



City of Manteca, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

CITY OF MANTECA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

Prepared by
FINANCE DEPARTMENT

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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CITY OF MANTECA

FINANCE DEPARTMENT

November 1, 2008

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, 2008 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 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 Pleasant Hill, California.

As part of the Governmental Accounting Standards Board (GASB) Statement No. 34 *Financial Reporting Model* the CAFR includes government-wide 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 section 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.

THE REPORTING ENTITY AND ITS SERVICES

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.

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

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

<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
General Fund	Enterprise Funds	Agency Funds
Special Revenue Funds	Internal Service Funds	
Debt Service Funds		
Capital Improvement Funds		

The City of Manteca provides a full range of municipal services including public safety (police and fire), streets and highways, sanitation, health services, culture and recreation, solid waste collection and disposal, water, land use planning and zoning, building safety regulation and inspection, public improvements, general administrative services, and the Manteca Redevelopment Agency.

ECONOMIC CONDITION AND OUTLOOK

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 17.5 square miles of level terrain and 66,451 residents as of January 1, 2008. 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's aggressive economic development program will 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 five years has contributed to increased commercial, industrial, and retail opportunities. 27 permits for commercial development were issued in fiscal year 2007-08. An additional 42 permits for commercial development were issued in fiscal year 2006-07 and 15 permits were issued in fiscal year 2005-06. The City's retail opportunities focus on three distinct projects. The **Spreckels Park** development is located at the junction of Highways 99 and 120. This 362-acre development includes retail opportunities, 170 homes, a business park, and over 230 acres available for industrial uses. **Stadium Center** is a 52-acre multi-tenant retail center anchored by Kohl's and Costco. At completion the center will provide 500,000 square feet of retail and restaurant space. The **Promenade Shops at Orchard Valley** is a 700,000 square foot regional lifestyle center anchored by Bass Pro Shops. Other tenants will include J.C. Penny, Best Buy and Kerasotes Showplace Theater.

Residential construction began slowing in fiscal year 2007-08 as a result of dramatic downturns in the housing market. The Building Inspection division issued 353 permits for new residential construction during the fiscal year. This compares with 602 permits issued during fiscal year 2006-07 and 311 permits issued during fiscal year 2005-06. In fiscal year 2007-08, sewer allocations issued by the City fell short of its legislated growth cap of 3.9%. In 2007-08, two new residential development agreements were approved representing 17 multi-family homes. Negotiations continue on five other projects, including a potential 300-unit apartment complex. However, as the City moves into fiscal year 2008-09 it anticipates continued declines in its housing market.

MAJOR INITIATIVES

The fiscal year 2007-08 and 2008-09 budgets include many new programs and/or the continuation of existing programs designed to strengthen the services provided to Manteca citizens. Some of these programs are further described below.

Public Safety

In the public safety sector, the City continues to receive grant funding for one police officer position and three firefighter positions. These grants provide partial funding for each new position for up to three years. The programs implemented under the grants are designed to provide the citizens of Manteca with a higher level of customer response. Recognizing the need to maintain service levels, the City has 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.

Parks and Recreation

To provide the necessary funding for development of new neighborhood and community parks, a nexus study was conducted on the Park Acquisition and Improvement development impact fee. This report was presented to and accepted by Council in September 1999. Fees were reviewed again and updated in August 2004. The current development fees for parks are \$2,447 per single family residential unit and \$1,694 per multi-family dwelling unit.

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.

Woodward Community Park is a 51-acre park that has been master planned for sports fields and courts, picnic and play areas, and designated parking. At completion, the park will provide multi-use turf play fields suitable for soccer, football practice, and baseball/softball practice. Also planned are basketball courts, tennis courts, horseshoe pits, volleyball courts, and a jogging path. The first phase of improvements has been completed and the park opened for public use in October 2005. Improvements continue to be constructed. An additional \$450,000 of improvements for a water play park is scheduled to begin in fiscal year 2008-09.

The City has also begun construction on a 10 acre BMX Park. \$200,000 has been appropriated in fiscal year 2008-09 for the design and construction of the BMX track.

Public Works

Progress continues on 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. As noted in Note 13 to the Financial Statements, the City has been awarded grant money under Proposition 13 (approved by the voters in March 2000) for a portion of the upgrade and expansion project. The entire project is estimated to cost approximately \$75 million and staff is proceeding with the construction in phases in order to provide adequate wastewater treatment capacity for development needs.

The City issued Revenue Bonds in 2004 to fund this project. Schedules A, B, and D have been completed and are in operation. Schedule C has been designed and will go to bid in early 2009.

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 (\$11,520,630) and the Airport Daniels Area Improvements.

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. The operations of PERS remained stable in fiscal year 2000-01, though like the rest of the investment community overall returns fell below actuarial estimates for this year. Until the 2000-01 fiscal year, higher-than-projected investment returns had a favorable effect on employer rates. However, the negative returns experienced by PERS in fiscal year 2001-02 have had a substantial impact on required employer contributions to PERS. Increases to contribution rates continued through fiscal year 2006 but began to stabilize in fiscal year 2007.

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 2007-08 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, 2007. This was the nineteenth 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

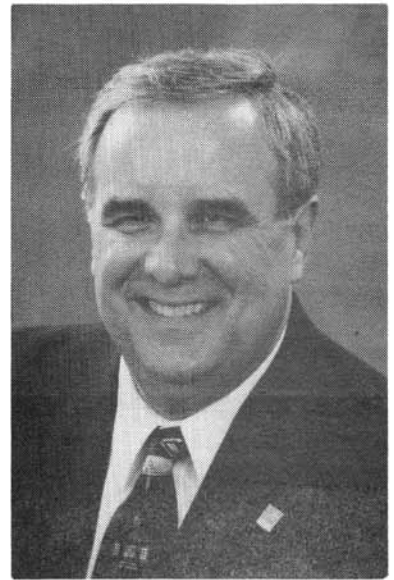
Suzanne Mallory
Finance Director

CITY OF MANTECA

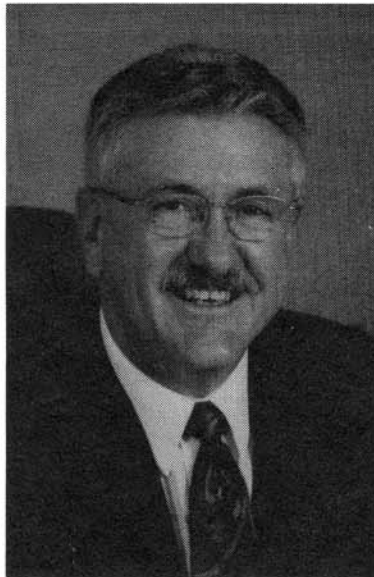
CITY COUNCIL



Jack Snyder
Councilman



John Harris
Councilman



Willie Weatherford
Mayor



Steve DeBrum
Councilman



Vincent Hernandez
Councilman

ADMINISTRATIVE PERSONNEL

City Manager / City Treasurer	Steven J. Pinkerton
City Attorney	John Brinton
City Clerk	Joann Tilton
Administrative Services Director	Joe Kriskovich
Finance Director	Suzanne Mutimer
Parks and Recreation Director	Steve Houx
Community Development Director	Mark Nelson
Public Works Director	Mark Houghton
Fire Chief	Chris Haas
Chief of Police	David Bricker

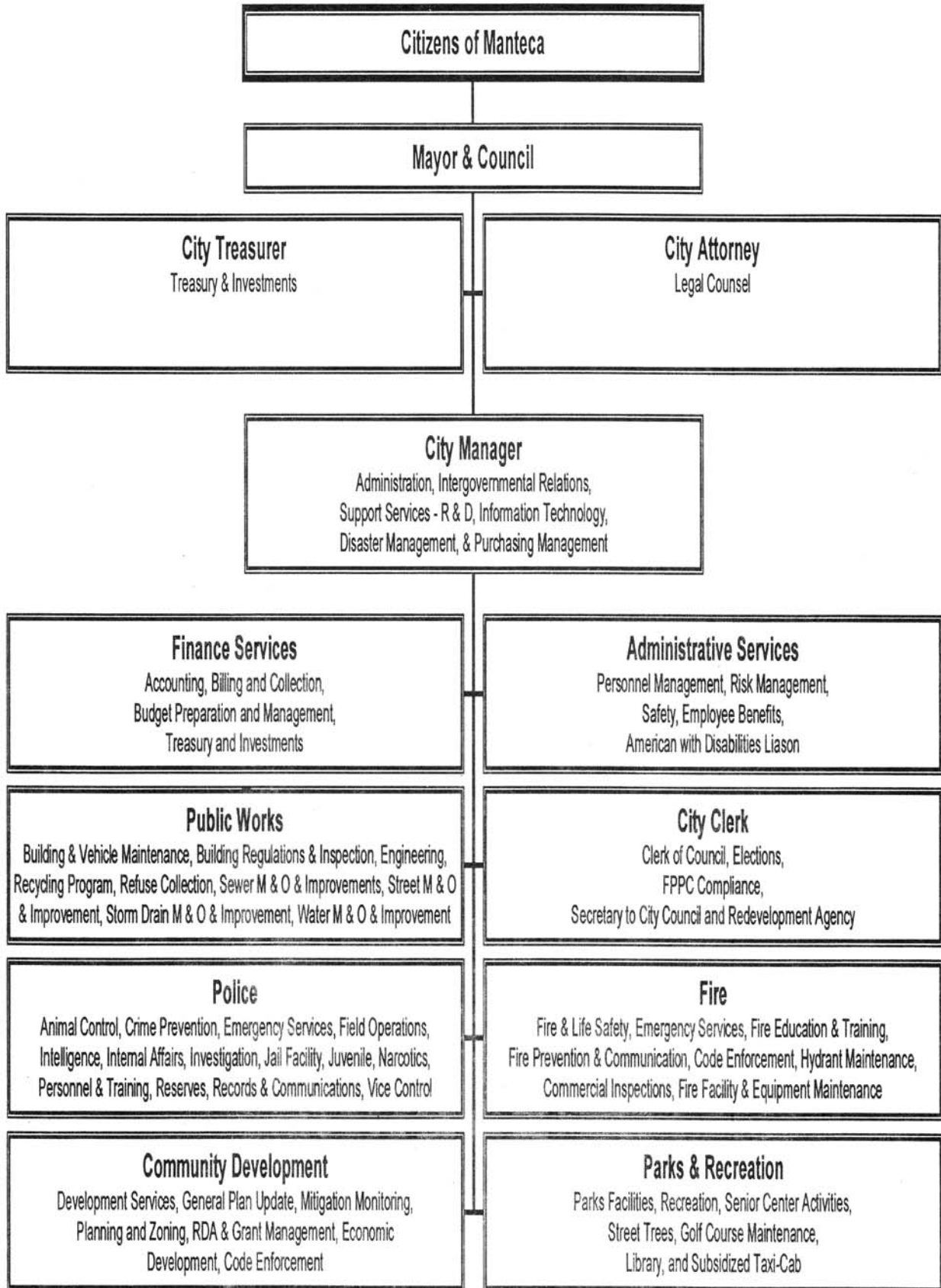


CALIFORNIA

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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

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, 2008 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, 2008 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 8, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2008 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 style with a large, stylized 'M' and 'A'. The text is centered horizontally within a light gray rectangular background.

October 3, 2008

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 2008 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The City's total net assets at June 30, 2008 totaled \$436 million. This is an increase of \$61 million from the prior year.
- Total City revenues, including program and general revenues, were \$153 million, while total expenses were \$92 million in fiscal 2008. This is a 12% increase in expense totaling \$10 million, while revenues remained static.
- Net assets in Governmental funds increased \$42.8 million, while net assets in Business activities increased \$17.7 million.
- Governmental Activities Program Revenues were \$47 million, an increase of \$4 million from fiscal 2007's \$43 million.
- Governmental Activities Program Expenses were \$60.4 million in fiscal 2008, an increase of \$8.4 million from 2007's \$52 million.
- Program revenues from Business-Type activities decreased to \$45 million in fiscal 2008, down \$2 million from the prior year.
- Expenses of Business-Type Activities increased to \$31.7 million in fiscal 2008, a \$1.7 million increase from the prior year.
- General Fund revenues excluding transfers were \$32.4 million, a decrease of \$.3 million from the prior year amounts.
- General Fund expenditures excluding transfers were \$35.7 million, an increase of \$3.2 million over the prior year amounts.
- General Fund balance as of June 30, 2008 was \$14.5 million compared to the prior year's actual fund balance of \$18 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, 2008
(in Millions)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 195.8	\$ 176.3
Other assets	32.8	31.4
Capital assets	<u>223.4</u>	<u>195.8</u>
Total assets	452.0	403.5
Long-term debt outstanding	135.2	135.3
Other liabilities	<u>27.2</u>	<u>21.4</u>
Total liabilities	162.4	156.7
Net assets:		
Invested in capital assets, net of debt	141.6	110.7
Restricted	144.0	128.1
Unrestricted	<u>4.0</u>	<u>8.0</u>
Total Net Assets	<u>\$ 289.6</u>	<u>\$ 246.8</u>

Net assets are a useful indicator of a government's financial position. The City of Manteca's net assets from governmental activities increased 17% from \$247 million in 2007 to \$290 million in 2008. Of this amount, \$141.6 million or 49% 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 \$27.6 million as the City continues to invest heavily in road and transportation projects, storm drain improvements, parks improvements, and purchases of buildings for future growth. Of net assets that are available for future spending, \$144 million are restricted in how they may be used. \$4.0 million or 1.3% of net assets are unrestricted and may be used to meet any ongoing obligation of the City to citizens or creditors.

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>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	8.9	10.9
Operating contributions and grants	7.1	4.3
Capital Grants and Contributions	31.0	28.2
Total program revenues	<u>47.0</u>	<u>43.4</u>
General revenues:		
Taxes:		
Property taxes	27.2	25.8
Sales taxes	9.8	6.4
Other taxes	3.9	4.1
Motor Vehicle in Lieu	.3	.4
Interest income	7.3	4.4
Intergovernmental	.3	.5
Development Agreements, Unrestricted	3.7	13.8
Other Revenue	3.7	2.8
Transfers	0	0
Total general revenues	<u>56.2</u>	<u>58.2</u>
Total revenues	<u>103.2</u>	<u>101.6</u>
Expenses		
General government	5.5	3.5
Community Development	6.9	7.2
Public Safety	24.0	20.4
Library	.2	.2
Public Works	4.7	5.1
Parks and Recreation	7.3	5.8
Streets and Highways	4.8	3.9
Interest and fiscal charges	7.0	5.8
Total expenses	<u>60.4</u>	<u>51.9</u>
Change in net assets	<u>\$ 42.8</u>	<u>\$ 49.7</u>

The City's net assets increased by \$42.8 million or 17%. 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 increased slightly in fiscal year 2008 by \$1.6 million. The governmental revenues include a 5.4% increase in City secured property tax despite downturns in the housing market, and a \$3.4 million or 53% increase in sales tax. In November 2006, the citizens of Manteca passed a ½ cent public safety sales tax. The receipts of this additional sales tax are designated for public safety personnel and equipment. A five-year expenditure plan has been adopted and a Citizen’s Oversight Committee reviews expenditures on a semi-annual basis. Fiscal year 2008 revenues reflect the first full year collection and receipt of the public safety sales tax. Correspondingly, public safety expenditures increased by \$3.6 million or 18% from fiscal year 2007. Additionally, the City experienced a 65% increase in operating grants as a result of receiving \$1 million in State Proposition 1B funding and additional local transportation funds to be used for street and road improvements. Street and highway expenditures increased by 23%.

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	
	<u>From Services</u>	
	<u>2008</u>	<u>2007</u>
General government	(1.6)	2.3
Community Development	(4.8)	(4.4)
Public Safety	(21.7)	(18.2)
Library	(.2)	(.1)
Public Works	(1.1)	(2.7)
Parks and Recreation	(4.6)	(3.3)
Streets and Highways	27.5	23.8
Interest and Fiscal Charges	<u>(7.0)</u>	<u>(5.8)</u>
Totals	<u>\$ (13.5)</u>	<u>\$ (8.4)</u>

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. The \$3.7 million increase in Street and Highways net revenues reflect the receipt of \$1.0 million in State Proposition 1B funding, increased local transportation funding of \$1.4 million and increased revenues received for future infrastructure as a result of increased commercial/retail development.

Business-Type Activities Financial Analysis

Net Assets

Table 4
Business-Type Net Assets
(in Millions)

	<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>
Cash and investments	73.6	66.4
Other current assets	(7.4)	(8.2)
Capital assets	<u>175.9</u>	<u>169.6</u>
Total assets	242.1	227.8
Long-term debt outstanding	80.3	83.9
Other liabilities	<u>15.6</u>	<u>15.4</u>
Total liabilities	95.9	99.3
Net assets:		
Invested in capital assets, net of debt	95.6	85.7
Restricted	9.0	8.6
Unrestricted	<u>41.6</u>	<u>34.2</u>
Total net assets	<u>\$ 146.2</u>	<u>\$ 128.5</u>

The net assets of business-type activities were \$146.2 million in fiscal 2008. This was a \$17.7 million or 14% increase over the beginning balance of net assets. This increase was largely due to increased capital assets of \$6.3 million, net of depreciation. Additionally, net assets reflect a \$3.6 million decrease in long-term debt which includes a \$3 million extraordinary mandatory payment against the 2003 Sewer Bond Issue. \$95.6 million or 65% of net assets are invested in capital assets. \$41.6 million or 28% are unrestricted and available for the operations of the proprietary funds.

Changes in Net Assets

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

	Business-Type Activities	
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	40.1	43.1
Operating contributions and grants	0	0
Capital Grants and Contributions	4.8	4.2
Total program revenues	<u>44.9</u>	<u>47.3</u>
General revenues:		
Interest income	4.1	3.3
Other Revenue	.4	.4
Transfers	0	0
Total general revenues	<u>4.5</u>	<u>3.7</u>
Total revenues	<u>49.4</u>	<u>51.0</u>
Expenses		
Water	12.3	10.7
Sewer	10.5	10.5
Solid Waste	7.7	7.2
Golf	1.2	1.3
Total expenses	<u>31.7</u>	<u>29.7</u>
Change in net assets	<u>\$ 17.7</u>	<u>\$ 21.3</u>

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

	Business-type Activities	
	<u>2008</u>	<u>2007</u>
Net Revenues from Business-type activities:		
Water	4.4	6.2
Sewer	8.5	11.0
Solid Waste	.3	.6
Golf	.0	(0.2)
Total Business-type Activities	<u>\$13.2</u>	<u>\$17.6</u>

Net revenues of Business-type Activities decreased \$4.4 million primarily as a result of declines in the Sewer Funds charges for services. Program expenditures remained stable with the exception of the Water Fund which experienced increased operating expenditures of \$1.6 million associated with the purchase of surface water from the South San Joaquin Irrigation District.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2008, the City's governmental funds reported combined fund balances of \$191 million, which is an increase of \$15 million or 8.5% compared with the prior year. Governmental fund revenues were \$89.5 million this year. The General Fund accounted for 36% of this total. Expenses were \$78.5 million this year. Of this total, \$35.7 million was in the General Fund, \$16.1 million was in the RDA Funds and the remainder was in non-Major funds.

Proprietary Funds

Proprietary Fund net assets totaled \$146.2 million at June 30, 2008. Enterprise operating revenues were \$40.5 million this year with an additional \$4.7 in contributions associated with infrastructure.

Enterprise Fund operating expenses were \$27.8 million in fiscal 2008, up \$2.1 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 remained consistent with fiscal year end 2007. Property taxes increased slightly by \$.6 million as the City began to experience declines in the housing market. Sales tax revenue declined slightly by \$.2 million after attaining a fiscal year high in fiscal year 2007.

General Fund expenditures increased overall by \$3.3 million in fiscal year 2008 to a total of \$35.7 million.

At June 30, 2008, the General Fund Balance was comprised of \$4.8 million in unreserved, undesignated balances, \$8 million in unreserved but designated balances, and \$1.7 million reserved for encumbrances, advances, asset seizure, and debt service. Only the unreserved portion represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders.

OTHER MAJOR GOVERNMENTAL FUNDS

Redevelopment Low and Moderate Income Housing

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

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

At the end of the fiscal year, the outstanding balances of such loans were \$9.6 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2008. 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 \$12.7 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 \$4.4 million. Revenue increased by \$1.1 million due to growth in assessed valuations resulting from both commercial and residential activity and increased interest earnings.

Redevelopment Capital Improvement and Economic Development

Fund balance in these funds increased by \$2 million. Current expenditures totaled \$4.5 million with \$2.9 million in funding spent on transportation projects to support economic development.

Public Facilities Implementation Plan

The fund balance in these funds shows an 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, however, due to increased commercial development revenues increased by \$3.5 million over fiscal year 2007 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 \$55.7 million in the current year. This total comprised \$15 million in Operating Revenues for the current year, plus \$4.2 million in non-operating revenues and contributed capital.

Approximately \$30.6 million of the \$55.7 million in this Fund's Net Assets was unrestricted at the fiscal year end.

Sewer

Net assets of the Sewer Funds are \$80.8 million for the current year. The City of Lathrop is entitled to participate in the expansion of the City of Manteca's current Wastewater Control Facility. The first three schedules of the current expansion have been completed. The required reimbursement from the City of Lathrop has been made and as result operating revenues for fiscal year 2008 have decreased by 16%. The last schedule of the third phase of expansion is anticipated to be under construction by Spring of 2009. A total of \$70.4 million of the \$80.8 million in this fund's net assets is invested in capital assets with \$6.4 million unrestricted and available for on-going operations.

Solid Waste

Operating revenues increased by 5.0% this year to a total of \$8.3 million. Operating expenses were \$7.7 million, an increase of 6.9%. Net Assets for Solid Waste increased overall by \$.8 million. A total of \$5.8 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 increase 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 2008 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 2008 the City had \$399 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	
	2008	2007
<i>Governmental Activities:</i>		
Land and Improvements	24	27
Construction in progress	52	52
Buildings and improvements	15	13
Machinery & Equipment	12	9
Storm Drain	30	25
Streets	88	64
Parks	46	44
Less accumulated depreciation	(44)	(39)
Totals	223	195
 <i>Business-type Activities</i>		
Land and Improvements	4	4
Construction in Progress	50	55
Sewer Lines and Improvements	38	30
Water Wells and Pipelines	78	73
Buildings and Improvements	8	8
Machinery and Equipment	15	12
Sewer Plant Expansion	41	41
Less accumulated depreciation	(58)	(53)
Totals	176	170

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>2008</u>	<u>2007</u>
<i>Governmental activities</i>		
Tax Allocation Bonds (issued by the Redevelopment Agency)	133.3	134
Installment Purchase Obligations	.3	.5
Energy Conservation Assistance Loans	.1	.1
Capital Lease	<u>1.5</u>	<u>.7</u>
	<u>135.2</u>	<u>135.3</u>
 <i>Business-type Activities</i>		
Sewer Revenue Bonds	35.3	38.3
Water Revenue Bonds	43.3	43.3
Lease Revenue Bonds	.4	.6
Energy Conservation Assistance Loans	.9	1.2
Capital Lease	<u>.3</u>	<u>.4</u>
	<u>80.2</u>	<u>83.8</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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.

CITY OF MANTECA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 3)	\$125,776,799	\$64,650,493	\$190,427,292
Restricted cash and investments (Note 3)	70,002,028	8,978,403	78,980,431
Accounts receivables, net	7,463,376	4,536,247	11,999,623
Taxes receivable	1,238,663		1,238,663
Interest receivable	1,137,584	543,098	1,680,682
Internal balances (Note 4D)	13,348,209	(13,348,209)	
Prepaid items and deposits	181,412	8,043	189,455
Long-term notes receivable (Note 5)	9,290,685		9,290,685
Employee notes receivable (Note 6)	127,014		127,014
Bond issue costs, net of amortization		889,389	889,389
Capital assets, not being depreciated (Note 7)	76,408,480	53,708,560	130,117,040
Capital assets, being depreciated (net) (Note 7)	<u>147,038,739</u>	<u>122,179,686</u>	<u>269,218,425</u>
Total Assets	<u>452,012,989</u>	<u>242,145,710</u>	<u>694,158,699</u>
LIABILITIES			
Contracts and accounts payable	12,264,932	13,208,729	25,473,661
Refundable deposits	5,364,104	1,296,346	6,660,450
Accrued liabilities	2,837,791	1,136,426	3,974,217
Unearned revenue	192,602		192,602
Compensated absences (Note 1G):			
Due within one year	112,545		112,545
Due in more than one year	3,358,564		3,358,564
Estimated claims liability (Note 12):			
Due within one year	220,961		220,961
Due in more than one year	2,831,282		2,831,282
Long-term debt (Note 8):			
Due within one year	1,983,377	1,064,795	3,048,172
Due in more than one year	<u>133,213,496</u>	<u>79,230,892</u>	<u>212,444,388</u>
Total Liabilities	<u>162,379,654</u>	<u>95,937,188</u>	<u>258,316,842</u>
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	<u>141,625,313</u>	<u>95,592,559</u>	<u>237,217,872</u>
Restricted for:			
Capital projects	46,766,674	8,978,403	55,745,077
Debt service	27,351,785		27,351,785
Redevelopment projects	68,570,664		68,570,664
Special Revenue projects	<u>1,334,874</u>		<u>1,334,874</u>
Total Restricted Net Assets	<u>144,023,997</u>	<u>8,978,403</u>	<u>153,002,400</u>
Unrestricted	<u>3,984,025</u>	<u>41,637,560</u>	<u>45,621,585</u>
Total Net Assets	<u>\$289,633,335</u>	<u>\$146,208,522</u>	<u>\$435,841,857</u>

See accompanying notes to financial statements

CITY OF MANTECA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General government	\$5,520,665	\$3,865,283		
Community development	6,932,523	2,104,057		
Public safety	23,982,219	1,173,161	\$685,613	\$455,653
Library	157,466			
Public works	4,726,065		182,210	3,466,483
Parks and recreation	7,260,986	1,590,320	388	1,085,229
Streets and highways	4,843,101	164,000	6,207,766	25,989,683
Interest and fiscal charges	7,029,436			
Total Governmental Activities	60,452,461	8,896,821	7,075,977	30,997,048
Business-type Activities:				
Water	12,291,710	14,825,250		1,884,845
Sewer	10,511,796	16,137,851		2,871,348
Solid waste	7,717,703	7,996,902		
Golf	1,170,939	1,198,976		
Total Business-type Activities	31,692,148	40,158,979		4,756,193
Total	\$92,144,609	\$49,055,800	\$7,075,977	\$35,753,241

General revenues:

Taxes:

Property taxes

Sales taxes

Other taxes

Interest income

Intergovernmental, unrestricted:

Motor vehicle-in-lieu

Grants

Development agreements, unrestricted

Other revenue

Gain from sale of property

Total general revenues and transfers

Change in Net Assets

Net Assets-Beginning

Net Assets-Ending

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
(\$1,655,382)		(\$1,655,382)
(4,828,466)		(4,828,466)
(21,667,792)		(21,667,792)
(157,466)		(157,466)
(1,077,372)		(1,077,372)
(4,585,049)		(4,585,049)
27,518,348		27,518,348
(7,029,436)		(7,029,436)
<u>(13,482,615)</u>		<u>(13,482,615)</u>
	\$4,418,385	4,418,385
	8,497,403	8,497,403
	279,199	279,199
	28,037	28,037
	<u>13,223,024</u>	<u>13,223,024</u>
<u>(13,482,615)</u>	<u>13,223,024</u>	<u>(259,591)</u>
27,228,016		27,228,016
9,779,701		9,779,701
3,940,114		3,940,114
7,243,110	4,079,798	11,322,908
308,149		308,149
312,945		312,945
3,737,123		3,737,123
3,745,107	373,255	4,118,362
	1,342	1,342
<u>56,294,265</u>	<u>4,454,395</u>	<u>60,748,660</u>
42,811,650	17,677,419	60,489,069
<u>246,821,685</u>	<u>128,531,103</u>	<u>375,352,788</u>
<u>\$289,633,335</u>	<u>\$146,208,522</u>	<u>\$435,841,857</u>

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2008. 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, 2008

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
ASSETS					
Cash and investments (Note 3)	\$14,475,687	\$18,757,255	\$7,726,093	\$19,920,159	\$734,115
Restricted cash and investments (Note 3)			4,966,063	8,023,589	55,926,193
Accounts receivables (net of allowance for estimated uncollectible accounts)	366,411	10,000		5,500	
Taxes receivable	615,831			276,384	
Interest receivable	262,194	169,511	44,064	115,634	27,060
Due from other funds (Note 4B)	279,530				
Advances to other funds (Note 4C)	1,118,377				
Prepaid items	175,816	4,693		903	
Long-term notes receivable (Note 5)			9,670,880		1,487,437
Total Assets	\$17,293,846	\$18,941,459	\$22,407,100	\$28,342,169	\$58,174,805
LIABILITIES					
Contracts and accounts payable	\$490,852	\$877,645	\$11,344	\$985,384	\$825,303
Accrued liabilities	323				
Refundable deposits	2,323,550			5,000	16,277
Due to other funds (Note 4B)					
Advances from other funds (Note 4C)					
Deferred revenue (Note 5)			9,670,880		1,487,437
Total Liabilities	2,814,725	877,645	9,682,224	990,384	2,329,017
FUND BALANCES					
Fund balance (Note 9)					
Reserved for:					
Encumbrances	17,281	31,554			
Revolving fund, prepaid items, and advances	1,297,267	4,693		903	
Assets seizure	17,528				
Debt service	349,000			27,350,882	
Low and moderate income housing			12,724,876		
Capital outlay					55,845,788
Unreserved:					
Designated for:					
Subsequent years' expenditures	1,577,000				
PFIP excise tax expenditures	6,425,447				
Undesignated, reported in:					
General Fund	4,795,598				
Special Revenue Funds		18,027,567			
Capital Projects Fund					
Total Fund Balances	14,479,121	18,063,814	12,724,876	27,351,785	55,845,788
Total Liabilities and Fund Balances	\$17,293,846	\$18,941,459	\$22,407,100	\$28,342,169	\$58,174,805

See accompanying notes to financial statements

<u>Redevelopment Economic Development</u>	<u>Public Facilities Implementation Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$3,084,024	\$15,802,510	\$28,992,300 1,086,183	\$109,492,143 70,002,028
	2,529,752	4,481,099 346,448	7,392,762 1,238,663
16,394	129,384	242,634	1,006,875
	9,026,893	177,721	9,484,144
	4,011,508	28,000	5,157,885 181,412
<u>370,590</u>			<u>11,528,907</u>
<u>\$3,471,008</u>	<u>\$31,500,047</u>	<u>\$35,354,385</u>	<u>\$215,484,819</u>
\$19,144	\$960,416	\$1,875,006	\$6,045,094 323
24,944	2,529,752	464,581 414,050	5,364,104 414,050
	879,770		879,770
<u>370,590</u>		<u>192,602</u>	<u>11,721,509</u>
<u>414,678</u>	<u>4,369,938</u>	<u>2,946,239</u>	<u>24,424,850</u>
		142,159 28,000	190,994 5,342,371 17,528
	4,011,508		27,699,882 12,724,876
3,056,330	23,118,601	16,529,736	98,550,455
			1,577,000 6,425,447
			4,795,598
		13,654,168 2,054,083	31,681,735 2,054,083
<u>3,056,330</u>	<u>27,130,109</u>	<u>32,408,146</u>	<u>191,059,969</u>
<u>\$3,471,008</u>	<u>\$31,500,047</u>	<u>\$35,354,385</u>	<u>\$215,484,819</u>

CITY OF MANTECA
 Reconciliation of the
 GOVERNMENTAL FUNDS-- BALANCE SHEET
 with the
 GOVERNMENTAL ACTIVITIES NET ASSETS
 JUNE 30, 2008

Total fund balances reported on the Governmental Funds Balance Sheet \$191,059,969

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.

221,400,844

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	16,284,656
Accounts receivable	70,614
Interest receivable	130,709
Employee notes receivable	127,014
Capital assets (net of accumulated depreciation)	2,046,375
Contracts and accounts payable	(215,515)
Accrued liabilities	(1,797,092)
Compensated absences	(3,471,109)
Estimated claims liability	(3,052,243)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

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

11,528,907

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	(135,196,873)
Interest payable	(1,040,376)
Accounts payable	(6,004,323)
Amortization of conditional grants	(2,238,222)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$289,633,335

See accompanying notes to financial statements

CITY OF MANTECA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	General	Development Mitigation	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Capital Improvement
REVENUES					
Property taxes	\$11,100,442		\$3,744,641	\$12,382,933	
Sales taxes	6,164,172				
Other taxes	4,541,870				
Licenses and permits	1,631,958				
Fines and forfeitures	292,224				
Use of money and property	818,253	\$1,182,392	485,012	1,092,646	\$3,066,575
Revenue from other agencies	823,192				
Charges for current services	6,868,937	2,085,725			
Other revenue	130,336	45,000	1,000	66,250	4,318
Total Revenues	32,371,384	3,313,117	4,230,653	13,541,829	3,070,893
EXPENDITURES					
Current:					
General government	3,467,545	952,301			
Community development	2,292,128		2,085,554	1,579,142	26,915
Public safety	21,302,188	513,567			
Library	147,961				
Public works	3,254,795	20,701			11,852
Parks and recreation	3,969,356				
Streets and highways					
Nondepartmental	979,213			233,921	
Capital outlay	19,830	3,000,912			3,533,937
Debt service:					
Principal	244,889		31,900	693,100	
Interest and fiscal charges	42,088		274,889	6,756,905	
Total Expenditures	35,719,993	4,487,481	2,392,343	9,263,068	3,572,704
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,348,609)	(1,174,364)	1,838,310	4,278,761	(501,811)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligations (Note 8)					
Proceeds from sale of property					
Transfers in (Note 4A)	174,789			145,195	
Transfers (out) (Note 4A)	(233,829)	(7,692,695)			(145,195)
Total Other Financing Sources (Uses)	(59,040)	(7,692,695)		145,195	(145,195)
NET CHANGE IN FUND BALANCES	(3,407,649)	(8,867,059)	1,838,310	4,423,956	(647,006)
BEGINNING FUND BALANCES	17,886,770	26,930,873	10,886,566	22,927,829	56,492,794
ENDING FUND BALANCES	\$14,479,121	\$18,063,814	\$12,724,876	\$27,351,785	\$55,845,788

See accompanying notes to financial statements

Redevelopment Economic Development	Public Facilities Implementation Plan	Other Governmental Funds	Total Governmental Funds
			\$27,228,016
		\$3,615,529	9,779,701
			4,541,870
		2,522,308	4,154,266
			292,224
\$95,642	\$772,229	1,462,022	8,974,771
		12,337,227	13,160,419
	6,681,525	3,400,660	19,036,847
	4,860	2,055,755	2,307,519
<u>95,642</u>	<u>7,458,614</u>	<u>25,393,501</u>	<u>89,475,633</u>
	437,699	130,556	4,988,101
158,313			6,142,052
		1,420,023	23,235,778
			147,961
		722,121	4,009,469
		1,755,237	5,724,593
		2,818,412	2,818,412
			1,213,134
774,825	2,393,868	12,282,846	22,006,218
		198,359	1,168,248
		45,363	7,119,245
<u>933,138</u>	<u>2,831,567</u>	<u>19,372,917</u>	<u>78,573,211</u>
(837,496)	4,627,047	6,020,584	10,902,422
		1,055,000	1,055,000
3,557,101			3,557,101
		7,028,150	7,348,134
			(8,071,719)
<u>3,557,101</u>	<u></u>	<u>8,083,150</u>	<u>3,888,516</u>
2,719,605	4,627,047	14,103,734	14,790,938
<u>336,725</u>	<u>22,503,062</u>	<u>18,304,412</u>	<u>176,269,031</u>
<u>\$3,056,330</u>	<u>\$27,130,109</u>	<u>\$32,408,146</u>	<u>\$191,059,969</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, 2008

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 \$14,790,938

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	27,730,927
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$391,806 which has already been allocated to serviced funds)	(5,174,945)
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.	14,009,925
Proceeds from sale of property are deducted from fund balance	(3,557,101)

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	(1,055,000)
Repayment of debt principal is added back to fund balance	1,168,248

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	33,933
Contracts and accounts payable	(6,004,323)
Interest payable	89,809
Allowance for conditional grants	(119,338)

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	898,577
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$42,811,650
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See accompanying notes to 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$10,795,000	\$10,795,000	\$11,100,442	\$305,442
Sales taxes	6,765,000	6,765,000	6,164,172	(600,828)
Other taxes	4,730,000	4,730,000	4,541,870	(188,130)
Licenses and permits	1,368,700	1,368,700	1,631,958	263,258
Fines and forfeitures	205,500	236,310	292,224	55,914
Use of money and property	498,500	498,500	818,253	319,753
Revenue from other agencies	811,000	811,000	823,192	12,192
Charges for current services	6,721,250	6,970,960	6,868,937	(102,023)
Other revenue	102,000	102,000	130,336	28,336
Total Revenues	31,996,950	32,277,470	32,371,384	93,914
EXPENDITURES:				
Current:				
General government				
Legislative	578,785	578,785	552,050	26,735
City Attorney	153,000	153,000	152,744	256
Administration	780,745	897,090	857,330	39,760
Administrative services	430,870	458,260	461,672	(3,412)
Financial services	721,800	857,510	799,823	57,687
Information systems	643,450	685,701	643,926	41,775
Total general government	3,308,650	3,630,346	3,467,545	162,801
Community development				
Development services	1,589,725	1,636,990	1,255,549	381,441
Building inspection	1,162,230	1,163,606	1,036,579	127,027
Total community development	2,751,955	2,800,596	2,292,128	508,468
Public safety				
Police	14,545,390	14,586,221	14,349,872	236,349
Fire	6,603,310	6,709,916	6,651,503	58,413
Animal control	304,050	304,050	300,813	3,237
Total public safety	21,452,750	21,600,187	21,302,188	297,999
Library				
	140,880	147,580	147,961	(381)
Public works				
Engineering	1,432,140	1,532,792	1,425,941	106,851
Street maintenance	384,360	384,360	371,324	13,036
Storm drain maintenance and operation	651,715	764,532	393,003	371,529
Vehicle maintenance	439,070	446,855	426,499	20,356
Building maintenance	668,210	668,210	638,028	30,182
Total public works	3,575,495	3,796,749	3,254,795	541,954
Parks and recreation				
Park facility maintenance	3,887,170	3,887,121	3,720,140	166,981
Senior center	236,635	236,635	249,216	(12,581)
Total parks and recreation	4,123,805	4,123,756	3,969,356	154,400
Nondepartmental charges				
	870,705	991,284	979,213	12,071

(Continued)

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay		76,921	19,830	57,091
Debt service:				
Principal	244,895	244,895	244,889	6
Interest and fiscal charges	42,095	42,095	42,088	7
Total Expenditures	<u>36,511,230</u>	<u>37,454,409</u>	<u>35,719,993</u>	<u>1,734,416</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,514,280)</u>	<u>(5,176,939)</u>	<u>(3,348,609)</u>	<u>1,828,330</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			174,789	174,789
Transfers (out)	<u>(276,790)</u>	<u>(281,304)</u>	<u>(233,829)</u>	<u>47,475</u>
Total Other Financing Sources (Uses)	<u>(276,790)</u>	<u>(281,304)</u>	<u>(59,040)</u>	<u>222,264</u>
NET CHANGE IN FUND BALANCE	<u>(\$4,791,070)</u>	<u>(\$5,458,243)</u>	<u>(3,407,649)</u>	<u>\$2,050,594</u>
BEGINNING FUND BALANCE			<u>17,886,770</u>	
ENDING FUND BALANCE			<u>\$14,479,121</u>	

See accompanying notes to 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$535,000	\$535,000	\$1,182,392	\$647,392
Charges for current services	10,766,830	10,766,830	2,085,725	(8,681,105)
Other revenue			45,000	45,000
	<u>11,301,830</u>	<u>11,301,830</u>	<u>3,313,117</u>	<u>(7,988,713)</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government	874,000	1,685,713	952,301	733,412
Public safety		729,310	513,567	215,743
Public works		472,845	20,701	452,144
Capital outlay	3,309,165	6,303,690	3,000,912	3,302,778
	<u>4,183,165</u>	<u>9,191,558</u>	<u>4,487,481</u>	<u>4,704,077</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,118,665</u>	<u>2,110,272</u>	<u>(1,174,364)</u>	<u>(3,284,636)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(723,585)</u>	<u>(7,525,906)</u>	<u>(7,692,695)</u>	<u>(166,789)</u>
	<u>(723,585)</u>	<u>(7,525,906)</u>	<u>(7,692,695)</u>	<u>(166,789)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE	<u>\$6,395,080</u>	<u>(\$5,415,634)</u>	(8,867,059)	<u>(\$3,451,425)</u>
BEGINNING FUND BALANCE			<u>26,930,873</u>	
ENDING FUND BALANCE			<u>\$18,063,814</u>	

See accompanying notes to 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$3,649,310	\$3,649,310	\$3,744,641	\$95,331
Use of money and property	183,000	183,000	485,012	302,012
Other revenue			1,000	1,000
Total Revenues	<u>3,832,310</u>	<u>3,832,310</u>	<u>4,230,653</u>	<u>398,343</u>
EXPENDITURES:				
Current:				
Community development	477,700	3,912,785	2,085,554	1,827,231
Debt service:				
Principal	31,901	31,901	31,900	1
Interest and fiscal charges	182,240	182,240	274,889	(92,649)
Total Expenditures	<u>691,841</u>	<u>4,126,926</u>	<u>2,392,343</u>	<u>1,734,583</u>
NET CHANGE IN FUND BALANCE	<u>\$3,140,469</u>	<u>(\$294,616)</u>	1,838,310	<u>\$2,132,926</u>
BEGINNING FUND BALANCE			<u>10,886,566</u>	
ENDING FUND BALANCE			<u>\$12,724,876</u>	

See accompanying notes to 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 2008, 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, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
ASSETS						
Current assets						
Cash and investments (Note 3)	\$36,961,888	\$22,601,455	\$5,087,150		\$64,650,493	\$16,284,656
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,745,356	1,889,081	868,132	\$33,678	4,536,247	70,614
Interest receivable	312,137	186,067	44,894		543,098	130,709
Total current assets	39,019,381	24,676,603	6,000,176	33,678	69,729,838	16,485,979
Non-current assets						
Restricted cash and investments (Note 3)	4,740,447	4,019,126		218,830	8,978,403	
Advances to other funds (Note 4C)	360,560	907,091			1,267,651	
Prepaid items and deposits	2,681	2,681	2,681		8,043	
Employee notes receivable (Note 6)						127,014
Bond issue costs/premium, net	64,367	822,492		2,530	889,389	
Capital assets not being depreciated (Note 7)	2,673,674	50,012,098	385	1,022,403	53,708,560	
Capital assets (net of accumulated depreciation) (Note 7)	61,306,034	56,649,957	2,901,921	1,321,774	122,179,686	2,046,375
Total non-current assets	69,147,763	112,413,445	2,904,987	2,565,537	187,031,732	2,173,389
Total Assets	108,167,144	137,090,048	8,905,163	2,599,215	256,761,570	18,659,368
LIABILITIES						
Current liabilities						
Contracts and accounts payable	4,645,071	8,349,536	190,951	23,171	13,208,729	215,515
Accrued liabilities						1,797,092
Refundable deposits	839,529	456,817			1,296,346	
Interest payable	979,168	147,131		10,127	1,136,426	
Due to other funds (Note 4B)		9,026,893		43,201	9,070,094	
Compensated absences (Note 1G)						112,545
Estimated claims liability (Note 12)						220,961
Revenue bonds (Note 8)	250,000	235,000		205,000	690,000	
Energy conservation assistance loans payable (Note 8)	53,777	266,768			320,545	
Capital lease obligations (Note 8)	22,351	31,899			54,250	
Total current liabilities	6,789,896	18,514,044	190,951	281,499	25,776,390	2,346,113
Long-term liabilities						
Advances from other funds (Note 4C)	2,423,769	1,975,620		1,146,377	5,545,766	
Compensated absences (Note 1G)						3,358,564
Estimated claims liability (Note 12)						2,831,282
Revenue bonds (Note 8)	43,075,000	35,035,000		225,000	78,335,000	
Energy conservation assistance loans payable (Note 8)	55,402	557,972			613,374	
Capital lease obligations (Note 8)	116,395	166,123			282,518	
Total long-term liabilities	45,670,566	37,734,715		1,371,377	84,776,658	6,189,846
Total Liabilities	52,460,462	56,248,759	190,951	1,652,876	110,553,048	8,535,959
NET ASSETS (Note 9)						
Invested in capital assets, net of related debt	20,406,783	70,369,293	2,902,306	1,914,177	95,592,559	2,046,375
Restricted for capital projects	4,740,447	4,019,126		218,830	8,978,403	
Unrestricted	30,559,452	6,452,870	5,811,906	(1,186,668)	41,637,560	8,077,034
Total Net Assets	\$55,706,682	\$80,841,289	\$8,714,212	\$946,339	\$146,208,522	\$10,123,409

See accompanying notes to financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
OPERATING REVENUES						
Charges for services	\$14,825,250	\$16,137,851	\$7,996,902	\$1,198,976	\$40,158,979	\$442,067
Insurance premium contribution from other funds						1,909,997
Miscellaneous	111,901	9,024	252,330		373,255	181
Total Operating Revenues	14,937,151	16,146,875	8,249,232	1,198,976	40,532,234	2,352,245
OPERATING EXPENSES						
Personnel services	2,255,306	2,914,312	3,402,879	677,484	9,249,981	403,998
Contractual services	176,828	849,845	1,760,298	89,548	2,876,519	219,731
Supplies	3,448,560	362,848	412,869	57,918	4,282,195	535,149
Utilities	520,907	1,001,958	16,495	45,839	1,585,199	
Repairs and maintenance	29,101	194,036	24,004	25,027	272,168	
Vehicle maintenance and operations	50,513	45,399	619,989	42,338	758,239	
Interdepartmental	915,570	1,352,639	815,000		3,083,209	
Insurance	149,068	192,043	159,776	10,162	511,049	1,386,020
Claims						102,067
Depreciation	2,687,881	1,549,785	425,419	116,228	4,779,313	391,806
Bad debt expense	54,175	55,154	50,103		159,432	
Miscellaneous	32,083	179,309	30,871	3,960	246,223	
Total Operating Expenses	10,319,992	8,697,328	7,717,703	1,068,504	27,803,527	3,038,771
Operating Income (Loss)	4,617,159	7,449,547	531,529	130,472	12,728,707	(686,526)
NONOPERATING REVENUES (EXPENSES)						
Interest income	2,329,372	1,433,567	309,713	7,146	4,079,798	861,518
Sale of capital assets	1,342				1,342	
Interest (expense)	(1,971,718)	(1,814,468)		(50,435)	(3,836,621)	
Lease (expenses)				(52,000)	(52,000)	
Net Nonoperating Revenues (Expenses)	358,996	(380,901)	309,713	(95,289)	192,519	861,518
Income Before Contributions and Transfers	4,976,155	7,068,646	841,242	35,183	12,921,226	174,992
Contributions	1,884,845	2,871,348			4,756,193	
Transfers in (Note 4A)						723,585
Net Contributions and Transfers	1,884,845	2,871,348			4,756,193	723,585
Change in net assets	6,861,000	9,939,994	841,242	35,183	17,677,419	898,577
BEGINNING NET ASSETS	48,845,682	70,901,295	7,872,970	911,156	128,531,103	9,224,832
ENDING NET ASSETS	\$55,706,682	\$80,841,289	\$8,714,212	\$946,339	\$146,208,522	\$10,123,409

See accompanying notes to financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$14,858,649	\$15,364,851	\$8,227,198	\$1,193,857	\$39,644,555	\$2,716,340
Payments to suppliers	(4,020,939)	(3,768,558)	(3,084,065)	(268,508)	(11,142,070)	(2,089,526)
Payments to employees	(2,255,306)	(2,914,312)	(3,402,879)	(677,484)	(9,249,981)	(403,998)
Internal activity - payments to other funds	(915,570)	(1,352,639)	(815,000)		(3,083,209)	
Employee notes receivable given, net						(15,708)
Claims paid						(102,067)
Cash Flows from Operating Activities	7,666,834	7,329,342	925,254	247,865	16,169,295	105,041
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts and payments		197,251		43,201	240,452	
Transfers in						723,585
Cash Flows from Noncapital Financing Activities		197,251		43,201	240,452	723,585
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(3,854,959)	(1,223,989)	(955,945)		(6,034,893)	(1,119,257)
Long-term debt payment - principal	(73,398)	(3,289,139)		(195,000)	(3,557,537)	
Long-term debt payment - interest	(1,969,488)	(1,788,447)		(53,553)	(3,811,488)	
Lease payments				(52,000)	(52,000)	
Cash Flows from Capital and Related Financing Activities	(5,897,845)	(6,301,575)	(955,945)	(300,553)	(13,455,918)	(1,119,257)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	2,345,614	1,428,123	315,960	7,146	4,096,843	874,174
Cash Flows from Investing Activities	2,345,614	1,428,123	315,960	7,146	4,096,843	874,174
Net Cash Flows	4,114,603	2,653,141	285,269	(2,341)	7,050,672	583,543
Cash and investments at beginning of period	37,587,732	23,967,440	4,801,881	221,171	66,578,224	15,701,113
Cash and investments at end of period	<u>\$41,702,335</u>	<u>\$26,620,581</u>	<u>\$5,087,150</u>	<u>\$218,830</u>	<u>\$73,628,896</u>	<u>\$16,284,656</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	\$4,617,159	\$7,449,547	\$531,529	\$130,472	\$12,728,707	(\$686,526)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation	2,687,881	1,549,785	425,419	116,228	4,779,313	391,806
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	(532,642)	(1,238,841)	(22,034)	(5,119)	(1,798,636)	(31,664)
Related party notes receivable						(15,708)
Prepaid items	(93)	(93)	(93)		(279)	
Accounts payable and other accrued expenses	894,529	(431,056)	(9,567)	6,284	460,190	147,841
Accrued liabilities						224,263
Compensated absences						75,029
Cash Flows from Operating Activities	\$7,666,834	\$7,329,342	\$925,254	\$247,865	\$16,169,295	\$105,041
Noncash transactions:						
Contributions of capital assets, net	<u>\$2,210,644</u>	<u>\$2,871,348</u>			<u>\$5,081,992</u>	

See accompanying notes to 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, 2008

<u>Assets</u>	
Restricted cash and investments (Note 3)	<u>\$448,189</u>
Total Assets	<u><u>\$448,189</u></u>
<u>Liabilities</u>	
Due to stakeholders	<u>\$448,189</u>
Total Liabilities	<u><u>\$448,189</u></u>

See accompanying notes to financial statements

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manteca was incorporated as a general law city on May 28, 1918. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, solid waste, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

A. *Reporting Entity*

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

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

The **Manteca Financing Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public, or negotiated sale, and may sell such bonds to public or private purchasers at public, or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Golf Enterprise Fund and the Redevelopment Debt Service Fund, as well as the City’s Capital Assets and Long-Term Obligations.

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

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

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

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.

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

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	\$3,396,080
Additions	1,989,625
Payments	<u>(1,914,596)</u>
Ending Balance	<u>\$3,471,109</u>
Current Portion	<u>\$112,545</u>

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

H. Postemployment Health Care Benefits

The City provides health care benefits for 85 retired employees based on negotiated employee bargaining unit contracts. Substantially all of the City’s employees may become eligible for those benefits if they reach the normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the year ending June 30, 2008, those costs totaled \$340,116.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Fund

In fiscal year 2008, the City established the Public Safety Endowment Special Revenue Fund 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.

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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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.

D. Excess of Expenditures over Appropriations

The funds below incurred expenditures in excess of their budgets in the amounts below as the result of unanticipated expenses. Sufficient resources were available within the following funds to finance these excesses:

General Fund:	
Library	\$381
Redevelopment Debt Service Fund	588,038
Public Safety Endowment Special Revenue Fund	4,713

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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2008 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.

	2008
Cash and investments available for City operations	\$190,427,292
Restricted cash and investments	78,980,431
Total city cash and investments of primary government	269,407,723
Cash and investments in Fiduciary Funds	448,189
Total cash and investments	\$269,855,912

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$3,275
Deposits with financial institutions	9,166,363
Investments	260,686,274
Total cash and investments	\$269,855,912

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

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

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	\$22,920,254	\$24,932,596	\$32,835,910		\$80,688,760
Callable		2,295,699	5,573,060		7,868,759
Corporate Notes	6,113,117	3,684,308	5,546,239		15,343,664
U.S. Treasury Notes		2,308,611	11,597,464		13,906,075
California Local Agency Investment Fund	62,537,506				62,537,506
California Asset Management Program	448,189				448,189
Money Market Mutual Funds (U.S. Securities)	912,946				912,946
<i>Held by Trustees:</i>					
Pooled Trustee Cash	82,050				82,050
California Local Agency Investment Fund	1,085,332				1,085,332
Money Market Mutual Funds (U.S. Securities)	50,474,457				50,474,457
Guaranteed Investment Contracts	12,632,920	1,458,074		\$13,247,542	27,338,536
Total Investments	<u>\$157,206,771</u>	<u>\$34,679,288</u>	<u>\$55,552,673</u>	<u>\$13,247,542</u>	<u>\$260,686,274</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, 2008, these investments have an average maturity of 212 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, 2008 the fair value approximated is the City's cost. At June 30, 2008, these investments have an average maturity of 49 days.

Money market funds are available for withdrawal on demand and at June 30, 2008, have an average maturity of 16 to 53 days.

CITY OF MANTECA
Notes to Basic Financial Statements

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, 2008 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAA	AA/AA-	A-1+	AAAm	A	Total
Held by City:						
U.S. Government Agency Obligations:						
Non-callable	\$76,768,760		\$3,920,000			\$80,688,760
Callable	7,868,759					7,868,759
Corporate Notes		\$14,244,247			\$1,099,417	15,343,664
Money Market Mutual Funds (U.S. Securities)				\$912,946		912,946
Held by Trustees:						
California Asset Management Program				448,189		448,189
Money Market Mutual Funds (U.S. Securities)				50,474,457		50,474,457
Totals	\$84,637,519	\$14,244,247	\$3,920,000	\$51,835,592	\$1,099,417	155,736,775
Not rated:						
California Local Agency Investment Fund						63,622,838
Pooled Trustee Cash						82,050
Guaranteed Investment Contracts						27,338,536
Exempt from credit rating disclosure:						
U.S. Treasury Notes						13,906,075
Total Investments						\$260,686,274

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	\$26,738,280
	Federal Home Loan Bank	United States Government Agency Obligations	26,720,953
	Federal Home Loan Bank Corporation	United States Government Agency Obligations	35,098,286
	MBIA	Guaranteed Investment Contract	22,317,865
Major Funds:			
Redevelopment Debt Service	IXIS Fund Corporation	Guaranteed Investment Contract	2,533,121
	MBIA	Guaranteed Investment Contract	1,428,034
Redevelopment Capital Improvement	MBIA	Guaranteed Investment Contract	14,090,994
Water	MBIA	Guaranteed Investment Contract	3,472,588
Sewer	MBIA	Guaranteed Investment Contract	3,326,250

CITY OF MANTECA
Notes to Basic Financial Statements

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, 2008 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	
General Fund	Development Mitigation Fund	\$174,789	A
Redevelopment Debt Service Fund	Redevelopment Capital Improvement Fund	145,195	A
Non-Major Governmental Funds	General Fund	233,829	B
	Development Mitigation Fund	6,794,321	C
Internal Service Funds	Development Mitigation Fund	723,585	D
Total Interfund Transfers		<u>\$8,071,719</u>	

- A To fund debt service, capital projects, and personnel costs
- B To fund recreation activities and police activities
- C To establish new fund
- D To fund equipment and capital purchases

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, 2008, interfund balances were as follows:

<u>Due To Funds</u>	<u>Due From Other Funds</u>	<u>Amount</u>
General Fund	Golf Fund	\$43,201
	Non-Major Governmental Funds	236,329
Public Facilities Implementation Plan Fund	Sewer Fund	9,026,893
Non-Major Governmental Funds	Non-Major Governmental Funds	177,721
	Total	<u>\$9,484,144</u>

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

At June 30, 2008 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.

Fund Making Advance	Fund Receiving Advance	Amount of
General Fund	Golf Fund	\$1,118,377
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	\$6,425,536

Golf Advances

Advances above in the amount of \$1,146,377 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 eighteen 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

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, 2008, these Notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,440,907
Down Payment Assistance Program	1,639,708
Residential Rehabilitation	364,973
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
Total loans receivable	11,528,907
Less: Allowance for conditional grants	2,238,222
Net loans receivable	\$9,290,685

Deferred revenue at June 30, 2008 consisted of the outstanding balances of the above balances.

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, 2008, 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, 2008, the total outstanding balance on this loan was \$7,550.

CITY OF MANTECA
Notes to Basic Financial Statements

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

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, 2008, loans related to this Program in the amount of \$814,708 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, 2008, loans related to this Program in the amount of \$825,000 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, 2008, loans receivable under this program totaled \$338,246.

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, 2008, loans receivable under this program totaled \$26,727.

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, 2008 was \$90,000.

CITY OF MANTECA
Notes to Basic Financial Statements

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

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 and \$265,920 as a public infrastructure loan. 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. In fiscal year 2007-08, the Agency forgave \$265,920 of the loan balance. As of June 30, 2008, 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, 2008 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, 2008, the principal balance outstanding was \$338,040.

CITY OF MANTECA
Notes to Basic Financial Statements

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

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, 2008, \$701,683 has been drawn down from the loan and remains outstanding.

P. *Conditional Grants*

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

NOTE 6 – EMPLOYEE NOTES RECEIVABLE

All full-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$3,000 to purchase a computer. All requests for loans are subject to review by the employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally over a three year period. Employees must repay the outstanding balance of their loans upon ending their employment with the City. As of June 30, 2008, 108 employees had notes totaling \$127,014 due to the City.

CITY OF MANTECA
Notes to Basic Financial Statements

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, 2008 were as follows:

<i>Governmental activities</i>	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
Capital assets not being depreciated:					
Land and improvements	\$27,310,832	\$1,402,475	(\$4,576,921)		\$24,136,386
Construction in progress	52,355,142	16,276,246		(\$16,359,294)	52,272,094
Total capital assets not being depreciated	<u>79,665,974</u>	<u>17,678,721</u>	<u>(4,576,921)</u>	<u>(16,359,294)</u>	<u>76,408,480</u>
Capital assets being depreciated:					
Buildings and improvements	12,914,975	1,238,520		744,806	14,898,301
Machinery and equipment	9,140,070	2,815,749	(285,625)	377,229	12,047,423
Storm drain	24,417,448	3,306,151		2,698,780	30,422,379
Streets	64,172,874	11,476,480		12,369,384	88,018,738
Parks	44,359,385	1,286,991		122,970	45,769,346
Total capital assets being depreciated	<u>155,004,752</u>	<u>20,123,891</u>	<u>(285,625)</u>	<u>16,313,169</u>	<u>191,156,187</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,825,717)	(439,373)			(5,265,090)
Machinery and equipment	(6,525,740)	(657,951)	262,018	57,451	(6,864,222)
Storm drain	(4,068,481)	(544,830)			(4,613,311)
Streets	(20,938,254)	(2,461,727)			(23,399,981)
Parks	(2,511,974)	(1,462,870)			(3,974,844)
Total accumulated depreciation	<u>(38,870,166)</u>	<u>(5,566,751)</u>	<u>262,018</u>	<u>57,451</u>	<u>(44,117,448)</u>
Net capital assets being depreciated	<u>116,134,586</u>	<u>14,557,140</u>	<u>(23,607)</u>	<u>16,370,620</u>	<u>147,038,739</u>
Governmental activity capital assets, net	<u>\$195,800,560</u>	<u>\$32,235,861</u>	<u>(\$4,600,528)</u>	<u>\$11,326</u>	<u>\$223,447,219</u>

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 7 - CAPITAL ASSETS (Continued)

<i>Business-type activities</i>	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
Capital assets not being depreciated:					
Land and improvements	\$4,059,848				\$4,059,848
Construction in progress	54,446,108	\$3,047,690		(\$7,845,086)	49,648,712
Total capital assets not being depreciated	<u>58,505,956</u>	<u>3,047,690</u>		<u>(7,845,086)</u>	<u>53,708,560</u>
Capital assets being depreciated:					
Sewer lines and improvements	30,267,398	2,871,348		5,065,356	38,204,102
Water wells, pipelines and water rights	72,883,371	2,515,746		2,845,245	78,244,362
Buildings and improvements	7,630,958	86,886	(\$352,130)		7,365,714
Machinery and equipment	12,151,674	2,966,758	(53,270)	(19,390)	15,045,772
Infrastructure	47,335				47,335
Sewer plant expansion	41,068,343		(156,001)		40,912,342
	<u>164,049,079</u>	<u>8,440,738</u>	<u>(561,401)</u>	<u>7,891,211</u>	<u>179,819,627</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(9,711,236)	(712,672)			(10,423,908)
Water wells, pipelines and water rights	(17,034,829)	(2,588,302)		(135)	(19,623,266)
Buildings and improvements	(2,225,881)	(270,022)			(2,495,903)
Machinery and equipment	(9,004,491)	(573,565)	46,526	(57,316)	(9,588,846)
Infrastructure	(7,140)	(1,593)			(8,733)
Sewer plant expansion	(15,022,126)	(633,159)	156,000		(15,499,285)
	<u>(53,005,703)</u>	<u>(4,779,313)</u>	<u>202,526</u>	<u>(57,451)</u>	<u>(57,639,941)</u>
Net capital assets being depreciated	<u>111,043,376</u>	<u>3,661,425</u>	<u>(358,875)</u>	<u>7,833,760</u>	<u>122,179,686</u>
Total Business-type activity capital assets, net	<u>\$169,549,332</u>	<u>\$6,709,115</u>	<u>(\$358,875)</u>	<u>(\$11,326)</u>	<u>\$175,888,246</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

NOTE 7 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Activities	
General government	\$14,844
Community development	21,750
Public safety	402,071
Library	5,593
Public works	1,041,598
Parks and recreation	1,596,132
Streets and highways	2,484,763
Total Governmental Activities	<u><u>\$5,566,751</u></u>
 Business-Type Activities	
Water	\$2,687,881
Sewer	1,549,785
Solid waste	425,419
Golf	116,228
Total Business-Type Activities	<u><u>\$4,779,313</u></u>

CITY OF MANTECA
Notes to Basic Financial Statements

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, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activity Debt:						
Redevelopment Agency Tax						
Allocation Bonds -						
Series 2002 Subordinated Tax Allocation						
Refunding Bonds, 2.0-5.25%	\$30,765,000	\$29,335,000		\$725,000	\$28,610,000	\$735,000
Series 2004 Amended Merged Project Area						
Subordinated Tax Allocation Bonds, 3.0-5.0%	25,925,000	25,925,000			25,925,000	645,000
Series 2004 Amended Merged Project Area Subordinated						
Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	5,310,000	5,310,000			5,310,000	110,000
Series 2005 Amended Merged Project Area						
Subordinated Tax Allocation Refunding Bonds, variable rate	50,760,000	50,760,000			50,760,000	
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	513,758		196,663	317,095	208,337
Energy Conservation Assistance						
Loans, 3%						
	239,165	94,220		30,471	63,749	31,399
Capital Leases						
Iron Project, 5.3%	947,049	585,549		77,649	507,900	81,819
Fire Engine, 3.58%	350,000	111,594		73,734	37,860	37,860
Fire Engine, 4.60%	1,055,000		\$1,055,000	64,731	990,269	133,962
Total Governmental Activity Debt	\$139,937,414	\$135,310,121	\$1,055,000	\$1,168,248	\$135,196,873	\$1,983,377
Business-type Activity Debt:						
Sewer Revenue Bonds						
Series 2003-A Bonds, 2.35-4.50%						
	\$18,155,000	\$18,155,000			\$18,155,000	\$235,000
Series 2003-B Bonds, 5.00%						
	25,665,000	20,115,000		\$3,000,000	17,115,000	
2003 Water Revenue Bonds, 2.00-5.00%						
	43,325,000	43,325,000			43,325,000	250,000
Lease Revenue Bonds, 6.625-8.10%						
	2,200,000	625,000		195,000	430,000	205,000
Energy Conservation Assistance						
Loans, 3%						
	2,401,332	1,244,973		311,054	933,919	320,545
Capital Lease, 5.3%						
	627,951	388,251		51,483	336,768	54,250
Total Business - Type Activity Debt	\$92,374,283	\$83,853,224	\$3,557,537	\$80,295,687	\$1,064,795	

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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 – LONG -TERM DEBT (Continued)

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 \$101,113,172 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 2008, tax increment revenues amounted to \$12,382,933 which represented coverage of 373% over the \$3,318,922 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 \$9,065,372 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 2008, tax increment revenue amounted to \$3,744,641 which represented coverage of 1,549% over the \$241,722 of debt service.

On December 13, 2005 the Agency issued \$50,760,000 of Amended Merged Project Area Variable Rate Subordinate 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 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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

On December 1, 2006, the Agency issued Amended Merged Project Area Subordinate Tax Allocation Bonds Series 2006 in the amount of \$22,675,000. The proceeds were used to finance ongoing redevelopment activities. The 2006 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 \$133,732,117 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 2008, subordinated tax increment revenues amounted to \$12,808,652 which represented coverage of 453% over the \$2,826,029 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 3.096 %.

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2008, 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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

Fair value. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of futures spot rates. These payments are then discounted using spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As a result of these factors the fair value of the swap will vary over time. On June 30, 2008, the swap had a negative value of \$2,096,885 to the Agency.

Credit risk. As of June 30, 2008, 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.

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

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

Swap payments and associated debt. Using rates as of June 30, 2008, 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		
2009		\$664,956	\$906,574	\$1,571,530
2010	\$235,000	664,956	906,574	1,571,530
2011	475,000	661,878	902,376	1,564,254
2012	490,000	655,655	893,893	1,549,548
2013	690,000	649,236	885,142	1,534,378
2014-2018	5,065,000	3,094,221	4,218,530	7,312,751
2019-2023	6,805,000	2,689,300	3,666,478	6,355,778
2024-2028	7,815,000	2,197,656	2,996,193	5,193,849
2029-2033	4,390,000	1,800,858	2,455,213	4,256,071
2034-2038	8,915,000	1,428,621	1,947,722	3,376,343
2039-2043	15,880,000	639,805	872,281	1,512,086
Totals	<u>\$50,760,000</u>	<u>\$15,147,142</u>	<u>\$20,650,976</u>	<u>\$35,798,118</u>

D. Sewer Revenue Bonds

On December 11, 2003 the Manteca Financing Authority issued 2003 Sewer Revenue Bond 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 \$61,747,576. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$4,704,186 and \$8,873,185, 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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

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 \$77,176,812. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$1,954,124 and \$6,946,531, 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 \$474,551. The Golf Enterprise Fund's principal and interest paid for the current year and total gross revenues were \$241,778 and \$1,216,051, respectively.

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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

I. Capital Lease Obligations

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

On August 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.

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
2009	\$1,983,377	\$5,461,217	\$1,064,795	\$3,656,607
2010	2,147,516	5,388,503	1,607,400	3,609,202
2011	2,692,560	5,308,444	1,513,372	3,553,507
2012	2,789,265	5,209,508	1,428,468	3,506,273
2013	2,901,550	5,103,093	1,636,879	3,454,545
2014-2018	15,342,605	23,670,784	10,784,773	16,124,994
2019-2023	16,755,000	20,391,880	15,545,000	13,114,801
2024-2028	19,400,000	16,863,031	18,230,000	9,123,816
2029-2033	24,285,000	12,071,502	23,285,000	4,207,914
2034-2038	26,720,000	6,176,131	5,200,000	126,138
2039-2043	20,180,000	2,016,762		
Total	<u>\$135,196,873</u>	<u>\$107,660,855</u>	<u>\$80,295,687</u>	<u>\$60,477,797</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. As of June 30, 2008 the remaining balance of the defeased debt was \$17,960,000.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low-and-moderate-income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balance

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

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

Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2008, reserves included:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Improvement Funds
Encumbrances	\$17,281	\$151,214		\$22,499
Revolving fund, prepaid items, and advances	1,297,267	4,693	\$903	4,039,508
Asset seizure	17,528			
Debt service	349,000		27,350,882	
Low and moderate income housing		12,724,876		
Capital outlay				98,550,455
Total Reserves	<u>\$1,681,076</u>	<u>\$12,880,783</u>	<u>\$27,351,785</u>	<u>\$102,612,462</u>

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

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

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

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

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

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

Designations

Designations are imposed by the City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council Action. At June 30, 2008, designations included:

	General Fund
Subsequent Years' Expenditures	<u>\$1,577,000</u>
PFIP Excise Tax Expenditures	<u>6,425,447</u>
Total Designations	<u><u>\$8,002,447</u></u>

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.

CITY OF MANTECA
Notes to Basic Financial Statements

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, 2008, 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	27.309%	16.545%

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.

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.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 10 – PENSION PLAN (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2004	\$51,743,375	\$39,728,472	\$12,014,903	76.8%	\$7,833,173	153.4%
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%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2004	\$51,623,173	\$41,305,458	\$10,317,715	80.0%	\$12,353,988	83.5%
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%

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.

Actuarially required contributions for fiscal years 2008, 2007 and 2006, were \$5,391,501, \$4,634,408, and \$4,952,278 respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of other additional employee compensation.

B. Supplemental Retirement Program

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

These Plan assets are held by a Trust for the exclusive benefits of plan participants as their beneficiaries. Assets held under this plan are not the City's property and are not subject to claims by general creditors of the City.

Effective October 1, 2001, the City contracted with the Public Agency Retirement System (PARS), to sponsor a supplemental Retirement Enhancement Plan created in accordance with IRC Section 401(a), which is a qualified defined benefit pension plan covering all eligible employees of the City. Eligible employees must (1) be designated by the City; (2) be at least fifty-four years of age; and (3) have completed at least five (5) years of full-time continuous employment with the City on or after October 1, 2001. All eligible employees covered by this plan are fully vested.

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 10 – PENSION PLAN (Continued)

Additionally, effective October 1, 2001, the City contracted with PARS to sponsor an excess benefit plan, created in accordance with the IRC Section 415(m), which is a qualified governmental excess benefit arrangement covering all employees participating in the Retirement Enhancement Plan. Benefits are paid in the same form, time, and periods as under the Retirement Enhancement Plan.

At June 30, 2008, five employees and one retiree were participating in these plans and the City's required contribution of \$377,567 was made.

NOTE 11 - 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 12 - 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)	300,000,000

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 12 - RISK MANAGEMENT (Continued)

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

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

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

B. Liability for Uninsured Claims

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

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

	Workers' Compensation Claims	General Liability Claims	Total
Balance June 30, 2006	\$1,571,267	\$1,480,976	\$3,052,243
Net change in:			
Liability for current fiscal year claims		14,614	14,614
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	124,794	265,847	390,641
Claims paid	(124,794)	(280,461)	(405,255)
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 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	<u>\$1,571,267</u>	<u>\$1,480,976</u>	<u>\$3,052,243</u>
Claims liability, due within one year	<u>\$38,142</u>	<u>\$182,819</u>	<u>\$220,961</u>

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

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

CITY OF MANTECA
Notes to Basic Financial Statements

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

A. *Developer Reimbursement*

In 1996 the City entered into an agreement with certain developers who wish to construct housing in areas of the City where there was no existing sewer facilities. To enable the development to begin, the developers agreed to provide funding for the sewer facilities in exchange for reimbursements from the City. As of June 30, 2008, the City owed \$120,981 in reimbursements to the developers.

B. *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 \$6,023,692 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.

C. *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, 2008, the City had outstanding reimbursement commitments totaling \$16,896,449.

D. *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

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

E. 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 and the City is currently in litigation regarding the fee increases. The amount of fees collected from January 1, 2007 to June 30, 2008 totals \$1,424,163.

NOTE 14 – 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, 2008, 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, 2008, 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.

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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes	\$11,773,890	\$12,382,933	\$609,043
Use of money and property	385,000	1,092,646	707,646
Other revenue	<u>63,000</u>	<u>66,250</u>	<u>3,250</u>
Total Revenues	<u>12,221,890</u>	<u>13,541,829</u>	<u>1,319,939</u>
EXPENDITURES			
Current:			
Community development	1,671,455	1,579,142	92,313
Nondepartmental	255,000	233,921	21,079
Debt service:			
Principal	693,100	693,100	
Interest and fiscal charges	<u>6,055,475</u>	<u>6,756,905</u>	<u>(701,430)</u>
Total Expenditures	<u>8,675,030</u>	<u>9,263,068</u>	<u>(588,038)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,546,860</u>	<u>4,278,761</u>	<u>731,901</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	145,195	145,195	
Transfers (out)	<u>(650,000)</u>	<u> </u>	<u>650,000</u>
Total Other Financing Sources (Uses)	<u>(504,805)</u>	<u>145,195</u>	<u>650,000</u>
NET CHANGE IN FUND BALANCE	<u>\$3,042,055</u>	4,423,956	<u>\$1,381,901</u>
BEGINNING FUND BALANCE		<u>22,927,829</u>	
ENDING FUND BALANCE		<u>\$27,351,785</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, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property	\$800,000	\$3,066,575	\$2,266,575
Other revenue		4,318	4,318
	<u>800,000</u>	<u>3,070,893</u>	<u>2,270,893</u>
Total Revenues			
EXPENDITURES			
Current:			
Community development	150,000	26,915	123,085
Public works	251,948	11,852	240,096
Capital outlay	15,026,299	3,533,937	11,492,362
	<u>15,428,247</u>	<u>3,572,704</u>	<u>11,855,543</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,628,247)</u>	<u>(501,811)</u>	<u>14,126,436</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(145,195)	(145,195)
		<u>(145,195)</u>	<u>(145,195)</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	<u><u>(\$14,628,247)</u></u>	<u>(647,006)</u>	<u><u>\$13,981,241</u></u>
BEGINNING FUND BALANCE		<u>56,492,794</u>	
ENDING FUND BALANCE		<u><u>\$55,845,788</u></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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$100,000	\$95,642	(\$4,358)
Total Revenues	100,000	95,642	(4,358)
EXPENDITURES			
Current:			
Community development	672,725	158,313	514,412
Capital outlay	502,827	774,825	(271,998)
Total Expenditures	1,175,552	933,138	242,414
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,075,552)	(837,496)	238,056
OTHER FINANCING SOURCES (USES)			
Transfers in	3,557,100	3,557,101	1
Transfers (out)	650,000		(650,000)
Total Other Financing Sources (Uses)	4,207,100	3,557,101	(649,999)
NET CHANGE IN FUND BALANCE	\$3,131,548	2,719,605	(\$411,943)
BEGINNING FUND BALANCE		336,725	
ENDING FUND BALANCE		\$3,056,330	

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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$410,000	\$772,229	\$362,229
Charges for current services	6,001,089	6,681,525	680,436
Other revenue		4,860	4,860
	<u>6,411,089</u>	<u>7,458,614</u>	<u>1,047,525</u>
EXPENDITURES			
Current:			
General government	971,773	437,699	534,074
Public works	70,765		70,765
Capital outlay	<u>2,812,890</u>	<u>2,393,868</u>	<u>419,022</u>
	<u>3,855,428</u>	<u>2,831,567</u>	<u>1,023,861</u>
NET CHANGE IN FUND BALANCE	<u><u>\$2,555,661</u></u>	4,627,047	<u><u>\$2,071,386</u></u>
BEGINNING FUND BALANCE		<u>22,503,062</u>	
ENDING FUND BALANCE		<u><u>\$27,130,109</u></u>	

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, 2008

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Federal Transit Management	Park Grants
ASSETS					
Cash and investments		\$6,563	\$47,418		
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$261,200	29,631		\$503,840	
Taxes receivable					
Interest receivable			397		
Due from other funds					
Advances to other funds					
Total Assets	\$261,200	\$36,194	\$47,815	\$503,840	
LIABILITIES					
Contracts and accounts payable	\$50,618			\$64,500	
Refundable deposits		\$10,447			
Due to other funds	210,582	25,747		177,721	
Deferred revenue				192,602	
Total Liabilities	261,200	36,194		434,823	
Net Assets					
Fund balance:					
Reserved for encumbrances			\$25,233	60,393	
Reserved for revolving fund, prepaid items, and advances					
Reserved for capital outlay					
Unreserved, undesignated			22,582	8,624	
Total Fund Balances			47,815	69,017	
Total Liabilities and Fund Balances	\$261,200	\$36,194	\$47,815	\$503,840	

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
\$90,188	\$53,977	\$759,954	\$1,299,163	\$2,838,790	\$8,512,120	\$357,576	\$3,774,023
11,261		16,859		50,766		292,850	185,446
	265	6,092	9,800	123,477 21,321	72,703	3,178	29,929
<u>\$101,449</u>	<u>\$54,242</u>	<u>\$782,905</u>	<u>\$1,308,963</u>	<u>\$3,034,354</u>	<u>\$8,584,823</u>	<u>\$653,604</u>	<u>\$3,989,398</u>
\$15,322 59,851	\$238	\$90,041 16,859	\$21,904	\$5,525		\$360,502	\$122,429 193,664
<u>75,173</u>	<u>238</u>	<u>106,900</u>	<u>21,904</u>	<u>5,525</u>		<u>360,502</u>	<u>316,093</u>
34,034							
(7,758)	54,004	676,005	1,287,059	3,028,829	\$8,584,823	293,102	3,673,305
<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>\$101,449</u>	<u>\$54,242</u>	<u>\$782,905</u>	<u>\$1,308,963</u>	<u>\$3,034,354</u>	<u>\$8,584,823</u>	<u>\$653,604</u>	<u>\$3,989,398</u>

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

CAPITAL IMPROVEMENT FUNDS

	Measure K	Special Apportionment Streets	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$1,324,293	\$3,129,934	\$2,148,280	\$4,574,562	\$75,459	\$28,992,300
Restricted cash and investments				1,086,183		1,086,183
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,677,211	1,187,995	80,280	183,760		4,481,099
Taxes receivable	222,971					346,448
Interest receivable	13,773	21,586	18,143	44,917	530	242,634
Due from other funds		177,721				177,721
Advances to other funds			28,000			28,000
Total Assets	<u>\$3,238,248</u>	<u>\$4,517,236</u>	<u>\$2,274,703</u>	<u>\$5,889,422</u>	<u>\$75,989</u>	<u>\$35,354,385</u>
LIABILITIES						
Contracts and accounts payable	\$528,217	\$262,734	\$192,620	\$156,715	\$3,641	\$1,875,006
Refundable deposits				183,760		464,581
Due to other funds						414,050
Deferred revenue						192,602
Total Liabilities	<u>528,217</u>	<u>262,734</u>	<u>192,620</u>	<u>340,475</u>	<u>3,641</u>	<u>2,946,239</u>
Net Assets						
Fund balance:						
Reserved for encumbrances		20,670		1,829		142,159
Reserved for revolving fund, prepaid items, and advances			28,000			28,000
Reserved for capital outlay	2,710,031	4,233,832		5,547,118	72,348	16,529,736
Unreserved, undesignated			2,054,083			15,708,251
Total Fund Balances	<u>2,710,031</u>	<u>4,254,502</u>	<u>2,082,083</u>	<u>5,548,947</u>	<u>72,348</u>	<u>32,408,146</u>
Total Liabilities and Fund Balances	<u>\$3,238,248</u>	<u>\$4,517,236</u>	<u>\$2,274,703</u>	<u>\$5,889,422</u>	<u>\$75,989</u>	<u>\$35,354,385</u>

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	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		\$64	\$6,117		
Revenue from other agencies	\$312,945	140,599	125,135	\$751,508	
Charges for current services				39,630	
Other revenue					
Total Revenues	<u>312,945</u>	<u>140,663</u>	<u>131,252</u>	<u>791,138</u>	
EXPENDITURES					
Current:					
General government	91,606				
Public safety		136,043	4,059		
Public works				722,121	
Parks and recreation					
Streets and highways					
Capital outlay	221,339	38,449	267,175		
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>312,945</u>	<u>174,492</u>	<u>271,234</u>	<u>722,121</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
		<u>(33,829)</u>	<u>(139,982)</u>	<u>69,017</u>	
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligations					
Transfers in		<u>33,829</u>			
Total Other Financing Sources (Uses)		<u>33,829</u>			
NET CHANGE IN FUND BALANCES					
			(139,982)	69,017	
BEGINNING FUND BALANCES					
			<u>187,797</u>		
ENDING FUND BALANCES					
			<u>\$47,815</u>	<u>\$69,017</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
				\$3,615,529			
\$599	\$755	\$47,949	\$47,892	93,384	\$413,868	\$29,185	\$169,570
647,459		212,332	886,279	108,192		1,153,876	1,450,960
	8				1,606,398	4,854	
648,058	763	260,281	934,171	3,817,105	2,020,266	1,351,915	1,620,530
		11,940		1,050,157	229,764		
891,845		10,252	513,880			1,962,066	8,351
	29,815	512,154					
		73,734					
		3,341					
891,845	29,815	611,421	513,880	1,050,157	229,764	1,962,066	8,351
(243,787)	(29,052)	(351,140)	420,291	2,766,948	1,790,502	(610,151)	1,612,179
200,000					6,794,321		
200,000					6,794,321		
(43,787)	(29,052)	(351,140)	420,291	2,766,948	8,584,823	(610,151)	1,612,179
70,063	83,056	1,027,145	866,768	261,881		903,253	2,061,126
\$26,276	\$54,004	\$676,005	\$1,287,059	\$3,028,829	\$8,584,823	\$293,102	\$3,673,305

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

CAPITAL IMPROVEMENT FUNDS						
	Measure K	Special Apportionment Streets	Parks	Government Building Facilities	Community Facilities District	Total Nonmajor Governmental Funds
REVENUES						
Sales tax						\$3,615,529
Licenses and permits				\$2,522,308		2,522,308
Use of money and property	\$107,882	\$90,939	\$126,093	325,271	\$2,454	1,462,022
Revenue from other agencies	3,916,120	4,877,725	951,127			12,337,227
Charges for current services						3,400,660
Other revenue		212,693	211,802	20,000		2,055,755
Total Revenues	4,024,002	5,181,357	1,289,022	2,867,579	2,454	25,393,501
EXPENDITURES						
Current:						
General government				3,781	23,229	130,556
Public safety						1,420,023
Public works						722,121
Parks and recreation			339,260			1,755,237
Streets and highways		847,995				2,818,412
Capital outlay	5,360,625	1,629,122	818,220	3,405,947		12,282,846
Debt service:						
Principal		59,894		64,731		198,359
Interest and fiscal charges		17,757		24,265		45,363
Total Expenditures	5,360,625	2,554,768	1,157,480	3,498,724	23,229	19,372,917
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,336,623)	2,626,589	131,542	(631,145)	(20,775)	6,020,584
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations				1,055,000		1,055,000
Transfers in						7,028,150
Total Other Financing Sources (Uses)				1,055,000		8,083,150
	(1,336,623)	2,626,589	131,542	423,855	(20,775)	14,103,734
BEGINNING FUND BALANCES	4,046,654	1,627,913	1,950,541	5,125,092	93,123	18,304,412
ENDING FUND BALANCES	\$2,710,031	\$4,254,502	\$2,082,083	\$5,548,947	\$72,348	\$32,408,146

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, 2008

	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					\$64	\$64
Revenue from other agencies	\$802,503	\$312,945	(\$489,558)	\$712,765	140,599	(572,166)
Charges for current services						
Other revenue						
Total Revenues	<u>802,503</u>	<u>312,945</u>	<u>(489,558)</u>	<u>712,765</u>	<u>140,663</u>	<u>(572,102)</u>
EXPENDITURES						
Current:						
General government	159,611	91,606	68,005			
Public safety				761,552	136,043	625,509
Public works						
Parks and recreation						
Streets and highways						
Capital outlay	642,892	221,339	421,553	38,385	38,449	(64)
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>802,503</u>	<u>312,945</u>	<u>489,558</u>	<u>799,937</u>	<u>174,492</u>	<u>625,445</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				<u>(87,172)</u>	<u>(33,829)</u>	<u>53,343</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in				89,304	33,829	(55,475)
Total Other Financing Sources (Uses)				<u>89,304</u>	<u>33,829</u>	<u>(55,475)</u>
NET CHANGE IN FUND BALANCES				<u>\$2,132</u>		<u>(\$2,132)</u>
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)
\$125,135	\$6,117 125,135	\$6,117	\$1,000 1,647,587 26,500	\$751,508 39,630	(\$1,000) (896,079) 13,130	\$100,000		(\$100,000)
<u>125,135</u>	<u>131,252</u>	<u>6,117</u>	<u>1,675,087</u>	<u>791,138</u>	<u>(883,949)</u>	<u>100,000</u>		<u>(100,000)</u>
13,300	4,059	9,241	1,682,917	722,121	960,796			
297,230	267,175	30,055				100,000		100,000
<u>310,530</u>	<u>271,234</u>	<u>39,296</u>	<u>1,682,917</u>	<u>722,121</u>	<u>960,796</u>	<u>100,000</u>		<u>100,000</u>
<u>(185,395)</u>	<u>(139,982)</u>	<u>45,413</u>	<u>(7,830)</u>	<u>69,017</u>	<u>76,847</u>			
<u>(\$185,395)</u>	<u>(139,982)</u>	<u>\$45,413</u>	<u>(\$7,830)</u>	<u>69,017</u>	<u>\$76,847</u>			
	<u>187,797</u>							
	<u>\$47,815</u>			<u>\$69,017</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, 2008

	RECREATION			STREET IMPROVEMENTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits						
Use of money and property	\$3,450	\$599	(\$2,851)	\$7,900	\$755	(\$7,145)
Revenue from other agencies						
Charges for current services	655,390	647,459	(7,931)			
Other revenue					8	8
Total Revenues	<u>658,840</u>	<u>648,058</u>	<u>(10,782)</u>	<u>7,900</u>	<u>763</u>	<u>(7,137)</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works						
Parks and recreation	916,875	891,845	25,030			
Streets and highways						
Capital outlay				36,463	29,815	6,648
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>916,875</u>	<u>891,845</u>	<u>25,030</u>	<u>36,463</u>	<u>29,815</u>	<u>6,648</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(258,035)</u>	<u>(243,787)</u>	<u>14,248</u>	<u>(28,563)</u>	<u>(29,052)</u>	<u>(489)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in	<u>200,000</u>	<u>200,000</u>				
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>				
NET CHANGE IN FUND BALANCES	<u><u>(\$58,035)</u></u>	<u><u>(43,787)</u></u>	<u><u>\$14,248</u></u>	<u><u>(\$28,563)</u></u>	<u><u>(29,052)</u></u>	<u><u>(\$489)</u></u>
BEGINNING FUND BALANCES		<u>70,063</u>			<u>83,056</u>	
ENDING FUND BALANCES		<u><u>\$26,276</u></u>			<u><u>\$54,004</u></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)
						\$4,000,000	\$3,615,529	(\$384,471)
\$29,200	\$47,949	\$18,749	\$21,500	\$47,892	\$26,392	100,000	93,384	(6,616)
175,000	212,332	37,332	883,040	886,279	3,239	438,712	108,192	(330,520)
<u>204,200</u>	<u>260,281</u>	<u>56,081</u>	<u>904,540</u>	<u>934,171</u>	<u>29,631</u>	<u>4,538,712</u>	<u>3,817,105</u>	<u>(721,607)</u>
16,000	11,940	4,060				1,568,800	1,050,157	518,643
27,000	10,252	16,748	914,325	513,880	400,445			
816,781	512,154	304,627						
73,735	73,734	1						
3,345	3,341	4						
<u>936,861</u>	<u>611,421</u>	<u>325,440</u>	<u>914,325</u>	<u>513,880</u>	<u>400,445</u>	<u>1,568,800</u>	<u>1,050,157</u>	<u>518,643</u>
<u>(732,661)</u>	<u>(351,140)</u>	<u>381,521</u>	<u>(9,785)</u>	<u>420,291</u>	<u>430,076</u>	<u>2,969,912</u>	<u>2,766,948</u>	<u>(202,964)</u>
<u>(\$732,661)</u>	<u>(351,140)</u>	<u>\$381,521</u>	<u>(\$9,785)</u>	<u>420,291</u>	<u>\$430,076</u>	<u>\$2,969,912</u>	<u>2,766,948</u>	<u>(\$202,964)</u>
	<u>1,027,145</u>			<u>866,768</u>			<u>261,881</u>	
	<u>\$676,005</u>			<u>\$1,287,059</u>			<u>\$3,028,829</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, 2008

	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		\$413,868	\$413,868	\$42,000	\$29,185	(\$12,815)
Revenue from other agencies				1,169,500	1,153,876	(15,624)
Charges for current services				164,000	164,000	
Other revenue	\$3,825,220	1,606,398	(2,218,822)		4,854	4,854
Total Revenues	<u>3,825,220</u>	<u>2,020,266</u>	<u>(1,804,954)</u>	<u>1,375,500</u>	<u>1,351,915</u>	<u>(23,585)</u>
EXPENDITURES						
Current:						
General government						
Public safety	225,051	229,764	(4,713)			
Public works						
Parks and recreation						
Streets and highways				2,080,013	1,962,066	117,947
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>225,051</u>	<u>229,764</u>	<u>(4,713)</u>	<u>2,080,013</u>	<u>1,962,066</u>	<u>117,947</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,600,169</u>	<u>1,790,502</u>	<u>(1,809,667)</u>	<u>(704,513)</u>	<u>(610,151)</u>	<u>94,362</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations						
Transfers in	6,794,321	6,794,321				
Total Other Financing Sources (Uses)	<u>6,794,321</u>	<u>6,794,321</u>				
NET CHANGE IN FUND BALANCES	<u>\$10,394,490</u>	<u>8,584,823</u>	<u>(\$1,809,667)</u>	<u>(\$704,513)</u>	<u>(610,151)</u>	<u>\$94,362</u>
BEGINNING FUND BALANCES					903,253	
ENDING FUND BALANCES		<u>\$8,584,823</u>			<u>\$293,102</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)
\$150,730	\$169,570	\$18,840	\$97,000	\$107,882	\$10,882	\$37,000	\$90,939	\$53,939
1,400,971	1,450,960	49,989	4,003,504	3,916,120	(87,384)	4,745,678	4,877,725	132,047
						212,693	212,693	
<u>1,551,701</u>	<u>1,620,530</u>	<u>68,829</u>	<u>4,100,504</u>	<u>4,024,002</u>	<u>(76,502)</u>	<u>4,995,371</u>	<u>5,181,357</u>	<u>185,986</u>
						69,023		69,023
12,000	8,351	3,649	6,411,423	5,360,625	1,050,798	1,263,687	847,995	415,692
						2,911,257	1,629,122	1,282,135
						59,895	59,894	1
						17,760	17,757	3
<u>12,000</u>	<u>8,351</u>	<u>3,649</u>	<u>6,411,423</u>	<u>5,360,625</u>	<u>1,050,798</u>	<u>4,321,622</u>	<u>2,554,768</u>	<u>1,766,854</u>
<u>1,539,701</u>	<u>1,612,179</u>	<u>72,478</u>	<u>(2,310,919)</u>	<u>(1,336,623)</u>	<u>974,296</u>	<u>673,749</u>	<u>2,626,589</u>	<u>1,952,840</u>
<u>\$1,539,701</u>	<u>1,612,179</u>	<u>\$72,478</u>	<u>(\$2,310,919)</u>	<u>(1,336,623)</u>	<u>\$974,296</u>	<u>\$673,749</u>	<u>2,626,589</u>	<u>\$1,952,840</u>
	<u>2,061,126</u>			<u>4,046,654</u>			<u>1,627,913</u>	
	<u>\$3,673,305</u>			<u>\$2,710,031</u>			<u>\$4,254,502</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, 2008

	PARKS			GOVERNMENT BUILDING FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Sales tax						
Licenses and permits				\$1,200,000	\$2,522,308	\$1,322,308
Use of money and property	\$49,000	\$126,093	\$77,093	122,000	325,271	203,271
Revenue from other agencies	750,000	951,127	201,127			
Charges for current services						
Other revenue		211,802	211,802		\$20,000	20,000
Total Revenues	799,000	1,289,022	490,022	1,322,000	2,867,579	1,545,579
EXPENDITURES						
Current:						
General government				33,823	3,781	30,042
Public safety						
Public works						
Parks and recreation	749,183	339,260	409,923			
Streets and highways						
Capital outlay	1,394,612	818,220	576,392	7,299,862	3,405,947	3,893,915
Debt service:						
Principal					64,731	(64,731)
Interest and fiscal charges					24,265	(24,265)
Total Expenditures	2,143,795	1,157,480	986,315	7,333,685	3,498,724	3,834,961
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,344,795)	131,542	1,476,337	(6,011,685)	(631,145)	5,380,540
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease obligations				1,055,000	1,055,000	
Transfers in						
Total Other Financing Sources (Uses)				1,055,000	1,055,000	
NET CHANGE IN FUND BALANCES	<u>(\$1,344,795)</u>	131,542	<u>\$1,476,337</u>	<u>(\$4,956,685)</u>	423,855	<u>\$5,380,540</u>
BEGINNING FUND BALANCES		1,950,541			5,125,092	
ENDING FUND BALANCES		<u>\$2,082,083</u>			<u>\$5,548,947</u>	

COMMUNITY
FACILITIES DISTRICT

Budget	Actual	Variance Positive (Negative)
	\$2,454	\$2,454
	2,454	2,454
\$23,230	23,229	1
23,230	23,229	1
(23,230)	(20,775)	2,455
(23,230)	(20,775)	\$2,455
	93,123	
	\$72,348	

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, 2008

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
ASSETS					
Current Assets:					
Cash and investments	\$1,054,369	\$664,886	\$8,620,728	\$5,944,673	\$16,284,656
Accounts receivable	20,301			50,313	70,614
Interest receivable	8,211	4,370	71,645	46,483	130,709
Employee notes receivable			127,014		127,014
Total Current Assets	1,082,881	669,256	8,819,387	6,041,469	16,612,993
Capital assets (net of accumulated depreciation)	1,421,096	625,279			2,046,375
Total Assets	2,503,977	1,294,535	8,819,387	6,041,469	18,659,368
LIABILITIES					
Current Liabilities:					
Contracts and accounts payable	13,938	52,413	102,427	46,737	215,515
Accrued liabilities			1,797,092		1,797,092
Compensated absences			112,545		112,545
Estimated claims liability				220,961	220,961
Total Current Liabilities	13,938	52,413	2,012,064	267,698	2,346,113
Long-term Liabilities:					
Compensated absences			3,358,564		3,358,564
Estimated claims liability				2,831,282	2,831,282
Total Liabilities	13,938	52,413	5,370,628	3,098,980	8,535,959
NET ASSETS					
Invested in capital assets, net of related debt	1,421,096	625,279			2,046,375
Unrestricted	1,068,943	616,843	3,448,759	2,942,489	8,077,034
Total Net Assets	\$2,490,039	\$1,242,122	\$3,448,759	\$2,942,489	\$10,123,409

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
OPERATING REVENUES					
Charges for services	\$102,195	\$264,842	\$75,030		\$442,067
Insurance premium contribution from other funds				\$1,909,997	1,909,997
Miscellaneous	181				181
Total Operating Revenues	102,376	264,842	75,030	1,909,997	2,352,245
OPERATING EXPENSES					
Personnel services			177,249	226,749	403,998
Contractual services			16,763	202,968	219,731
Supplies	(5,444)	518,343		22,250	535,149
Insurance				1,386,020	1,386,020
Claims				102,067	102,067
Depreciation	254,072	137,734			391,806
Total Operating Expenses	248,628	656,077	194,012	1,940,054	3,038,771
Total Operating Income (Loss)	(146,252)	(391,235)	(118,982)	(30,057)	(686,526)
NONOPERATING REVENUES (EXPENSES)					
Interest income	57,213	31,367	460,446	312,492	861,518
Total Nonoperating Revenues (Expenses)	57,213	31,367	460,446	312,492	861,518
Income (Loss) Before Transfers	(89,039)	(359,868)	341,464	282,435	174,992
Transfers in	443,400	280,185			723,585
Net Transfers	443,400	280,185			723,585
Change in Net Assets	354,361	(79,683)	341,464	282,435	898,577
BEGINNING NET ASSETS	2,135,678	1,321,805	3,107,295	2,660,054	9,224,832
ENDING NET ASSETS	\$2,490,039	\$1,242,122	\$3,448,759	\$2,942,489	\$10,123,409

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$102,447	\$264,842	\$473,684	\$1,875,367	\$2,716,340
Payments to suppliers	(8,753)	(484,219)	(16,763)	(1,579,791)	(2,089,526)
Payments to employees			(177,249)	(226,749)	(403,998)
Employee notes receivable given, net			(15,708)		(15,708)
Claims paid				(102,067)	(102,067)
	<u>93,694</u>	<u>(219,377)</u>	<u>263,964</u>	<u>(33,240)</u>	<u>105,041</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	<u>(920,037)</u>	<u>(199,220)</u>			<u>(1,119,257)</u>
	<u>(920,037)</u>	<u>(199,220)</u>			<u>(1,119,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	<u>63,452</u>	<u>35,639</u>	<u>454,392</u>	<u>320,691</u>	<u>874,174</u>
	<u>63,452</u>	<u>35,639</u>	<u>454,392</u>	<u>320,691</u>	<u>874,174</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	<u>443,400</u>	<u>280,185</u>			<u>723,585</u>
	<u>443,400</u>	<u>280,185</u>			<u>723,585</u>
Net Cash Flows	(319,491)	(102,773)	718,356	287,451	583,543
Cash and investments at beginning of period	<u>1,373,860</u>	<u>767,659</u>	<u>7,902,372</u>	<u>5,657,222</u>	<u>15,701,113</u>
Cash and investments at end of period	<u>\$1,054,369</u>	<u>\$664,886</u>	<u>\$8,620,728</u>	<u>\$5,944,673</u>	<u>\$16,284,656</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$146,252)	(\$391,235)	(\$118,982)	(\$30,057)	(\$686,526)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	254,072	137,734			391,806
Change in assets and liabilities:					
Receivables, net	71		2,895	(34,630)	(31,664)
Related party notes receivable			(15,708)		(15,708)
Accounts and other payables	(14,197)	34,124	96,467	31,447	147,841
Accrued liabilities			224,263		224,263
Compensated absences			75,029		75,029
Cash Flows from (used by) Operating Activities	<u>\$93,694</u>	<u>(\$219,377)</u>	<u>\$263,964</u>	<u>(\$33,240)</u>	<u>\$105,041</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, 2008

<u>AGENCY FUND</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Assets</u>				
Restricted cash and investments	<u>\$429,792</u>	<u>\$18,397</u>	<u> </u>	<u>\$448,189</u>
Total Assets	<u><u>\$2,868,987</u></u>	<u><u>\$18,397</u></u>	<u><u> </u></u>	<u><u>\$448,189</u></u>
<u>Liabilities</u>				
Due to stakeholders	<u>\$429,792</u>	<u>\$18,397</u>	<u> </u>	<u>\$448,189</u>
Total Liabilities	<u><u>\$2,868,987</u></u>	<u><u>\$18,397</u></u>	<u><u> </u></u>	<u><u>\$448,189</u></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

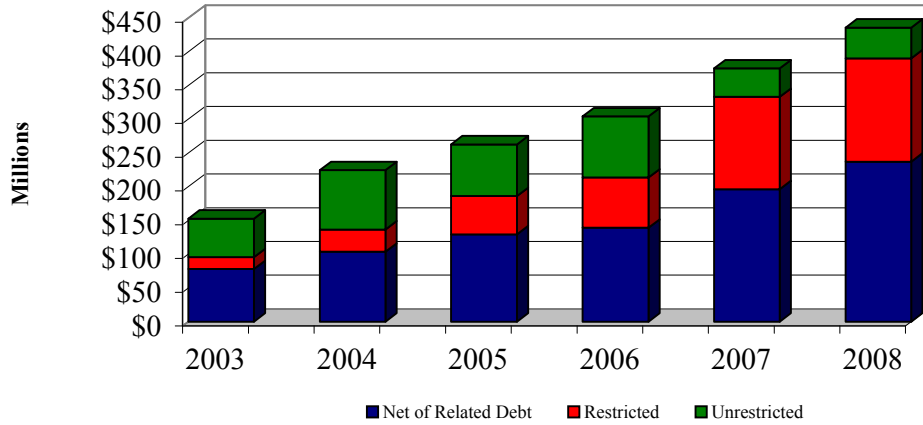
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Six Fiscal Years
(accrual basis of accounting)



	June 30,					
	2003	2004	2005	2006	2007	2008
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
Restricted	17,049,578	33,103,490	26,535,767	53,336,395	128,104,351	144,023,997
Unrestricted	32,284,764	50,764,042	42,201,801	61,236,153	7,997,825	3,984,025
Total governmental activities net assets	\$87,971,671	\$146,631,355	\$164,151,274	\$197,038,351	\$246,821,685	\$289,633,335
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
Restricted	430,025	0	30,266,406	21,251,239	8,576,196	8,978,403
Unrestricted	24,756,481	37,061,280	34,328,000	29,362,263	34,258,799	41,637,560
Total business-type activities net assets	\$64,623,967	\$77,852,531	\$98,498,164	\$107,225,832	\$128,531,103	\$146,208,522
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
Restricted	17,479,603	33,103,490	56,802,173	74,587,634	136,680,547	153,002,400
Unrestricted	57,041,245	87,825,322	76,529,801	90,598,416	42,256,624	45,621,585
Total primary government net assets	\$152,595,638	\$224,483,886	\$262,649,438	\$304,264,183	\$375,352,788	\$435,841,857

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

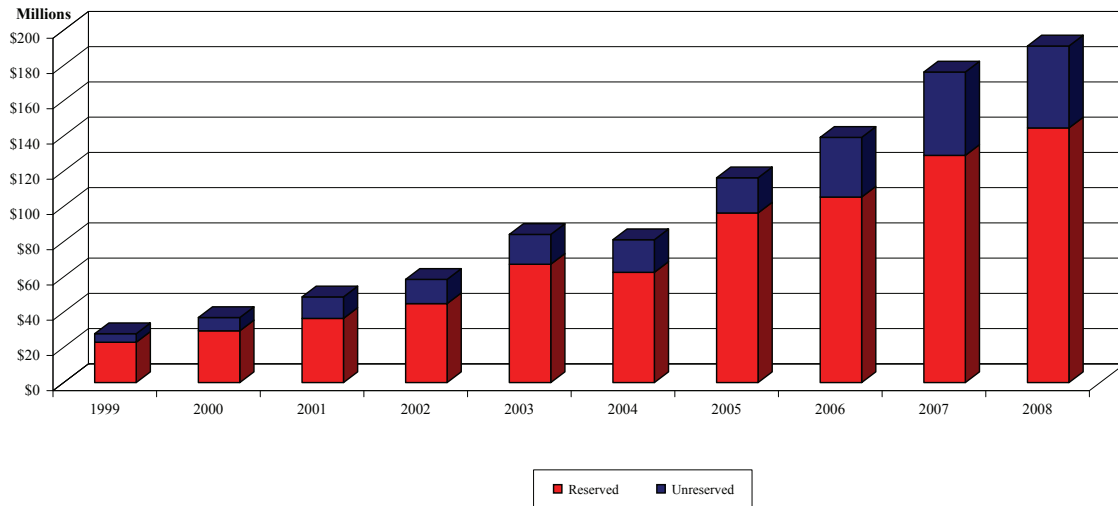
	Fiscal Year Ended June 30,					
	2003 ⁽¹⁾	2004 ⁽¹⁾	2005	2006	2007	2008
Expenses:						
Governmental Activities:						
General Government	\$2,133,713	\$2,185,084	\$2,689,034	\$3,101,277	\$3,534,631	\$5,520,665
Community Development	1,801,120	3,722,586	3,179,472	3,612,393	7,211,719	6,932,523
Public Safety	13,891,700	15,832,705	18,007,598	19,174,823	20,392,894	23,982,219
Library	158,933	148,312	149,066	136,299	152,824	157,466
Public Works	5,386,065	4,784,045	4,242,238	3,770,569	5,070,777	4,726,065
Parks and Recreation	3,401,318	3,829,457	4,181,382	4,670,081	5,824,783	7,260,986
Streets and Highways	1,890,231	4,378,143	4,168,396	4,527,550	3,894,616	4,843,101
Interest and Fiscal Charges	4,196,550	2,033,331	3,144,190	6,250,427	5,819,231	7,029,436
Total Governmental Activities Expenses	<u>32,859,630</u>	<u>36,913,663</u>	<u>39,761,376</u>	<u>45,243,419</u>	<u>51,901,475</u>	<u>60,452,461</u>
Business-Type Activities:						
Water	3,764,450	6,352,282	6,658,946	10,656,869	10,715,712	12,291,710
Sewer	5,096,641	7,708,958	8,890,124	10,430,995	10,536,235	10,511,796
Solid Waste	5,527,190	6,006,453	6,384,377	6,726,094	7,193,512	7,717,703
Golf	1,084,850	1,192,828	1,281,187	1,324,738	1,326,557	1,170,939
Total Business-Type Activities Expenses	<u>15,473,131</u>	<u>21,260,521</u>	<u>23,214,634</u>	<u>29,138,696</u>	<u>29,772,016</u>	<u>31,692,148</u>
Total Primary Government Expenses	<u>\$48,332,761</u>	<u>\$58,174,184</u>	<u>\$62,976,010</u>	<u>\$74,382,115</u>	<u>\$81,673,491</u>	<u>\$92,144,609</u>
Program Revenues:						
Governmental Activities:						
Charges for Services:						
General Government	\$2,822,236	\$3,526,429	\$3,333,396	\$3,548,649	\$5,795,799	\$3,865,283
Community Development	1,319,744	1,673,472	2,639,435	4,556,434	2,849,501	2,104,057
Public Safety	857,446	828,850	751,415	883,380	1,018,344	1,173,161
Public Works	894,990	873,018	49,776	42,398	15,984	
Parks and Recreation	878,278	935,325	1,082,800	1,041,600	922,124	1,590,320
Streets and Highways				164,000	340,938	164,000
Operating Grants and Contributions	4,190,854	3,650,927	4,016,078	3,971,741	4,331,741	7,075,977
Capital Grants and Contributions	21,221,765	14,379,009	9,626,053	16,587,571	28,202,450	30,997,048
Total Government Activities Program Revenues	<u>32,185,313</u>	<u>25,867,030</u>	<u>21,498,953</u>	<u>30,795,773</u>	<u>43,476,881</u>	<u>46,969,846</u>
Business-Type Activities:						
Charges for Services:						
Water	5,911,571	8,008,709	10,610,544	11,919,612	14,900,645	14,825,250
Wastewater	5,666,336	9,063,607	16,807,866	14,639,742	19,304,123	16,137,851
Solid Waste	5,864,931	6,152,162	6,665,600	7,166,076	7,769,529	7,996,902
Golf	1,186,845	1,191,270	1,149,984	1,140,547	1,170,209	1,198,976
Operating Grants and Contributions	37,539	33,112				
Capital Grants and Contributions	5,710,728	6,638,142	5,808,805	467,072	4,253,941	4,756,193
Total Business-Type Activities Program Revenue	<u>24,377,950</u>	<u>31,087,002</u>	<u>41,042,799</u>	<u>35,333,049</u>	<u>47,398,447</u>	<u>44,915,172</u>
Total Primary Government Program Revenues	<u>\$56,563,263</u>	<u>\$56,954,032</u>	<u>\$62,541,752</u>	<u>\$66,128,822</u>	<u>\$90,875,328</u>	<u>\$91,885,018</u>
Net (Expense)/Revenue:						
Governmental Activities	(\$674,317)	(\$11,046,633)	(\$18,262,423)	(\$14,447,646)	(\$8,424,594)	(\$13,482,615)
Business-Type Activities	8,904,819	9,826,481	17,828,165	6,194,353	17,626,431	13,223,024
Total Primary Government Net Expense	<u>\$8,230,502</u>	<u>(\$1,220,152)</u>	<u>(\$434,258)</u>	<u>(\$8,253,293)</u>	<u>\$9,201,837</u>	<u>(\$259,591)</u>

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

	Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
General Revenues and Other						
Changes in Net Assets:						
Governmental Activities:						
Taxes:						
Property Taxes	\$10,839,472	\$14,567,005	\$17,691,016	\$20,549,378	\$25,849,273	\$27,228,016
Sales Taxes	6,600,171	7,089,594	6,097,917	6,431,206	6,356,704	9,779,701
Other Taxes	111,556	1,623,270	3,602,415	3,812,202	4,112,928	3,940,114
Interest Earnings	2,887,761	235,849	1,471,001	1,961,103	4,369,508	7,243,110
Intergovernmental:						
Motor Vehicle In-Lieu	3,169,212	2,618,118	1,332,594	405,607	406,742	308,149
Grants	322,010	272,313	285,507	427,720	520,630	312,945
Other Revenue	695,167	3,176,261	4,597,246	1,002,262	2,833,230	3,745,107
Developer Contributions	2,709,626			12,949,245	13,782,813	3,737,123
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>
Business-Type Activities:						
Interest Earnings	992,641	741,645	1,812,237	2,030,279	3,292,440	4,079,798
Other Revenue			1,039,011	299,036	362,500	374,597
Developer Contributions	1,777,478					
Transfers, net		2,660,438	(33,780)	204,000	23,900	
Total Business-Type Activities	<u>2,770,119</u>	<u>3,402,083</u>	<u>2,817,468</u>	<u>2,533,315</u>	<u>3,678,840</u>	<u>4,454,395</u>
Total Primary Government	<u>\$30,105,094</u>	<u>\$30,324,055</u>	<u>\$37,928,944</u>	<u>\$49,868,038</u>	<u>\$61,886,768</u>	<u>\$60,748,660</u>
Change in Net Assets:						
Governmental Activities	\$26,660,658	\$15,875,339	\$16,849,053	\$32,887,077	\$49,783,334	\$42,811,650
Business-Type Activities	11,674,938	13,228,564	20,645,633	8,727,668	21,305,271	17,677,419
Total Primary Government	<u>\$38,335,596</u>	<u>\$29,103,903</u>	<u>\$37,494,686</u>	<u>\$41,614,745</u>	<u>\$71,088,605</u>	<u>\$60,489,069</u>

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

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



	June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$925,375	\$1,260,891	\$1,044,726	\$1,082,779	\$827,341	\$709,085	\$844,083	\$1,214,042	\$1,420,277	\$1,681,076
Unreserved	3,811,389	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
Total General Fund	<u>\$4,736,764</u>	<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>
All Other Governmental Funds:										
Reserved	\$21,977,764	\$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
Unreserved, reported in:										
Special revenue funds	1,045,968	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
Capital project funds			103,842	117,313	104,247			869,510	1,931,318	2,054,083
Total All Other Governmental Funds	<u>\$23,023,732</u>	<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>

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%

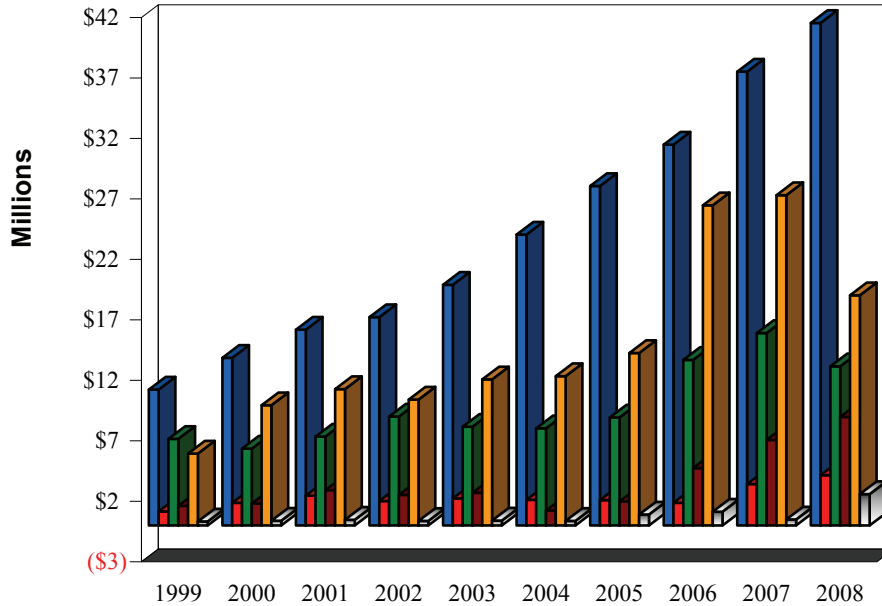
NOTE:

(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
\$24,051,682	\$28,064,714	\$31,488,644	\$37,519,811	\$41,549,587
2,117,767	2,101,007	1,876,789	3,421,479	4,154,266
272,435	246,088	265,458	189,764	292,224
1,237,990	1,992,315	4,748,065	7,074,383	8,974,771
8,032,506	8,930,535	13,689,426	15,910,594	13,160,419
12,347,427	14,260,891	26,472,384	27,309,138	19,036,847
109,428	660,999	877,815	307,132	2,307,519
<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>
2,376,883	2,658,200	2,873,724	3,379,358	4,988,101
3,400,600	3,256,415	8,083,105	7,239,389	6,142,052
15,181,807	17,335,511	18,520,266	19,719,694	23,235,778
134,911	139,410	127,646	141,817	147,961
3,549,259	3,614,271	3,203,484	4,226,997	4,009,469
3,568,477	3,984,346	4,390,584	4,665,686	5,724,593
2,663,894	2,849,672	2,237,078	2,761,592	2,818,412
545,039	527,452	695,662	936,759	1,213,134
16,020,421	20,265,542	50,548,786	27,925,988	22,006,218
363,456	415,958	1,132,576	1,060,081	1,168,248
<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>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>(1,669,151)</u>	<u>(1,915,105)</u>	<u>(17,990,347)</u>	<u>13,969,780</u>	<u>10,902,422</u>
10,650,047	6,106,435	11,000,206	20,402,679	7,348,134
(12,330,468)	(6,071,571)	(11,204,206)	(21,191,440)	(8,071,719)
350,000	31,235,000	50,760,000	22,675,000	
	217,653		105,544	
	5,555,245		1,123,028	1,055,000
				3,557,101
		(9,637,335)		
<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>(\$2,999,572)</u>	<u>\$35,127,657</u>	<u>\$22,928,318</u>	<u>\$37,084,591</u>	<u>\$14,790,938</u>
5.1%	6.5%	7.4%	9.5%	11.8%

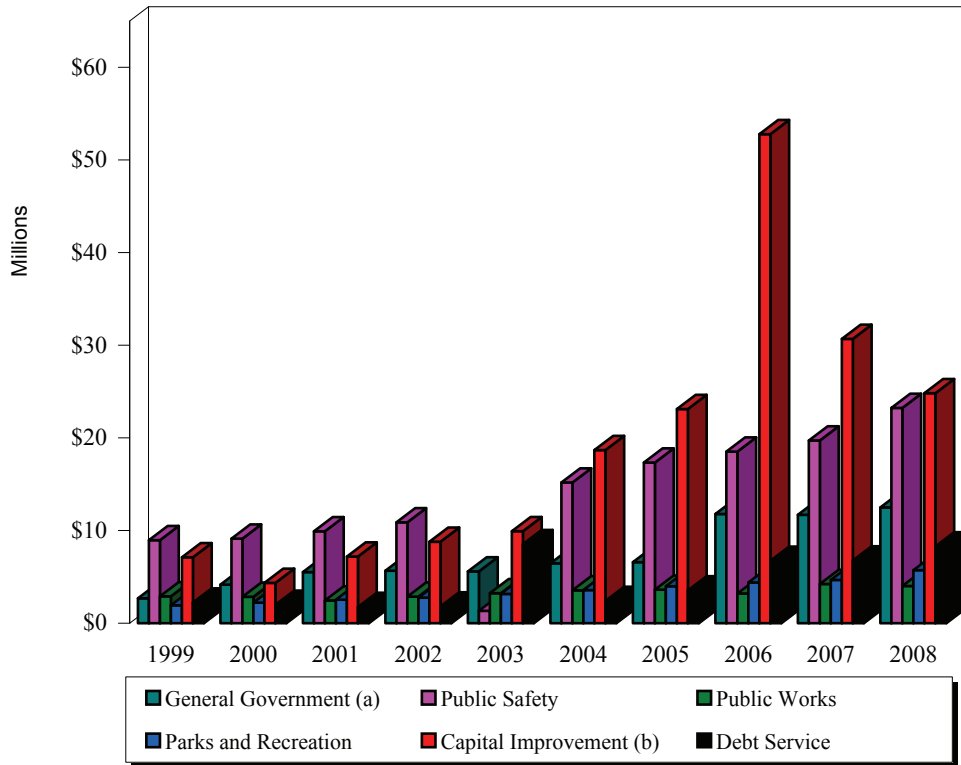
**CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
1999	\$11,235,443	\$1,162,190	\$7,157,975	\$1,625,265	\$5,945,611	\$331,140	\$27,457,624
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

Source: City Operating Budget and City Annual Financial Report

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

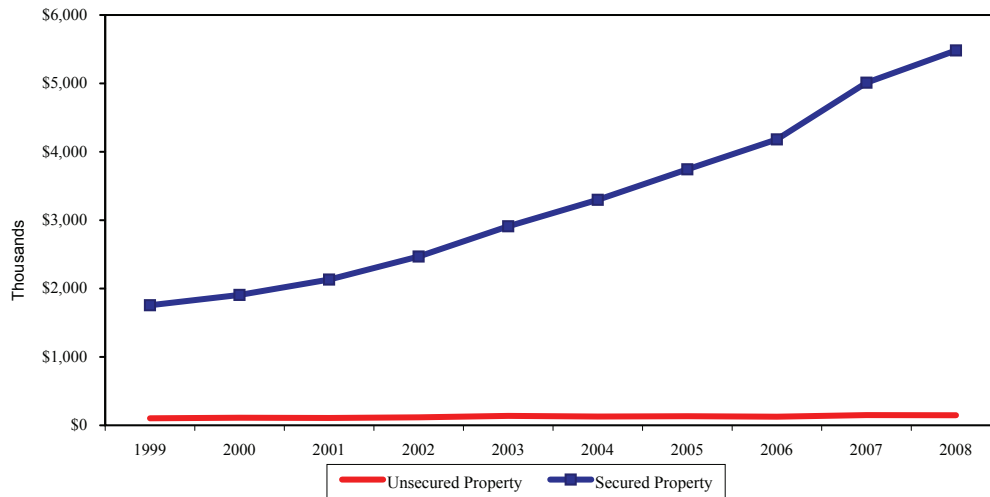


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
1999	\$2,681,457	\$8,956,442	\$2,894,451	\$1,927,742	\$7,113,076	\$2,223,154	\$25,796,322
2000	4,162,672	9,121,140	2,843,624	2,216,650	4,346,340	1,983,844	24,674,270
2001	5,511,983	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

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

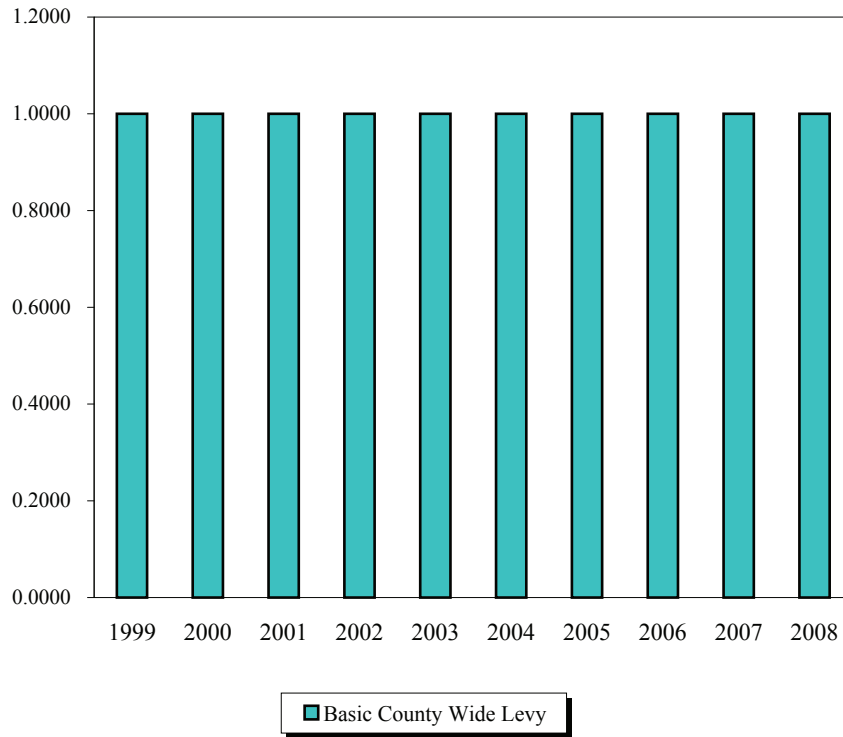


Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
1999	\$594,357	\$1,136,346	\$24,419	\$1,755,122	(\$102,123)	\$813	\$1,653,812	\$102,455	\$1,756,267	\$1,756,267	1%
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%

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>
1999	1.0000	1.0000
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

Source: San Joaquin County Assessors Office

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

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

Taxpayer	2007-2008		1998-99	
	Type of Business	Percentage of Total City Taxable Assessed Value	Type of Business	Percentage of Total City Taxable Assessed Value
Standard Pacific Corp	Residential Land	0.75%		
Bianchi Ranch Partners LLC	Commercial	0.50%		
Doctors Hospital of Manteca Inc.	Hospital	0.37%		
Edwards J & Dolores M Cardoza	Shopping Center	0.40%		
Metropolitan Life Ins. Co Corp.	Insurance	0.40%		
Millard Refrigerated Services Inc	Industrial-Warehouse	0.42%		
Paseo Apartment. LLC	Apartments	0.36%		
Prologis	Warehouse	0.38%		
Standard Pacific Corp	Residential Land	0.75%		
Stonegate Apts. LLC	Apartments	0.49%		
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 Developments	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>4.82%</u>		<u>0.00%</u>

Sources California Municipal Statistics
San Joaquin County Assessor's Office

**CITY OF MANTECA
 MANTECA REDEVELOPMENT PROJECT AREA NO. 2
 TOP TWENTY ASSESSED VALUES
 JUNE 30, 2008**

		2007-08 Local Secured Valuation Project Area No. 2	\$1,290,991,804
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2007-08 Assessed Valuation</u>	<u>% of Total Assess</u>
1 Millard Refrigerated Services Inc.	Cold Storage	\$22,954,144	1.78
2 Metropolitan Life Insurance Company	Warehouse	21,593,856	1.67
3 Prologis	Warehouse	20,400,000	1.58
4 Manteca Stadium Park LP	Shopping Center	18,645,774	1.44
5 Western Pacific Trust	Shopping Center	15,741,222	1.22
6 Kohl's Department Stores Inc.	Shopping Center	12,951,434	1.00
7 Mateca Associates LP	Light Industrial	11,026,302	0.85
8 Catellus Operating LP	Cold Storage	10,863,000	0.84
9 Dutra Farms Inc.	Shopping Center	10,799,423	0.84
10 Target Corp.	Shopping Center	10,509,864	0.81
11 Inland Western MDS Portfolio LLC	Commercial Store	9,933,729	0.77
12 Spreckles Shopping Center LLC	Shopping Center	9,638,508	0.75
13 HD Development of Maryland, Inc.	Commercial Store	9,036,187	0.70
14 Cranbrook Realty Invest Fund LP	Warehouse	8,845,142	0.69
15 Stonehenge Manteca LLC	Shopping Center	8,614,940	0.67
16 Spreckles Shopping Center LLC	Shopping Center	8,200,000	0.64
17 Daniel M. Sarch	Light Industrial	7,930,455	0.61
18 John J. & Elenore L. Vierra	Residential Properties	7,720,032	0.60
19 Brocchino Famile Partnership LP	Medical Offices	7,332,369	0.57
20 Hunsaker Manteca LLC	Light Industrial	5,771,562	0.45
		<u>\$238,507,943</u>	<u>18.47%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA
 MANTECA REDEVELOPMENT MERGED PROJECT AREA
 TOP TWENTY ASSESSED VALUES
 JUNE 30, 2008**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2007-08 Assessed Valuation</u>	<u>% of Total Assess</u>
		2007-08 Local Secured Valuation \$20,149,279	
		2005 Merged Project Amended Area	
1 Major Singh Brar	Commercial Land	\$1,361,000	6.75
2 Manuel Villalobos	Residential	883,554	4.39
3 Kelly Mah	Commercial Land	832,320	4.13
4 Anka Behavioral Health Inc.	Professional Building	831,300	4.13
5 Chattarpal S. Pabla	Multi-Family Residential	806,310	4.00
6 Gasspecs	Commercial Land	750,000	3.72
7 Marilyn O. Valencia	Multi-Family Residential	750,000	3.72
8 Joe Y. & Mary Mendoza	Residential	711,000	3.53
9 Roger O. Beugre	Residential	666,000	3.31
10 Jose Rene Diaz	Multi-Family Residential	604,940	3.00
11 Ranjit & Jaswinder Khangura	Residential	599,950	2.98
12 David L. Peters	Truck Terminal	575,637	2.86
13 Jagohan S. & Jaspinder K. Kailey	Residential	566,100	2.81
14 Jose C. Cabral	Residential	550,000	2.73
15 Natalyn J. & Thomas E. Bergman, Jr.	Residential	519,988	2.58
16 James H. & Kristin Zimmerman	Residential	518,927	2.58
17 Armando Guzman	Residential	495,000	2.46
18 Roadrunner Manufacturing Co.	Light Industrial	487,960	2.42
19 R.D. & Maggie Voyer	Residential	433,148	2.15
20 Crispin Benitez	Residential	427,500	2.12
		<u>\$13,370,634</u>	<u>66.36%</u>

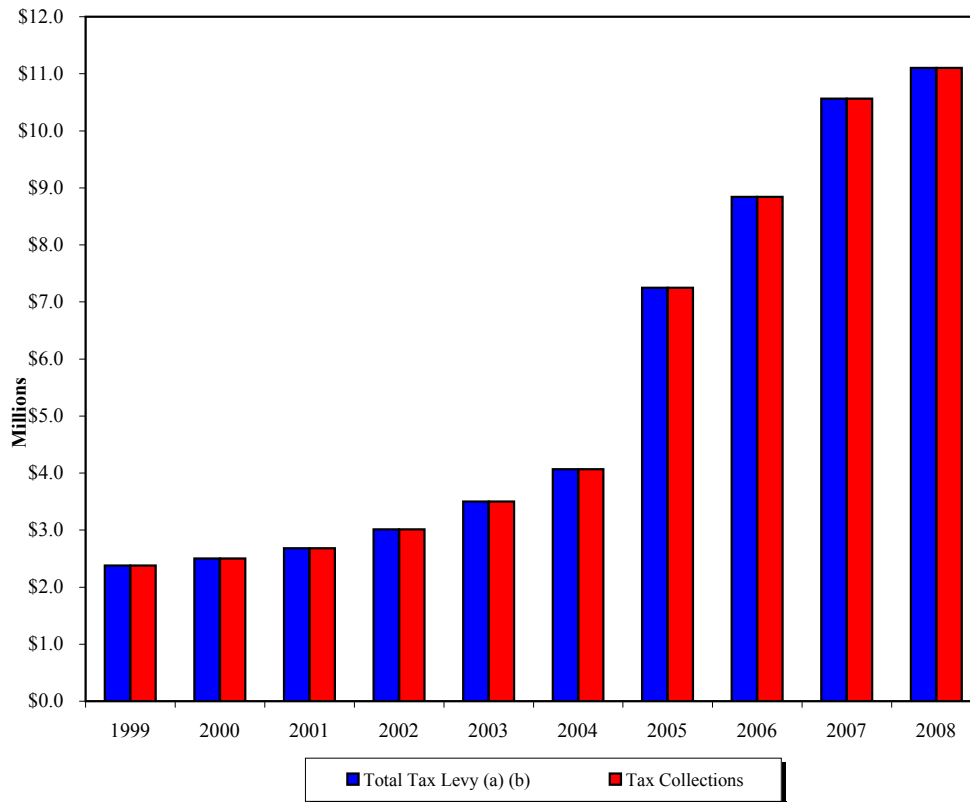
Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
JUNE 30, 2008

		2007-08 Local Secured Valuation 2004 Amended Area	\$68,820,575	
Property Owner	Primary Land Use	2007-08 Assessed Valuation	% of Total Assess	
1 BS Family Partnership	Commercial Sales	\$9,308,030	13.53	
2 Larry W. Anderson	Commerical Propert	7,809,472	11.35	
3 Aassieh Development	Light Industrial	7,249,360	10.53	
4 Lanting Family LLC	Truck Terminal	5,837,455	8.48	
5 Tesoro Commones	Residential Properties	5,594,190	8.13	
6 Albert G. Boyce, Jr.	Residential Properties	4,892,809	7.11	
7 Sunny Valley Smoked Meats	Food Processing	3,693,420	5.37	
8 Manteca Lifestyle Center LLC	Commercial Propert	3,491,460	5.07	
9 Kulvir Singh Cheema	Agricultural	2,546,600	3.70	
10 RLD Partners LP	Residential Properties	1,631,836	2.37	
11 D' Ambrosio Brothers Investment Co. LP	Industrial Land	1,349,616	1.96	
12 Hari & Manjit Kamboj	Residential Properties	803,250	1.17	
13 Satinda K. Bahia	Residential Properties	788,500	1.15	
14 Avelino M. & Teresa A. Silva	Residential Properties	734,400	1.07	
15 AT&T Communications of CA Inc.	Communications	690,000	1.00	
16 Arthur B. Cabral	Residential Properties	595,184	0.86	
17 Harold & Dorothy Hahn Family LP	Light Industrial	589,377	0.86	
18 Steve A. & Christine S. Martinez	Industrial Land	520,200	0.76	
19 John N. & Galatia Aretakis	Agricultural	501,283	0.73	
20 Victor M. & Emma L. Marquez	Residential Properties	443,473	0.64	
		<u>\$59,069,915</u>	<u>85.83%</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
1999	\$2,376,923	\$2,376,923	100.0000%	\$0	\$2,376,923	100.0000%
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%

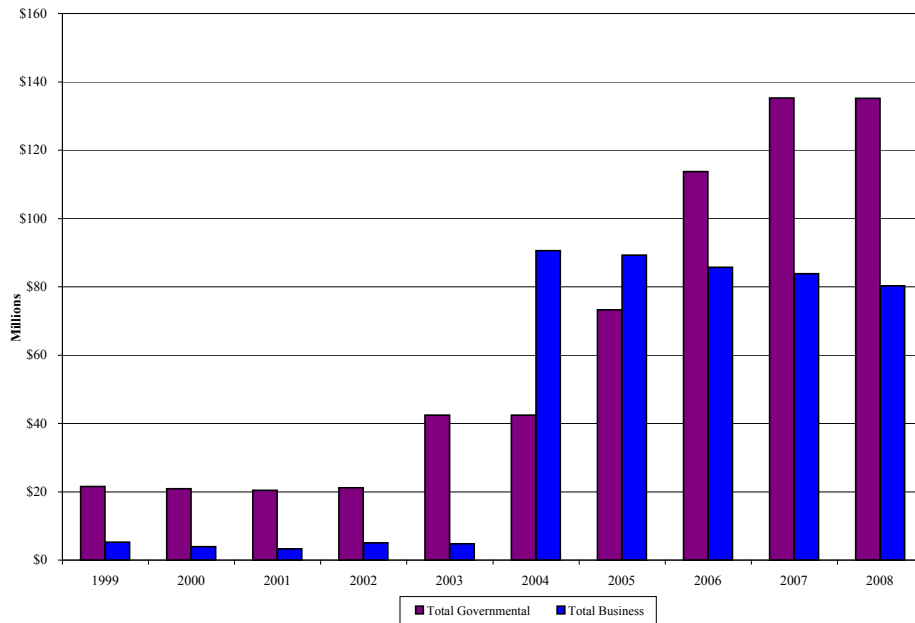
Source: City of Manteca Records

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	Energy					Measure K Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	Capital Leases	Conservation Assistance Loan	Installment Purchase Obligation						
1999	\$19,495,000				\$1,930,202	\$165,691	\$21,590,893	\$26,883,512	2447.89%	\$560
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	N/A -- (b)	3,368
2008	133,280,000	1,536,029	63,749		317,095		135,196,873	215,492,560	N/A -- (b)	3,243

Business-Type Activities								
Fiscal Year	Water		Sewer		Energy		Certificate of Participation SSIID	
	Revenue Bonds	Revenue Bonds	Conservation Asst Loan	Capital Leases	Lease Revenue Bonds			
1999		\$1,605,000			\$1,755,000		\$696,117	\$5,292,619
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

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 2007 and 2008.

**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		
1999	\$19,495,000	\$19,495,000	1.11%	\$405.92
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

**CITY OF MANTECA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2008**

2007-08 Assessed Valuation	\$5,551,791,464
Redevelopment Incremental Valuation	<u>1,732,442,252</u>
Adjusted Assessed Valuation	<u><u>\$7,284,233,716</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	\$38,030,000	81.167%	\$30,867,810
Manteca Unified School District Community Facilities District No. 2000-3	17,250,000	99.872%	17,227,920
Manteca Unified School District	65,042,004	36.835%	23,958,222
San Joaquin County Certificates of Participation	207,495,000	6.605%	13,705,045
San Joaquin Delta Community College District	80,176,115	6.008%	4,816,981
City of Manteca Recreational Facilities Bonds	<u>320,000</u>	100.000%	<u>320,000</u>
TOTAL OVERLAPPING DEBT	<u>408,313,119</u>		<u>90,895,978</u>
City of Manteca Tax Allocation Bonds, Payable solely from Redevelopment Agency Property Tax Increments	<u>133,280,000</u>	100.000%	<u>133,280,000</u>
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$541,593,119</u></u>		<u><u>\$224,175,978</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, 2008**

ASSESSED VALUATION:

Assessed Value	\$5,482,092,772
Add back: Exempt real property	<u>69,698,692</u>
Total Assessed Valuation	<u><u>\$5,551,791,464</u></u>

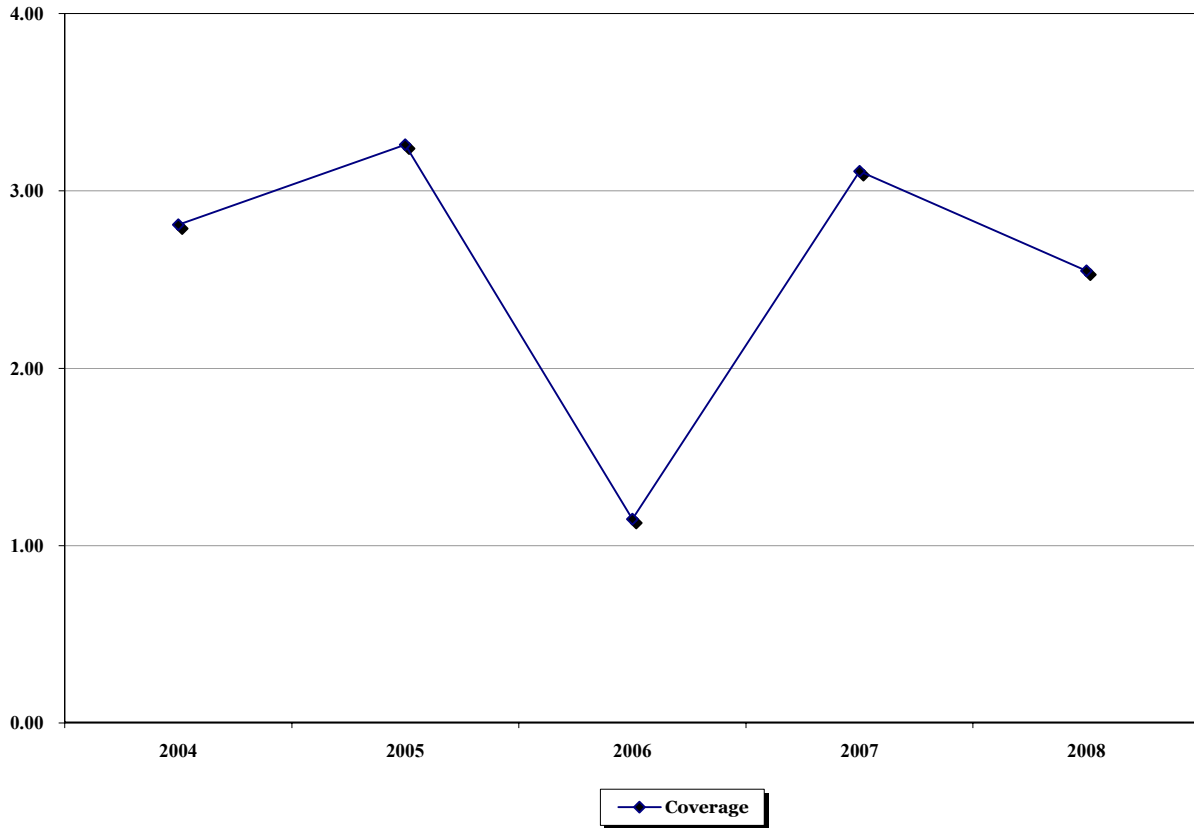
BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) \$832,768,720

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

LEGAL BONDED DEBT MARGIN \$832,768,720

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
1999	\$278,915,817	\$0	\$278,915,817	0.00%
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%

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

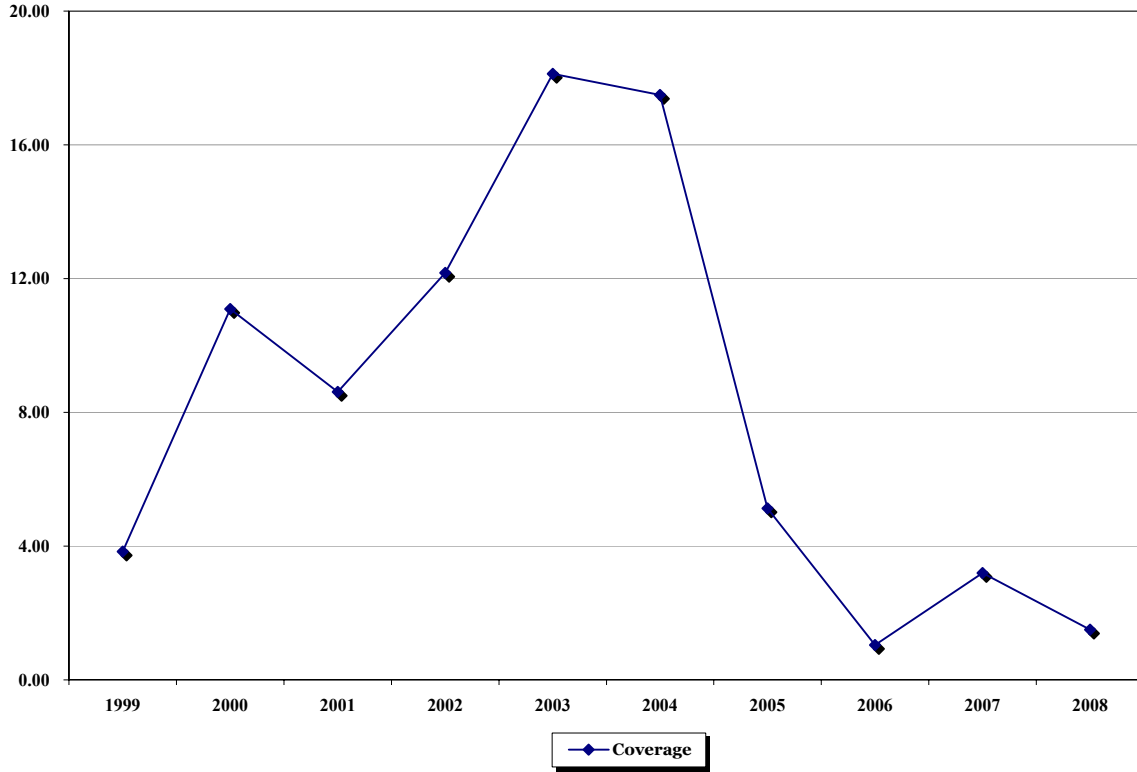


Fiscal Year (a)	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$10,503,016	(\$437,664)	(\$647,437)	\$5,478,936	\$0	\$1,948,696	\$1,948,696	2.81
2005	11,518,311	(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

Source: City of Manteca Annual Financial Statements

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

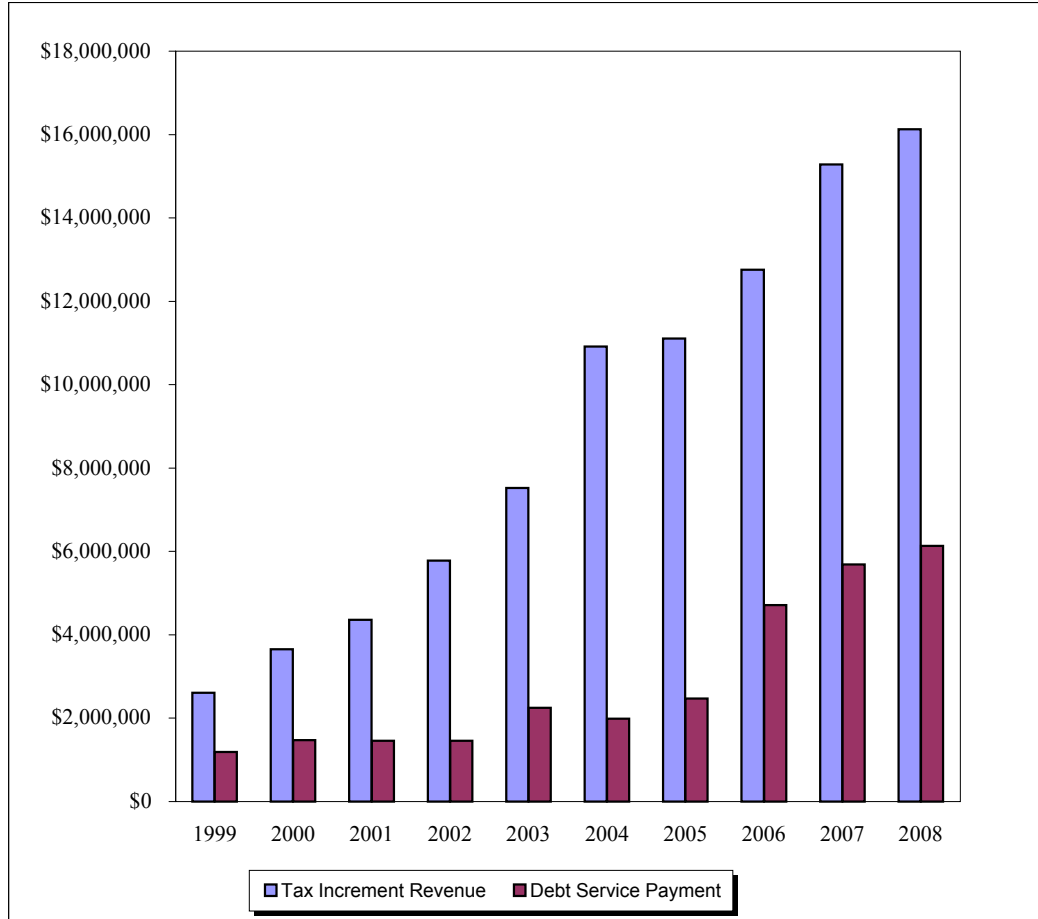
**CITY OF MANTECA
REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues/Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
1999	\$3,055,127	(\$3,896,583)	\$2,144,127	\$1,302,671	\$210,000	\$129,070	\$339,070	3.84
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

Source: City of Manteca Annual Financial Statements

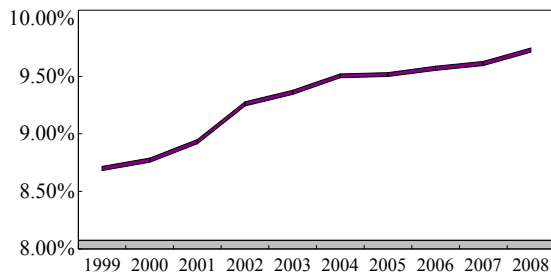
CITY OF MANTECA
BONDED DEBT PLEDGED-REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



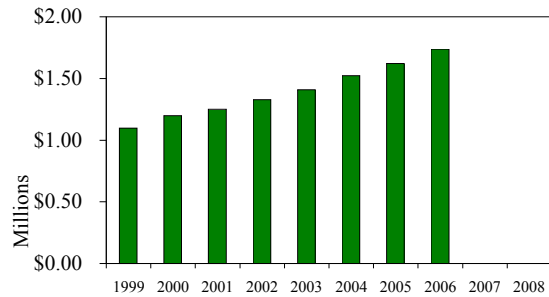
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1999	\$2,611,878	\$190,000	\$997,380	\$1,187,380	2.20
2000	3,651,978	285,000	1,189,476	1,474,476	2.48
2001	4,361,290	285,000	1,170,735	1,455,735	3.00
2002	5,781,959	305,000	1,150,806	1,455,806	3.97
2003	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

Source: City of Manteca Annual Financial Statements

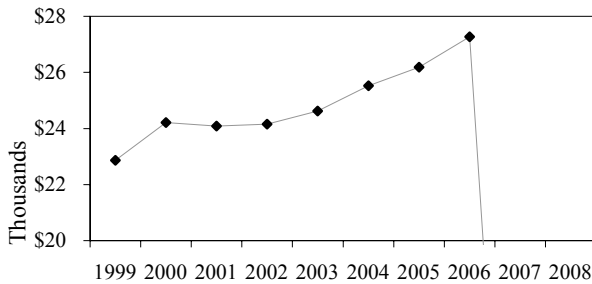
CITY OF MANTECA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



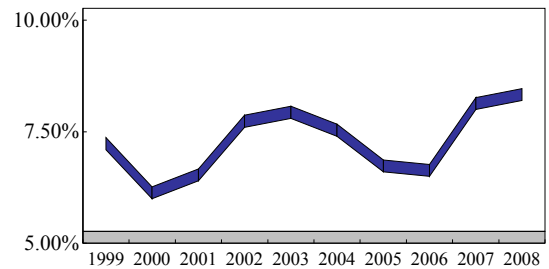
■ City Population as a % of County Population



■ 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
1999	48,027	\$1,098,233	\$22,867	7.1%	\$554,438	8.66%
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	n/a	n/a	8.0%	679,687	9.57%
2008	66,451	n/a	n/a	8.2%	685,660	9.69%

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**

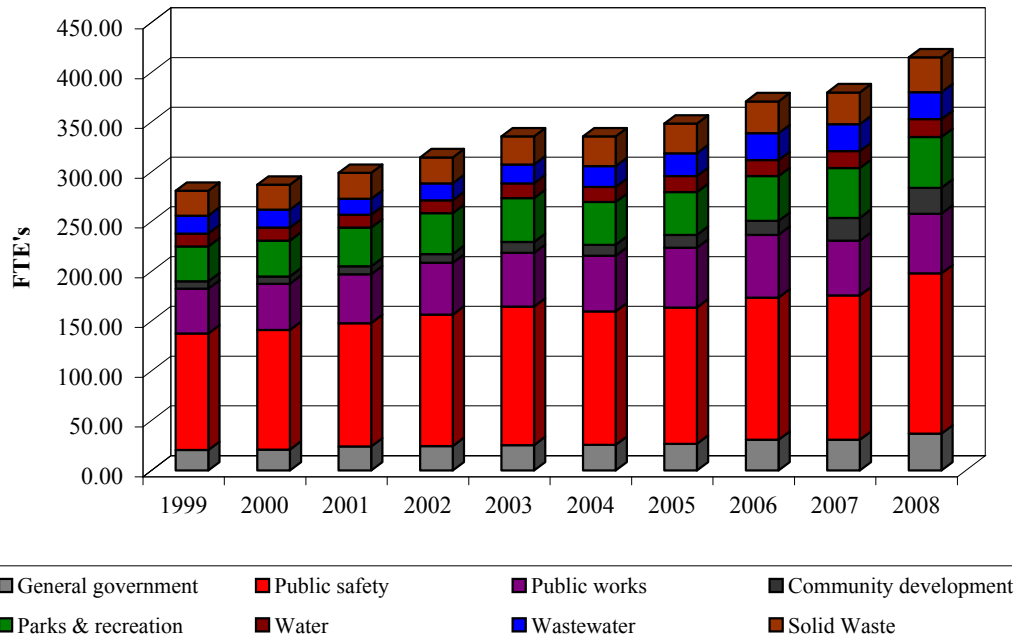
<u>Employer</u>	<u>2007-08</u>			<u>2005-06</u>		
	<u>(a) Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Manteca Unified School District	2100+	1	7.4%	2100+	1	3.3%
Kaiser Permanente Medical Offices & Hospital	600-650	2	2.1%	600-650	2	0.9%
Doctors Hospital of Manteca	400-450	3	1.6%	400-450	4	0.6%
Dirksen Transportation	400-450	4	1.6%	400-450	5	0.6%
City of Manteca	400-450	5	1.5%	350-399	6	0.6%
Wal-Mart	350-399	6	1.1%	300-349	7	0.5%
Advance Packaging Distribution Specialist Inc	300-349	7	1.1%	300-349	8	0.5%
The Home Depot Inc	200-250	8	0.7%	200-249	10	0.3%
Elegant Surfaces	150-200	9	0.6%			
Ford	150-200	10	0.5%			
Kenyon Plastering, Inc.				400-450	3	0.7%
Eckert Cold Storage Co				200-249	9	0.4%
Total City Day Population	<u><u>66,451</u></u>			<u><u>63,703</u></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>1999</u>	<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>
Function										
General government	20.50	21.00	24.00	24.50	25.50	25.75	26.75	30.75	30.75	37.00
Public safety	117.00	120.00	124.00	132.00	139.00	134.00	137.00	143.00	145.00	161.00
Public works	45.00	46.50	49.00	52.00	54.00	56.00	60.00	63.00	55.00	60.00
Community development	7.50	7.50	8.00	9.00	11.00	11.00	13.00	14.00	23.00	26.00
Parks & recreation	35.00	36.00	39.00	41.00	44.00	43.00	43.00	45.00	50.00	51.00
Water	13.00	13.00	13.00	13.00	15.00	15.00	16.00	16.00	17.00	18.00
Wastewater	18.00	18.00	16.00	17.00	19.00	21.00	23.00	27.00	27.00	27.00
Solid Waste	25.00	25.00	26.00	26.00	28.00	29.75	29.75	32.00	32.00	35.00
Total	<u>281.00</u>	<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>

Source: City of Manteca Budget Document

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Population					
Citizens	48,027	49,494	51,924	54,975	57,200
Date of Incorporation	May 28, 1918	May 28, 1918	May 28, 1918	May 28, 1918	May 28, 1918
Form of Government	Council/Manager	Council/Manager	Council/Manager	Council/Manager	Council/Manager
Area	15.6 Sq Miles	15.8 Sq Miles	15.9 Sq Miles	15.98 Sq Miles	16.05 Sq Miles
Registered Voters	17,130	20,014	20,521	21,557	21,579
Taxable Sales	385,523,000	444,712,900	551,764,700	602,934,900	589,162,700
Building Permits Issued	1,486	2,037	.	2,150	2,345
Employees from Budget Document	281	287	.	315	336
Fire Protection					
Number of Stations	3	3	.	3	3
Number of Reserve Personnel	19	17	16	20	20
Number of Sworn Fire Personnel	30	30	30	30	30
Number of Calls Answered	3,227	3,493	3,859	4,074	4,044
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	55	58	60	65	68
Number of Volunteers	25	80	80	100	112
Number of Support Personnel	24	24	27	27	27
Number of Calls Answered	28,219	27,860	31,362	33,167	35,820
Parks & Recreation					
Park Sites	34	36	39	39	41
Acres of Parks	218	228	241	241	273
Senior Centers	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	5,408	5,508	5,873	5,973	6,873
Number of Street Trees	4,279	4,460	4,568	4,768	5,288
Acres of Golf Course	122	122	122	122	122
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	3	3	3	12	14
Benefit Area District					
Public Works					
Miles of Streets	140	150	161	168	171
Number of Street Lights	2,631	2,685	2,900	3,050	3,134
Water Utility					
Number of Meters	12,678	13,519	14,321	15,203	16,037
Miles of Water Mains	140	150	160	166	168
Average Daily Consumptions (Gal)	8,932,771	9,536,977	9,906,188	10,161,293	10,597,002
Wastewater					
Number of Connections	16,629	17,532	18,337	19,214	20,043
Miles of Sewer Lines	140	150	160	166	168
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	5.30 MGD	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	6.95 MGD
Solid Waste					
Number of Accounts	12,627	13,386	14,134	14,940	15,866
Education					
Elementary Schools	15	17	17	17	17
High Schools	4	4	4	4	4
Adult Education	2	2	2	1	1
Teachers	822	885	943	1,031	1,031
Elementary Classrooms	591	658	658	851	851
High School Classrooms	192	222	243	259	259
Adult Education Classrooms	31	31	31	36	36
Current Enrollment	16,612	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
Population					
Citizens	59,700	61,927	63,703	65,076	66,451
Date of Incorporation	May 28, 1918	May 28, 1918	May 28, 1918	May 28, 1918	May 28, 1920
Form of Government	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
Registered Voters	23,788	25,575	25,209	24,843	24,954
Taxable Sales	635,916,900	698,218,600	759,729,900	756,216,800	747,746,500
Building Permits Issued	2,300	2,259	2,302	2,596	1,816
Employees from Budget Document	336	348	370	380	415
Fire Protection					
Number of Stations	3	3	3	3	3
Number of Reserve Personnel	12	21	15	14	20
Number of Sworn Fire Personnel	30	30	30	36	42
Number of Calls Answered	4,126	4,203	n/a	n/a	4,589
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	68	68	72	73	80
Number of Volunteers	123	119	114	69	74
Number of Support Personnel	29	28	28	30	33
Number of Calls Answered	37,251	39,282	39,435	38,763	37,122
Parks & Recreation					
Park Sites	41	45	46	46	47
Acres of Parks	273	266	275	275	326
Senior Centers	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	6,873	6,873	6,925	7,320	7,596
Number of Street Trees	5,288	7,000	8,438	8,629	8,801
Acres of Golf Course	122	122	122	122	111
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	14	14	14	21	21
Benefit Area District				2	2
Public Works					
Miles of Streets	179	180	184	186	193
Number of Street Lights	3,314	3,314	3,800	4,300	4,800
Water Utility					
Number of Meters	16,687	17,199	17,428	21,950	22,172
Miles of Water Mains	214	212	279	251	254
Average Daily Consumptions (Gal)	11,542,356	10,493,809	11.96 MGD	13.7 MGD	13.82 MGD
Wastewater					
Number of Connections	20,556	21,248	21,383	21,967	22,212
Miles of Sewer Lines	163	169	250	209	184
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	6.27 MGD	6.07 MGD	6.50 MGD	6.28 MGD	5.95MGD
Treatment Capacity	8.11 MGD	7.50 MGD	8.11 MGD	8.11 MGD	9.87 MGD
Solid Waste					
Number of Accounts	16,442	17,073	17,310	17,630	17,799
Education					
Elementary Schools	17	19	19	21	20
High Schools	4	4	4	6	7
Adult Education	1	1	4	2	2
Teachers	1,144	1,133	1,132	1,236	1,157
Elementary Classrooms	821	869	869	939	934
High School Classrooms	291	304	330	331	330
Adult Education Classrooms	27	27	37	37	27
Current Enrollment	23,409	23,805	23,393	23,506	23,003

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, 2008**

	<u>Amount of Security Bond</u> ¹
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 of \$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

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 2008 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The Redevelopment Agency's total net assets at June 30, 2008 totaled \$(15.2) million. This is an increase of \$9.4 million from the prior year.
- Total Agency revenues, including program and general revenues, were \$24.3million, while total expenses were \$15 million in fiscal 2008. Revenues increased by \$5.6 million, while expenses decreased \$5.3 million.
- General revenues from property taxes were \$16.1 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,
- 5) Statistical information.

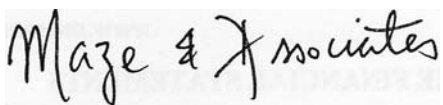
The Basic Financial Statements

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.

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 style. Below the signature, there is a faint, light-colored rectangular stamp or watermark, but the text within it is illegible.

October 3, 2008

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 2008 FINANCIAL HIGHLIGHTS

Financial highlights for the year include the following:

- The Redevelopment Agency's total net assets at June 30, 2008 totaled \$(15.2) million. This is an increase of \$9.4 million from the prior year.
- Total Agency revenues, including program and general revenues, were \$24.3million, while total expenses were \$15 million in fiscal 2008. Revenues increased by \$5.6 million, while expenses decreased \$5.3 million.
- General revenues from property taxes were \$16.1 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,
- 5) Statistical 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 2008 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, 2008
(in Millions)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 100.4	\$ 89.0
Other assets	9.8	13.0
Capital assets	10.8	10.5
Total assets	121.0	112.5
Long-term debt outstanding	133.3	133.3
Other liabilities	2.9	3.8
Total liabilities	136.2	137.1
Net assets:		
Invested in capital assets, net of debt	7.0	7.0
Restricted	99.0	90.7
Unrestricted	(121.2)	(122.3)
Total Net Assets	(15.2)	(24.6)

The Agency's net assets from governmental activities increased 38% from \$(24.6) million in 2007 to \$(15.2) million in 2008. Cash and investments increased by \$11.4 million. Restricted net assets of \$71.6 million are available to finance on-going operations and other expenditures as approved by the Board of Commissioners for defined redevelopment activities.

Changes in Net Assets

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

Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for services	.0	.0
Operating contributions and grants	3.6	.0
Total program revenues	3.6	.0
General revenues:		
Property taxes	16.1	15.3
Interest income	4.7	3.4
Total general revenues	20.8	18.7
Total revenues	24.4	18.7
Expenses		
Community Development	8.0	14.6
Public Works	.1	.0
Interest and fiscal charges	6.9	5.7
Transfers to City	.0	.0
Total expenses	15.0	20.3
Change in net assets	\$ 9.4	\$ (1.6)

Table 2 shows that total governmental activity revenues increased \$5.7 million in fiscal year 2007-08. \$16.1 million, or 66% of the Agency's Fiscal 2008 revenue, came from property taxes. As a result of continuing problems in the housing market, property tax showed only a slight gain of 5% over fiscal year 2006-07 receipts.

The Agency's Fund Financial Statements

Governmental Funds

At June 30, 2008, the Agency's governmental funds reported combined fund balances of \$99.0 million, which is an increase of \$8.4 million compared with the prior year

Governmental fund revenues were \$20.9 million this year. The Debt Service Fund accounted for 65% of this total. Expenditures were \$16.1 million this year. Of this total, \$4.3 million was expended on capital projects and \$7.8 million was expended on debt service.

Analyses of Major Governmental Funds

Redevelopment Low and Moderate Income Housing

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

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

At the end of the fiscal year, the outstanding balances of such loans were \$9.6 million. Due to loan covenants, nominal interest associated with the prepayment of loans was received during fiscal year 2008. 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 \$12.7 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 \$4.4 million. Revenue increased by \$1.1 million due to growth in assessed valuations resulting from both commercial and residential activity and increased interest earnings.

Redevelopment Capital Improvement and Economic Development

Fund balance in these funds increased by \$2.1 million. Current expenditures totaled \$4.5 million with \$2.9 million in funding spent on transportation projects to support economic development.

CAPITAL ASSETS

At the end of fiscal 2008 the Agency had \$10.8 million, net of depreciation, invested in a broad range of capital assets used in governmental activities, 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	
	2008	2007
<i>Governmental Activities:</i>		
Land and Improvements	10.8	10.5
Totals	10.8	10.5

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)

	2008	2007
<i>Governmental activities</i>		
2002 Tax Allocation Revenue Bonds	28.6	29.3
2004 Subordinated Tax Allocation Revenue Bonds	25.9	25.9
2002 Tax Allocation (Housing Set Aside) Revenue Bonds	5.3	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	133.3	134.0

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This Basic Component Unit Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the 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, 2008

	Governmental Activities
ASSETS	
Cash and investments	
available for operations (Note 2)	\$31,464,391
Restricted cash and investments (Note 2)	68,915,845
Receivables	5,500
Tax increment receivable	276,384
Interest receivable	203,152
Prepaid items and deposits	903
Long-term notes receivable (Note 3)	9,290,685
Capital assets not being depreciated (Note 5)	10,818,877
Total Assets	120,975,737
LIABILITIES	
Accounts payable	1,841,175
Accrued liabilities	1,010,777
Refundable deposits	46,221
Long-term liabilities (Note 6):	
Due within one year	1,490,000
Due within more than one year	131,790,000
Total Liabilities	136,178,173
NET ASSETS (DEFICIT) (Note 7)	
Invested in capital assets, net of related debt	7,000,000
Restricted for:	
Low and moderate income housing	12,724,876
Capital projects	58,902,118
Debt service	27,351,785
Total Restricted Net Assets	98,978,779
Unrestricted	(121,181,215)
Total Net Assets (Deficit)	(\$15,202,436)

See accompanying notes to financial statements

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Total
Governmental Activities:			
Current:			
Community development	\$8,035,159	\$3,557,101	(\$4,478,058)
Public works	11,852		(11,852)
Interest and fiscal charges	6,929,315		(6,929,315)
Total Governmental Activities	\$14,976,326	\$3,557,101	(11,419,225)
General revenues:			
Property taxes			16,127,574
Interest income			4,709,419
Total General Revenues			20,836,993
Change in Net Assets			9,417,768
Net Assets- (Deficit) Beginning			(24,620,204)
Net Assets- (Deficit) Ending			(\$15,202,436)

See accompanying notes to financial statements

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 2008. 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, 2008

	Low and Moderate Income Housing	Debt Service	Capital Projects	Economic Development	Total Governmental Funds
ASSETS					
Cash and investments					
available for operations (Note 2)	\$7,726,093	\$19,920,159	\$734,115	\$3,084,024	\$31,464,391
Restricted cash and investments (Note 2)	4,966,063	8,023,589	55,926,193		68,915,845
Receivables (net of allowance for estimated uncollectible accounts)		5,500			5,500
Tax increment receivable		276,384			276,384
Interest receivable	44,064	115,634	27,060	16,394	203,152
Prepaid items and deposits		903			903
Long-term notes receivable (Note 3)	9,670,880		1,487,437	370,590	11,528,907
Total Assets	\$22,407,100	\$28,342,169	\$58,174,805	\$3,471,008	\$112,395,082
LIABILITIES					
Accounts payable	\$11,344	\$985,384	\$825,303	\$19,144	\$1,841,175
Deferred revenue (Note 3)	9,670,880		1,487,437	370,590	11,528,907
Refundable deposits		5,000	16,277	24,944	46,221
Total Liabilities	9,682,224	990,384	2,329,017	414,678	13,416,303
FUND EQUITY					
Fund balance (Note 7)					
Reserved for:					
Revolving fund, prepaid items, and advances		903			903
Debt service		27,350,882			27,350,882
Low and moderate income housing	12,724,876				12,724,876
Capital outlay			55,845,788	3,056,330	58,902,118
Total Fund Balances	12,724,876	27,351,785	55,845,788	3,056,330	98,978,779
Total Liabilities and Fund Balances	\$22,407,100	\$28,342,169	\$58,174,805	\$3,471,008	\$112,395,082

See accompanying notes to financial statements

MANTECA REDEVELOPMENT AGENCY
Reconciliation of
GOVERNMENTAL FUND BALANCE
with
GOVERNMENTAL NET ASSETS
JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet	\$98,978,779
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.	10,818,877
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	11,528,907
LONG-TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt and accrued liabilities	(134,290,777)
Amortization of conditional grants	<u>(2,238,222)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$15,202,436)</u></u>

See accompanying notes to financial statements

MANTECA REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<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	\$3,744,641	\$12,382,933			\$16,127,574
Use of money and property	485,012	1,092,646	\$3,066,575	\$95,642	4,739,875
Other revenue	1,000	66,250	4,318		71,568
Total Revenues	<u>4,230,653</u>	<u>13,541,829</u>	<u>3,070,893</u>	<u>95,642</u>	<u>20,939,017</u>
EXPENDITURES					
Current:					
Community development	2,085,554	1,813,063	26,915	158,313	4,083,845
Public works			11,852		11,852
Capital outlay:					
Capital projects			3,533,937	774,825	4,308,762
Debt service:					
Principal	31,900	693,100			725,000
Interest and fiscal charges	274,889	6,756,905			7,031,794
Total Expenditures	<u>2,392,343</u>	<u>9,263,068</u>	<u>3,572,704</u>	<u>933,138</u>	<u>16,161,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,838,310</u>	<u>4,278,761</u>	<u>(501,811)</u>	<u>(837,496)</u>	<u>4,777,764</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property				3,557,101	3,557,101
Transfers in (Note 4)		145,195			145,195
Transfers (out) (Note 4)			(145,195)		(145,195)
Total Other Financing Sources (Uses)		<u>145,195</u>	<u>(145,195)</u>	<u>3,557,101</u>	<u>3,557,101</u>
NET CHANGE IN FUND BALANCES	1,838,310	4,423,956	(647,006)	2,719,605	8,334,865
BEGINNING FUND BALANCES	<u>10,886,566</u>	<u>22,927,829</u>	<u>56,492,794</u>	<u>336,725</u>	<u>90,643,914</u>
ENDING 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>

See accompanying notes to 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, 2008

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 \$8,334,865

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 340,829

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 725,000

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	33,933
Interest payable	102,479
Other	(119,338)
	<u>(119,338)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$9,417,768

See accompanying notes to 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$3,649,310	\$3,649,310	\$3,744,641	\$95,331
Use of money and property	183,000	183,000	485,012	302,012
Other revenue			1,000	1,000
	<u>3,832,310</u>	<u>3,832,310</u>	<u>4,230,653</u>	<u>398,343</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	477,700	3,912,785	2,085,554	1,827,231
Debt service:				
Principal	31,901	31,901	31,900	1
Interest and fiscal charges	182,240	182,240	274,889	(92,649)
	<u>691,841</u>	<u>4,126,926</u>	<u>2,392,343</u>	<u>1,734,583</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	<u>\$3,140,469</u>	<u>(\$294,616)</u>	1,838,310	<u>\$2,132,926</u>
BEGINNING FUND BALANCE			<u>10,886,566</u>	
ENDING FUND BALANCE			<u>\$12,724,876</u>	

See accompanying notes to financial statements

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. *Organization and Purpose*

The Manteca Redevelopment Agency was created on September 3, 1985 under the provisions of the Redevelopment Law (California Health and Safety Code) to clear and rehabilitate areas determined to be in a declining condition in the Project Areas. Redevelopment Project Area #1 was adopted in June of 1986 and Redevelopment Project Area #2 was adopted in December 1993 to provide an improved physical, social and economic environment in the Project Areas. The Agency merged these two project areas in fiscal 2000. 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.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

The Agency reported the following major governmental funds in the accompanying financial statements:

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

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

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

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

D. Basis of Accounting

The agency-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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

E. Revenues

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

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role as the base year.
2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the base year assessed valuation of the property are allocated to all other districts receiving taxes from the project area, including the City.

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

F. Property Tax

San Joaquin County assesses properties and it bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies retaining interest and penalties. Secured and unsecured property taxes are levied January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county which retains all penalties collected.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed, provided they become available as defined above.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Budget amounts in the financial statements are as originally adopted, or as amended by the Agency Board. Individual amendments were not material in relation to the original appropriations.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year.

NOTE 2 - CASH AND INVESTMENTS

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

A. Policies

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

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

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

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments or Agency agreements. Cash and investments as of June 30, 2008 are as follows:

Cash and investments available for operations	\$31,464,391
Restricted cash and investments	<u>68,915,845</u>
Total cash and investments	<u><u>\$100,380,236</u></u>

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Bonds, Notes	5 years	None	100%	No Limit
United States Government Agency Obligations	5 years	None	100%	No Limit
Mortgage Pass Through Agency Securities	5 years	None	20%	No Limit
Bankers' Acceptances	180 days	Highest Category	40%	15%
Commercial Paper	270 days	A-1	25%	10%
Negotiable Certificates of Deposit	5 years	A	30%	15%
Repurchase Agreements	90 days	None	100%	15%
Local Agency Investment Fund	n/a	None	\$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

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Agency resolutions, bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
United States Treasury Bill, Bonds, Notes	5 years	None
United States Government Agency Obligations	5 years	None
Federal Securities	5 years	None
Bankers' Acceptances	30 days to 1 year	A-1
Commercial Paper	270 days	A-1
Certificates of Deposit	30 days to 5 years	None to A
Repurchase Agreements	None	A
Local Agency Investment Fund	n/a	n/a
Money Market Funds	n/a	AA-m
Investment Agreements	None	None to AA
Prefunded Municipal Obligations	None	AAA
State Obligations	None	A
State Obligations - Direct Short-Term	None	A-1
State Obligations - Special Revenue Bonds	None	AA

E. Interest Rate Risk

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

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

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	4 to 24 Years	Total
<i>Held by Agency:</i>				
California Local Agency Investment Fund	\$30,720,920			\$30,720,920
Money Market Funds (U.S. Securities)	743,472			743,472
<i>Held by Trustees:</i>				
Money Market Funds (U.S. Securities)	48,376,146			48,376,146
Guaranteed Investment Contracts	12,632,920	\$1,458,074	\$6,448,704	20,539,698
Total Investments	<u>\$92,473,458</u>	<u>\$1,458,074</u>	<u>\$6,448,704</u>	<u>\$100,380,236</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, 2008, these investments have an average maturity of 212 days.

Money market funds are available for withdrawal on demand and at June 30, 2008, have an average maturity of 16 to 53 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2008 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AAAm	Total
<i>Held by Agency:</i>		
Money Market Funds (U.S. Securities)	\$743,472	\$743,472
<i>Held by Trustees:</i>		
Money Market Funds (U.S. Securities)	48,376,146	48,376,146
Totals	<u>\$49,119,618</u>	49,119,618
<i>Not rated:</i>		
California Local Agency Investment Fund		30,720,920
Guaranteed Investment Contracts		20,539,698
Total Investments		<u>\$100,380,236</u>

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

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	\$20,183,062
Major Funds:			
Debt Service	IXIS	Guaranteed Investment Contract	2,533,121
	MBIA	Guaranteed Investment Contract	1,428,034
Capital Projects	IXIS	Guaranteed Investment Contract	2,130,914
	MBIA	Guaranteed Investment Contract	14,090,994

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, 2008, these notes totaled:

HOPE Shelter	\$89,842
Habitat for Humanity	10,000
Owner Participation Agreements	1,440,907
Down Payment Assistance Program	1,639,708
Residential Rehabilitation	364,973
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
	<hr/>
Total loans receivable	11,528,907
Less: Allowance for conditional grants	2,238,222
	<hr/>
Net loans receivable	<u><u>\$9,290,685</u></u>

Deferred revenue at June 30, 2008 consisted of the outstanding balances of the above balances.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

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, 2008, 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, 2008, the total outstanding balance on this loan was \$7,550.

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, 2008, loans related to this Program in the amount of \$814,708 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

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, 2008, loans related to this Program in the amount of \$825,000 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, 2008, loans receivable under this program totaled \$338,246.

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, 2008, loans receivable under this program totaled \$26,727.

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, 2008 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 and \$265,920 as a public infrastructure loan. 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. In fiscal year 2007-08, the Agency forgave \$265,920 of the loan balance. As of June 30, 2008, the principal balance outstanding was \$54,080.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

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, 2008 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, 2008, 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

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, 2008, \$701,683 has been drawn down from the loan and remains outstanding.

P. 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

A. Transfers Between Funds

With Board approval, resources may be transferred from one fund to another. During the fiscal year ended June 30, 2008, the Capital Projects Fund transferred \$145,195 to the Debt Service Fund 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.

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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance at June 30, 2007	Additions	Balance at June 30, 2008
Capital assets not being depreciated:			
Land	\$10,478,048	\$340,829	\$10,818,877
Total capital assets not being depreciated	<u>\$10,478,048</u>	<u>\$340,829</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.

Tax Allocation Bond Issue	Original Issue Amount	Balance June 30, 2007	Retirements	Balance June 30, 2008	Current Portion
Series 2002 Subordinated Tax Allocation Refunding Bonds	\$30,765,000	\$29,335,000	\$725,000	\$28,610,000	\$735,000
Series 2004 Subordinated Tax Allocation Bonds	25,925,000	25,925,000		25,925,000	645,000
Series 2004 Tax Allocation (Housing Set-Aside) Subordinated Bonds	5,310,000	5,310,000		5,310,000	110,000
Series 2005 Subordinated Tax Allocation Bonds	50,760,000	50,760,000		50,760,000	
Series 2006 Subordinated Tax Allocation Bonds	22,675,000	22,675,000		22,675,000	
	<u>\$135,435,000</u>	<u>\$134,005,000</u>	<u>\$725,000</u>	<u>\$133,280,000</u>	<u>\$1,490,000</u>

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

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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 \$101,113,172 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 2008, tax increment revenues amounted to \$12,382,933 which represented coverage of 373% over the \$3,318,922 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 \$9,065,372 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 2008, tax increment revenue amounted to \$3,744,641 which represented coverage of 1,549% over the \$241,722 of debt service.

On December 13, 2005 the Agency issued \$50,760,000 of Amended Merged Project Area Variable Rate Subordinate 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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

The 2005 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from XL Capital Assurance and a standby purchase agreement with State Street Corporation. The interest rate on the Bonds resets daily according to market conditions and is capped at 12%. During fiscal year 2008, the Agency substituted an irrevocable letter of credit issued by State Street Bank and Trust Company for the standby purchase agreement in order to remarket the bonds at lower interest rates. The Street Bank and Trust Company's letter of credit is valid through May 13, 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 \$133,732,117 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 2008, subordinated tax increment revenues amounted to \$12,808,652 which represented coverage of 453% over the \$2,826,029 of debt service of the two Bonds.

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 3.096 %.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2008, 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 Stanley	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, 2008, the swap had a negative value of \$2,096,885 to the Agency.

Credit risk. As of June 30, 2008, 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.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 6 - TAX ALLOCATION BONDS PAYABLE (Continued)

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, 2008, 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		
2009		\$664,956	\$906,574	\$1,571,530
2010	\$235,000	664,956	906,574	1,571,530
2011	475,000	661,878	902,376	1,564,254
2012	490,000	655,655	893,893	1,549,548
2013	690,000	649,236	885,142	1,534,378
2014-2018	5,065,000	3,094,221	4,218,530	7,312,751
2019-2023	6,805,000	2,689,300	3,666,478	6,355,778
2024-2028	7,815,000	2,197,656	2,996,193	5,193,849
2029-2033	4,390,000	1,800,858	2,455,213	4,256,071
2034-2038	8,915,000	1,428,621	1,947,722	3,376,343
2039-2043	15,880,000	639,805	872,281	1,512,086
Totals	\$50,760,000	\$15,147,142	\$20,650,976	\$35,798,118

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

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
2009	\$1,490,000	\$5,373,434
2010	1,780,000	5,325,340
2011	2,455,000	5,260,346
2012	2,540,000	5,173,115
2013	2,640,000	5,078,984
2014-2018	15,035,000	23,657,568
2019-2023	16,755,000	20,391,880
2024-2028	19,400,000	16,863,031
2029-2033	24,285,000	12,071,502
2034-2038	26,720,000	6,176,131
2039-2043	20,180,000	2,016,762
Total	<u>\$133,280,000</u>	<u>\$107,388,093</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, 2008 the remaining balance of the defeased debt was \$17,960,000.

NOTE 7 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low-and-moderate-income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

MANTECA REDEVELOPMENT AGENCY
Notes to Basic Component Unit Financial Statements

NOTE 7 – NET ASSETS AND FUND BALANCES (Continued)

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 \$6,023,692 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, 2008, 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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

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

MANTECA REDEVELOPMENT AGENCY

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, 2008

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Property taxes	\$11,773,890	\$12,382,933	\$609,043
Use of money and property	385,000	1,092,646	707,646
Other revenue	63,000	66,250	3,250
Total Revenues	<u>12,221,890</u>	<u>13,541,829</u>	<u>1,319,939</u>
EXPENDITURES			
Current:			
Community development	1,926,455	1,813,063	113,392
Debt Service:			
Principal	693,100	693,100	
Interest and fiscal charges	<u>6,055,475</u>	<u>6,756,905</u>	<u>(701,430)</u>
Total Expenditures	<u>8,675,030</u>	<u>9,263,068</u>	<u>(588,038)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,546,860</u>	<u>4,278,761</u>	<u>731,901</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	145,195	145,195	
Transfers (out)	<u>(650,000)</u>		<u>650,000</u>
Total Other Financing Sources (Uses)	<u>(504,805)</u>	<u>145,195</u>	<u>650,000</u>
NET CHANGE IN FUND BALANCE	<u>\$3,042,055</u>	4,423,956	<u>\$1,381,901</u>
BEGINNING FUND BALANCE		<u>22,927,829</u>	
ENDING FUND BALANCE		<u>\$27,351,785</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, 2008

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$800,000	\$3,066,575	\$2,266,575
Other revenue		4,318	4,318
Total Revenues	<u>800,000</u>	<u>3,070,893</u>	<u>2,270,893</u>
EXPENDITURES			
Current:			
Community development	150,000	26,915	123,085
Public works	251,948	11,852	240,096
Capital outlay:			
Capital projects	<u>15,026,299</u>	<u>3,533,937</u>	<u>11,492,362</u>
Total Expenditures	<u>15,428,247</u>	<u>3,572,704</u>	<u>11,855,543</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,628,247)</u>	<u>(501,811)</u>	<u>14,126,436</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(145,195)</u>	<u>(145,195)</u>
Total Other Financing Sources (Uses)		<u>(145,195)</u>	<u>(145,195)</u>
NET CHANGE IN FUND BALANCE	<u>(\$14,628,247)</u>	(647,006)	<u>\$13,981,241</u>
BEGINNING FUND BALANCE		<u>56,492,794</u>	
ENDING FUND BALANCE		<u>\$55,845,788</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, 2008

	Budgeted Amounts		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Use of money and property	\$100,000	\$95,642	(\$4,358)
Total Revenues	<u>100,000</u>	<u>95,642</u>	<u>(4,358)</u>
EXPENDITURES			
Current:			
Community development	672,725	158,313	514,412
Capital outlay:			
Capital projects	<u>502,827</u>	<u>774,825</u>	<u>(271,998)</u>
Total Expenditures	<u>1,175,552</u>	<u>933,138</u>	<u>242,414</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,075,552)</u>	<u>(837,496)</u>	<u>238,056</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of property	3,557,100	3,557,101	1
Transfer in	<u>650,000</u>		<u>(650,000)</u>
Total Other Financing Sources (Uses)	<u>4,207,100</u>	<u>3,557,101</u>	<u>(649,999)</u>
NET CHANGE IN FUND BALANCE	<u>\$3,131,548</u>	2,719,605	<u>(\$411,943)</u>
BEGINNING FUND BALANCE		<u>336,725</u>	
ENDING FUND BALANCE		<u><u>\$3,056,330</u></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, 2008, and have issued our report thereon dated October 3, 2008. 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.

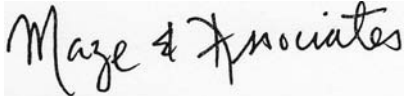
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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 3, 2008.

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, except as noted on the Schedule of Current Year Finding 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.

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

October 3, 2008

SCHEDULE OF CURRENT YEAR FINDING

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.

Management Response:

The Agency will continue to endeavor to submit final audited numbers to the commission. However, in the future, if the published report is not available to be presented in a timely manner to the commission, draft financial reports will be presented for tentative approval and submission to the State.

SCHEDULE OF PRIOR YEAR FINDINGS

PREPARED BY MANAGEMENT

Finding 07-01: RDA Monitoring Reports

According to Health & Safety Code 33418, an Agency should monitor, on an ongoing basis, housing available to low and moderate income families. Monitoring reports from property owners should be submitted to the Agency annually. Reports should include rental rates, income, and family size. When there is a change in tenancy, current data should be submitted to the Agency by owners. The Agency should monitor activity by requiring owners to submit their monitoring reports.

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.

**INDEPENDENT AUDITOR'S REPORT ON
BASIC COMPONENT UNIT FINANCIAL STATEMENTS**

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

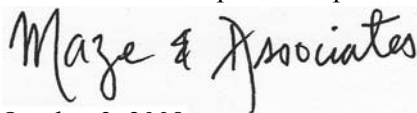
We have audited the financial statements of the business-type activities and each major fund of the Manteca Financing Authority, a component unit of the City of Manteca, California, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic component unit financial 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, 2008 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.

As described in Note 4, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

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.



October 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Manteca Financing Authority 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 2008 FINANCIAL HIGHLIGHTS

- The Financing Authority's total net assets at June 30, 2008 totaled \$1.1 million. This is an increase of \$.2 million from the prior year.
- Total Authority revenues were \$3.9 million, while total expenses were \$3.7 million in fiscal 2008.

OVERVIEW OF THE COMPONENT UNIT FINANCIAL REPORT

This 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,
- 5) Statistical information.

The Basic Financial Statements

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

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

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

The Fund Financial Statements report the Authority's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Authority. 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 Authority. For fiscal 2008 all of the Authority'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 Authority's basic services are considered to be governmental activities. These services are supported by general Authority revenues generated from interest on base rental payments.
- Since the City is financially accountable for the Authority, the activities of the Manteca Finance Authority are additionally included in the governmental activities of the City.

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

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Authority'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 Authority for the year, and may change from year to year as a result of changes in the pattern of Authority'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 AUTHORITY AS A WHOLE

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

Table 1
Governmental Net Assets at June 30, 2008
(in Millions)

	Governmental Activities	
	2008	2007
Investments held by Trustee	\$ 8.3	\$ 7.9
City of Manteca investments and receivables	71.9	75.2
Other assets	1.1	1.1
Total assets	81.3	84.2
Long-term debt outstanding	78.3	81.7
Other liabilities	1.8	1.6
Total liabilities	80.1	83.3
Net assets:		
Restricted	1.2	.9
Total Net Assets	\$ 1.2	\$.9

The Authority's net assets from governmental activities increased 33% from \$.9 million in 2007 to \$1.2 million in 2008. The increase is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and as explained below:

- In November 2007, the City of Manteca made an extraordinary mandatory payment of \$3 million on the 2003 Sewer Revenue Bonds. This resulted in a decrease in long-term debt outstanding.
- Receivables from the City of Manteca decreased \$3.3 million from fiscal year 2007.

Fiscal Year 2008 Government Activities

The Statement of Activities presents program revenues and expenses in detail. 100% of the both the functional revenues and expenditures for the Authority are interest related. All these are elements in the Changes in Governmental Net Assets summarized below.

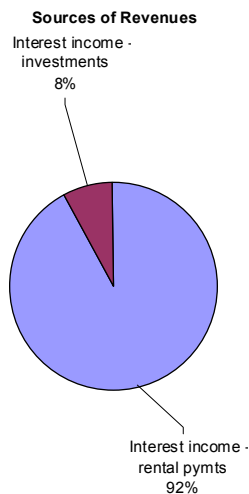


Table 2
Changes in Governmental Net Assets
(in Millions)

	Governmental Activities	
	2008	2007
Revenues		
Interest income		
On base rental payments	3.5	3.6
On investments	.4	.3
Total interest revenues	3.9	3.9
Expenses		
Interest and fiscal charges	3.7	3.8
Total expenses	3.7	3.8
Change in net assets	\$.2	\$.1

Table 2 shows that total governmental activity revenues and expenses remained constant from fiscal year 2007 resulting in a \$.2 million increase in net assets.

The Authority's Fund Financial Statements

Governmental Funds

At June 30, 2008, the Authority's governmental funds reported combined fund balances of \$1.2 million, which is an increase of \$.3 million or 33% compared with the prior year

Analyses of Major Governmental Funds

1994 Lease Revenue Bonds

This fund accounts for the bond transactions for the \$2,200,000 lease revenue bonds issued by the Authority in 1994 to refinance the costs of improvements to the City's municipal golf course.

2003 Sewer Revenue Bonds

This fund accounts for the bond transactions for the \$43,820,000 revenue bonds issued by the Authority in 2003 to finance the City's expansion and upgrade of its Wastewater Quality Control Facility.

2003 Water Revenue Bonds

This fund accounts for the bond transactions for the \$43,325,000 revenue bonds issued by the Authority in 2003 to finance the City's share of the cost of a \$149 million surface water plant.

DEBT ADMINISTRATION

Each of the Authority's debt issues is discussed in detail in Note 4 to the financial statements. At June 30, the City's debt comprised:

Table 3
Outstanding Debt
(in Millions)

	<u>2008</u>	<u>2007</u>
<i>Governmental activities</i>		
1994 Lease Revenue Bonds	.4	.7
2003 Sewer Revenue Bonds	35.3	38.2
2003 Water Revenue Bonds	<u>43.3</u>	<u>43.3</u>
Total Outstanding Bonds	<u>79.0</u>	<u>82.2</u>

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This 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 FINANCING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	Total
ASSETS				
Current Assets:				
Investments held by trustee (Note 2)	\$218,830	\$3,406,418	\$4,699,650	\$8,324,898
Interest receivable	10,127	136,182	977,061	1,123,370
Total Current Assets	<u>228,957</u>	<u>3,542,600</u>	<u>5,676,711</u>	<u>9,448,268</u>
Receivable from the City of Manteca (Note 3)	211,549	31,863,293	39,770,362	71,845,204
Bond issue costs, net	4,734			4,734
Total Assets	<u>445,240</u>	<u>35,405,893</u>	<u>45,447,073</u>	<u>81,298,206</u>
LIABILITIES				
Current Liabilities:				
Accrued interest payable	10,127	136,182	977,061	1,123,370
Lease revenue bonds payable (Note 4)				
Due within one year	<u>205,000</u>	<u>235,000</u>	<u>250,000</u>	<u>690,000</u>
Total Current Liabilities	<u>215,127</u>	<u>371,182</u>	<u>1,227,061</u>	<u>1,813,370</u>
Non-Current Liabilities:				
Lease revenue bonds payable (Note 4)				
Due in more than one year	<u>225,000</u>	<u>35,035,000</u>	<u>43,075,000</u>	<u>78,335,000</u>
Total Liabilities	<u>440,127</u>	<u>35,406,182</u>	<u>44,302,061</u>	<u>80,148,370</u>
NET ASSETS				
Restricted for Capital Projects	<u>5,113</u>	<u>(289)</u>	<u>1,145,012</u>	<u>1,149,836</u>
Total Net Assets	<u><u>\$5,113</u></u>	<u><u>(\$289)</u></u>	<u><u>\$1,145,012</u></u>	<u><u>\$1,149,836</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, 2008

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	Total
OPERATING REVENUE				
Interest on base rental payments	\$34,520	\$1,529,397	\$1,955,863	\$3,519,780
Operating Revenue	34,520	1,529,397	1,955,863	3,519,780
OPERATING EXPENSES				
Interest and fiscal fees	42,185	1,696,686	1,954,124	3,692,995
Total Operating Expenses	42,185	1,696,686	1,954,124	3,692,995
Operating Income (Loss)	(7,665)	(167,289)	1,739	(173,215)
OTHER INCOME (EXPENSE)				
Interest on investments	7,161	165,719	248,718	421,598
Amortization of issuance costs	(6,317)			(6,317)
Total Other Income (Expense)	844	165,719	248,718	415,281
Net Income (Loss)	(6,821)	(1,570)	250,457	242,066
Net assets at beginning of year	11,934	1,281	894,555	907,770
Net assets at end of year	\$5,113	(\$289)	\$1,145,012	\$1,149,836

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	1994 Lease Revenue Bonds	2003 Sewer Revenue Bonds	2003 Water Revenue Bonds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from the City	\$232,276	\$4,621,910	\$2,037,877	\$6,892,063
Payments to bond trustees	(46,778)	(1,709,186)	(1,954,124)	(3,710,088)
Cash Flows from Operating Activities	<u>185,498</u>	<u>2,912,724</u>	<u>83,753</u>	<u>3,181,975</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Long-term debt payment - principal	(195,000)	(3,000,000)		(3,195,000)
Cash Flows from Noncapital Financing Activities	<u>(195,000)</u>	<u>(3,000,000)</u>		<u>(3,195,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment interest received	7,161	165,719	248,718	421,598
Cash Flows from Investing Activities	<u>7,161</u>	<u>165,719</u>	<u>248,718</u>	<u>421,598</u>
Net Cash Flows	(2,341)	78,443	332,471	408,573
Cash and investments at beginning of period	221,171	3,327,975	4,367,179	7,916,325
Cash and investments at end of period	<u>\$218,830</u>	<u>\$3,406,418</u>	<u>\$4,699,650</u>	<u>\$8,324,898</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$7,665)	(\$167,289)	\$1,739	(\$173,215)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Change in assets and liabilities:				
Receivable from City of Manteca	193,163	3,080,013	82,014	3,355,190
Interest receivable	4,593	12,500		17,093
Accrued interest payable	(4,593)	(12,500)		(17,093)
Cash Flows from Operating Activities	<u>\$185,498</u>	<u>\$2,912,724</u>	<u>\$83,753</u>	<u>\$3,181,975</u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2008

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, 2008

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.

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, 2008

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)	\$1,444,010		\$1,444,010
Guaranteed Investment Contracts		\$6,798,838	6,798,838
Total Investments	\$1,444,010	\$6,798,838	8,242,848
Cash in bank			82,050
Total Cash and Investments			\$8,324,898

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, 2008 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, 2008, have an average maturity of 49 days. The Guaranteed Investment Contracts were not rated as of June 30, 2008.

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
Authority-wide			
2003 Water Revenue Bonds	MBIA Investment Agreement	Guaranteed Investment Contract	\$6,798,838

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2008

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 2034.

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>
2009	\$690,000	\$3,199,209	\$3,889,209
2010	1,220,000	3,164,406	4,384,406
2011	1,170,000	3,128,428	4,298,428
2012	1,365,000	3,090,820	4,455,820
2013	1,570,000	3,042,499	4,612,499
2014-2018	10,750,000	15,716,540	26,466,540
2019-2023	15,545,000	12,707,269	28,252,269
2024-2028	18,230,000	8,716,284	26,946,284
2029-2033	23,285,000	3,800,382	27,085,382
2034-2038	5,200,000	126,137	5,326,137
	<u>\$79,025,000</u>	<u>\$56,691,974</u>	135,716,974
<u>Less:</u>			
		Amount representing reserve balance	7,179,796
		Amount representing interest	<u>56,691,974</u>
		Receivable from the City of Manteca at June 30, 2008	<u>\$71,845,204</u>

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2008

NOTE 4 – LONG TERM DEBT

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

Year	Principal	Interest	Total
2009	\$690,000	\$3,613,829	\$4,303,829
2010	1,220,000	3,579,026	4,799,026
2011	1,170,000	3,535,960	4,705,960
2012	1,365,000	3,498,352	4,863,352
2013	1,570,000	3,450,031	5,020,031
2014-2018	10,750,000	16,124,072	26,874,072
2019-2023	15,545,000	13,114,801	28,659,801
2024-2028	18,230,000	9,123,816	27,353,816
2029-2033	23,285,000	4,207,914	27,492,914
2034-2038	5,200,000	126,138	5,326,138
Total	<u>\$79,025,000</u>	<u>\$60,373,939</u>	<u>\$139,398,939</u>

A. Lease Revenue Bonds

On March 15, 1994 the Authority issued \$2,200,000 principal amount of Lease Revenue Bonds due March 15, 2010 and bearing interest at rates ranging from 6.625% to 8.10%. The Bonds 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 \$474,551. The Golf Enterprise Fund's principal and interest paid for the current year and total gross revenues were \$241,778 and \$1,216,051 respectively.

B. Sewer Revenue Bonds

On December 11, 2003 the Manteca Financing Authority issued 2003 Sewer Revenue Bond 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 Water 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 \$61,747,576. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$4,704,186 and \$8,873,185 respectively.

MANTECA FINANCING AUTHORITY
Notes to Basic Component Unit Financial Statements
June 30, 2008

NOTE 4 – LONG TERM DEBT (Continued)

C. *Water Revenue Bonds*

On July 2, 2003 the Manteca Financing Authority issued 2003 Water Revenue Bond Series 2003A in the amount of \$43,325,000 to finance the City's share of the cost of a \$149 million surface water plant. The 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 \$77,176,812. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$1,954,124 and \$6,946,531 respectively.

CITY OF MANTECA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Department of Transportation – Federal Surface Transportation Program</u>
<u>20.600</u>	<u>Department of Transportation – Highway Safety</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated October 3, 2008 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
- Prepared by Management

Financial Statement Prior Year Findings

There were no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

CITY OF MANTECA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2008

<u>Grantor Agency and Award Title</u>	<u>Identifying Pass-Through Grant #</u>	<u>Federal Catalog Number</u>	<u>Program Expenditures</u>
U.S. Department of Housing and Urban Development (Passed through San Joaquin County) Housing and Community Development: Community Development Block Grant		14.218	<u>\$338,155</u>
Department of Homeland Security (Passed through San Joaquin County Office of Emergency Services)			
Firefighters Safety Trailer	EMW-2005-FP-01637	97.044	<u>83,835</u>
Total Department of Homeland Security			<u>83,835</u>
Bureau of Justice Assistance Bulletproof Vest Partnership Program		16.607	<u>4,968</u>
Department of Justice			
Edward Byrne Justice Assistance Program	2007-DJ-BX-255	16.738	38,385
Crac-Net Augmentation Grant		16.738	<u>13,200</u>
Total Department of Justice			<u>51,585</u>
Department of Transportation			
Federal Surface Transportation Program (Passed through the California Department of Transportation)			
Federal Demonstration Grant			
SR 99/ SR 120 E Yosemite Interchange	HP21LN-5242(017)	20.205	<u>630,038</u>
Total Department of Transportation -- 20.205			<u>630,038</u>
Federal Transit Administration (Passed through San Joaquin County of Governments)			
Intracity Transit City Grant	CA-90-Y390-00	20.507	<u>502,317</u>
(Passed through State Office of Traffic Safety)			
AVOID the 10 DUI Campaign	AL0837	20.600	49,724
Selective Traffic Enforcement Project	PT0804	20.600	24,357
Click it or Ticket Program	CT073904	20.600	10,142
Drunk Driving Enforcement	AL0602	20.600	<u>30,762</u>
Total Department of Transportation -- 20.600			<u>114,985</u>
			<u>\$1,725,883</u>
Total Expenditures of Federal Awards			

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF MANTECA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2008

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Manteca, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types Federal award programs when they occur.

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

Honorable Mayor and City Council
of the City of Manteca, California

We have audited the financial statements of the City of Manteca as of and for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City'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 City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated October 3, 2008 which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 3, 2008

Mage & Associates

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
of the City of Manteca, California

Compliance

We have audited the compliance of the City of Manteca with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in Section I - Summary of Auditor's Results included in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A *control deficiency* in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

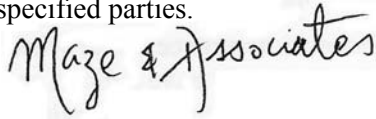
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 3, 2008