823,541	285,541
Other revenue		20	20
Total Revenues	<u>12,447,065</u>	<u>13,284,304</u>	<u>837,239</u>
EXPENDITURES			
Current:			
Community development	2,647,605	2,656,842	(9,237)
Debt Service:			
Principal	1,380,000	1,347,660	32,340
Interest and fiscal charges	<u>4,344,320</u>	<u>5,715,942</u>	<u>(1,371,622)</u>
Total Expenditures	<u>8,371,925</u>	<u>9,720,444</u>	<u>(1,348,519)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,075,140</u>	<u>3,563,860</u>	<u>(511,280)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,184,000	3,183,981	(19)
Transfers (out)	<u>(109,985)</u>	<u>(69,561)</u>	<u>40,424</u>
Total Other Financing Sources (Uses)	<u>3,074,015</u>	<u>3,114,420</u>	<u>40,405</u>
NET CHANGE IN FUND BALANCE	<u>\$7,149,155</u>	6,678,280	<u>(\$470,875)</u>
BEGINNING FUND BALANCE		<u>27,351,785</u>	
ENDING FUND BALANCE		<u>\$34,030,065</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, 2009

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$580,000	\$969,742	\$389,742
Other revenue		1,889	1,889
Total Revenues	<u>580,000</u>	<u>971,631</u>	<u>391,631</u>
EXPENDITURES			
Current:			
Community development	480,000	6,675	473,325
Public works	128,400	243	128,157
Capital outlay:			
Capital projects	<u>32,943,587</u>	<u>7,404,946</u>	<u>25,538,641</u>
Total Expenditures	<u>33,551,987</u>	<u>7,411,864</u>	<u>26,140,123</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32,971,987)</u>	<u>(6,440,233)</u>	<u>26,531,754</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	69,565	69,561	(4)
Transfers (out)	<u>(3,184,000)</u>	<u>(3,183,981)</u>	<u>19</u>
Total Other Financing Sources (Uses)	<u>(3,114,435)</u>	<u>(3,114,420)</u>	<u>15</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$36,086,422)</u></u>	<u><u>(9,554,653)</u></u>	<u><u>\$26,531,769</u></u>
BEGINNING FUND BALANCE		<u>55,845,788</u>	
ENDING FUND BALANCE		<u><u>\$46,291,135</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, 2009

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$15,000	\$71,103	\$56,103
Total Revenues	<u>15,000</u>	<u>71,103</u>	<u>56,103</u>
EXPENDITURES			
Current:			
Community development	347,355	126,632	220,723
Public works	17,000	8,166	8,834
Capital outlay:			
Capital projects	<u>64,620</u>	<u>13,150</u>	<u>51,470</u>
Total Expenditures	<u>428,975</u>	<u>147,948</u>	<u>281,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(413,975)</u>	<u>(76,845)</u>	<u>337,130</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>40,420</u>		<u>(40,420)</u>
Total Other Financing Sources (Uses)	<u>40,420</u>		<u>(40,420)</u>
NET CHANGE IN FUND BALANCE	<u>(\$373,555)</u>	<u>(76,845)</u>	<u>\$296,710</u>
BEGINNING FUND BALANCE		<u>3,056,330</u>	
ENDING FUND BALANCE		<u>\$2,979,485</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, 2009, and have issued our report thereon dated October 5, 2009. We conducted our audit in accordance with generally accepted auditing standards 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. We noted no items we consider to be material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated October 5, 2009.

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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze & Associates

October 5, 2009

SCHEDULE OF PRIOR YEAR FINDINGS

PREPARED BY MANAGEMENT

Finding 08-01: Final Report Submission to the Agency Board

Condition: The Annual Report of the Redevelopment Agency for fiscal year ended June 30, 2007, was submitted to the Agency Board on February 2, 2008.

Criteria: California Health and Safety Code Section 33080.1 requires that “.....every redevelopment agency shall present an annual report to its legislative body within six months of the end of the agency's fiscal year.”

Effect: Due to the delay of report submission to the Board, the Agency was out of compliance with the above Code.

Cause: The Agency endeavors to submit final audited numbers to the commission. The last Agency meeting occurs the third Monday in December. The final report was not published by this date to present to the commission for approval. However, all reporting to the State Controller's Office was submitted prior to December 31.

Recommendation: To ensure that the Agency Board is informed with the audit results, current activities and financial conditions of the Agency; and to ensure that the Agency comply with the Health and Safety Code, the Agency should submit the Annual Report to the Board by December 31 after the fiscal year end.

Current Status:

In May 2008, the Agency hired a full-time Housing Specialist. One of the main responsibilities of this position is to monitor reports from property owners on an annual basis. Procedures are currently being designed and implemented to ensure compliance with Health and Safety Code 33418.

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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, 2009, 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, 2009 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



October 5, 2009

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MANTECA FINANCING AUTHORITY

**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, 2009

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
ASSETS					
Current Assets:					
Investments held by trustee (Note 2)	\$217,639	\$3,485,994	\$4,889,200	\$18,190,850	\$26,783,683
Interest receivable	5,301	125,722	930,520		1,061,543
Total Current Assets	<u>222,940</u>	<u>3,611,716</u>	<u>5,819,720</u>	<u>18,190,850</u>	<u>27,845,226</u>
Receivable from the City of Manteca (Note 3)	<u>7,361</u>	<u>28,797,505</u>	<u>39,520,362</u>		<u>68,325,228</u>
Total Assets	<u>230,301</u>	<u>32,409,221</u>	<u>45,340,082</u>	<u>18,190,850</u>	<u>96,170,454</u>
LIABILITIES					
Current Liabilities:					
Accrued interest payable	5,301	125,722	930,520	87,740	1,149,283
Lease revenue bonds payable (Note 4)					
Due within one year	<u>225,000</u>	<u>635,000</u>	<u>360,000</u>		<u>1,220,000</u>
Total Current Liabilities	<u>230,301</u>	<u>760,722</u>	<u>1,290,520</u>	<u>87,740</u>	<u>2,369,283</u>
Non-Current Liabilities:					
Lease revenue bonds payable (Note 4)					
Due in more than one year		<u>32,000,000</u>	<u>42,715,000</u>	<u>19,000,000</u>	<u>93,715,000</u>
Total Liabilities	<u>230,301</u>	<u>32,760,722</u>	<u>44,005,520</u>	<u>19,087,740</u>	<u>96,084,283</u>
NET ASSETS					
Restricted for Capital Projects		<u>(351,501)</u>	<u>1,334,562</u>	<u>(896,890)</u>	<u>86,171</u>
Total Net Assets	<u><u>230,301</u></u>	<u><u>(351,501)</u></u>	<u><u>\$1,334,562</u></u>	<u><u>(\$896,890)</u></u>	<u><u>\$86,171</u></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, 2009

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
OPERATING REVENUE					
Interest on base rental payments	\$24,432	\$1,048,121	\$1,929,216		\$3,001,769
Operating Revenue	24,432	1,048,121	1,929,216		3,001,769
OPERATING EXPENSES					
Interest and fiscal fees	25,950	1,561,004	1,905,083	\$896,890	4,388,927
Total Operating Expenses	25,950	1,561,004	1,905,083	896,890	4,388,927
Operating Income (Loss)	(1,518)	(512,883)	24,133	(896,890)	(1,387,158)
OTHER INCOME (EXPENSE)					
Interest on investments	1,148	161,671	165,417		328,236
Amortization of issuance costs	(4,743)				(4,743)
Total Other Income (Expense)	(3,595)	161,671	165,417		323,493
Net Income (Loss)	(5,113)	(351,212)	189,550	(896,890)	(1,063,665)
Net assets at beginning of year	5,113	(289)	1,145,012		1,149,836
Net assets at end of year	<u>5,113</u>	<u>(\$351,501)</u>	<u>\$1,334,562</u>	<u>(\$896,890)</u>	<u>\$86,171</u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	2009 Sewer Revenue Bonds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from the City	\$233,446	\$4,124,369	\$2,225,757		\$6,583,572
Payments to bond trustees	(30,776)	(1,571,464)	(1,951,624)	(\$809,150)	(4,363,014)
Cash Flows from Operating Activities	<u>202,670</u>	<u>2,552,905</u>	<u>274,133</u>	<u>(809,150)</u>	<u>2,220,558</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
FINANCING ACTIVITIES					
Long-term debt payment - principal	(205,000)	(2,635,000)	(250,000)		(3,090,000)
Long-term debt issuance				19,000,000	19,000,000
Cash Flows from Noncapital Financing Activities	<u>(205,000)</u>	<u>(2,635,000)</u>	<u>(250,000)</u>	<u>19,000,000</u>	<u>15,910,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment interest received	1,139	161,671	165,417		328,227
Cash Flows from Investing Activities	<u>1,139</u>	<u>161,671</u>	<u>165,417</u>		<u>328,227</u>
Net Cash Flows	(1,191)	79,576	189,550	18,190,850	18,458,785
Cash and investments at beginning of period	218,830	3,406,418	4,699,650		8,324,898
Cash and investments at end of period	<u>\$217,639</u>	<u>\$3,485,994</u>	<u>\$4,889,200</u>	<u>\$18,190,850</u>	<u>\$26,783,683</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$1,518)	(\$512,883)	\$24,133	(\$896,890)	(\$1,387,158)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Change in assets and liabilities:					
Receivable from City of Manteca	204,188	3,065,788	250,000		3,519,976
Interest receivable	4,826	10,460	46,541		61,827
Accrued interest payable	(4,826)	(10,460)	(46,541)	87,740	25,913
Cash Flows from Operating Activities	<u>\$202,670</u>	<u>\$2,552,905</u>	<u>\$274,133</u>	<u>(809,150)</u>	<u>\$2,220,558</u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2009

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, 2009

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, 2009

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 25 Years	Total
<i>Held by Trustees:</i>			
Money Market Funds (U.S. Securities)	\$19,902,795		\$19,902,795
Guaranteed Investment Contracts		\$6,798,838	6,798,838
Total Investments	\$19,902,795	\$6,798,838	26,701,633
Cash in bank			82,050
Total Cash and Investments			\$26,783,683

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, 2009 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, 2009, have an average maturity of 49-76 days. The Guaranteed Investment Contracts were not rated as of June 30, 2009.

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

Fund	Issuer	Investment Type	Reported Amount
Major Funds:			
2003 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, 2009

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 2036.

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:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$1,220,000	\$3,132,759	\$4,352,759
2011	1,170,000	3,090,811	4,260,811
2012	1,365,000	3,053,203	4,418,203
2013	1,570,000	3,004,882	4,574,882
2014	1,795,000	2,946,470	4,741,470
2015-2019	11,675,000	15,316,835	26,991,835
2020-2024	16,610,000	12,053,249	28,663,249
2025-2029	17,545,000	7,918,618	25,463,618
2030-2034	22,985,000	2,728,477	25,713,477
	<u>\$75,935,000</u>	<u>\$53,245,304</u>	129,180,304
<u>Less:</u>			
	Amount representing reserve balance		7,609,772
	Amount representing interest		<u>53,245,304</u>
			<u>\$68,325,228</u>
			Receivable from the City of Manteca at June 30, 2009

NOTE 4 – LONG TERM DEBT

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$1,220,000	\$3,985,466	\$5,205,466
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
2015-2019	11,675,000	20,923,146	32,598,146
2020-2024	16,610,000	17,672,213	34,282,213
2025-2029	21,180,000	13,218,869	34,398,869
2030-2034	28,315,000	6,868,083	35,183,083
2035-2036	10,035,000	1,175,589	11,210,589
Total	<u>\$94,935,000</u>	<u>\$81,474,380</u>	<u>\$176,409,380</u>

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2009

NOTE 4 – LONG TERM DEBT (Continued)

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 are secured by revenue from the lease payments discussed in Note 3.

The City has pledged all future golf revenues to repay the Golf Lease Revenue Bonds through 2010. Annual principal and interest payments on the bonds are expected to require less than 100 percent of golf revenues. The Golf Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$238,771. The Golf Enterprise Fund's principal and interest paid for the current year and total gross revenues were \$235,780 and \$1,198,131 respectively.

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.

The City has pledged future sewer revenues, net of specified operating expenses, to repay the Sewer Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net sewer revenues. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$59,881,151. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$4,266,425 and \$6,357,027 respectively.

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 Sewer Revenue Bonds through 2036. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net sewer revenues. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$43,787,824. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$0 and \$6,357,027 respectively.

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2009

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 \$74,975,188. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,201,624 and \$3,239,743 respectively.