

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

Prepared by
FINANCE DEPARTMENT

This Page Left Intentionally Blank

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

INTRODUCTORY SECTION:

Table of ContentsA-1

Letter of Transmittal.....B-1

City Council.....C-1

California Map.....C-2

Organization ChartC-3

GFOA Certificate of AchievementC-4

FINANCIAL SECTION:

Independent Auditor’s Report 1

Management’s Discussion and Analysis3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 16

Statement of Activities..... 17

Fund Financial Statements:

Governmental Funds:

Balance Sheet22

Reconciliation of the Governmental Funds Balance Sheet with the
Governmental Activities Net Assets25

Statement of Revenues, Expenditures, and Changes in Fund Balances26

Reconciliation of the Net Change in Fund Balances Governmental
Funds with the Change in Net Assets Governmental Activities29

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

General Fund 30

Development Mitigation Fund.....32

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

FINANCIAL SECTION (Continued):

| | |
|--|----|
| Redevelopment Low and Moderate Income Housing Fund | 33 |
| Proprietary Funds: | |
| Statement of Net Assets | 36 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | 37 |
| Statement of Cash Flows | 38 |
| Fiduciary Fund: | |
| Statement of Fiduciary Net Assets | 40 |
| Statement of Changes in Fiduciary Net Assets | 41 |
| Notes to Basic Financial Statements | 43 |

Supplemental Information:

Major Governmental Funds Other Than the General Fund and Special Revenue Funds:

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

| | |
|--|----|
| Redevelopment Debt Service Fund | 90 |
| Redevelopment Capital Improvement Fund | 91 |
| Redevelopment Economic Development Fund..... | 92 |
| Public Facilities Implementation Plan Fund | 93 |
| Special Apportionment Streets Fund | 94 |

Non-major Governmental Funds:

| | |
|---|-----|
| Combining Balance Sheet..... | 98 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... | 102 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual..... | 106 |

Internal Service Funds:

| | |
|--|-----|
| Combining Statement of Net Assets | 114 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Assets | 115 |

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

FINANCIAL SECTION (Continued):

Combining Statement of Cash Flows 116

Fiduciary Funds:

Statement of Changes in Assets and Liabilities – All Agency Funds 118

STATISTICAL SECTION

Financial Trends:

Net Assets by Component – Last Ten Fiscal Years..... 122
 Changes in Net Assets – Last Ten Fiscal Years 124
 Fund Balance of Governmental Funds – Last Ten Fiscal Years 124
 Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years..... 128
 General Revenues by Source – Last Ten Fiscal Years..... 130
 General Expenditures by Function – Last Ten Fiscal Years..... 131

Revenue Capacity:

Assessed and Estimated Value of Taxable Property – Last Ten Fiscal Years 132
 Property Tax Rates All Overlapping Governments - Last Ten Fiscal Years..... 133
 Principal Property Taxpayers – Current Year and Nine Years Ago..... 134
 Manteca Redevelopment Project Area No. 1 Top Twenty Assessed Values 135
 Manteca Redevelopment Project Area No. 2 Top Twenty Assessed Values 136
 Manteca Redevelopment Merged Project Area Top Twenty Assessed Values (2005 Amended Area) 137
 Manteca Redevelopment Merged Project Area Top Twenty Assessed Values (2004 Amended Area). 138
 Property Tax Levies and Collections – Last Ten Fiscal Years..... 139

Debt Capacity:

Ratio of Outstanding Debt by Type – Last Ten Fiscal Years..... 140
 Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years 141
 Computation of Direct and Overlapping Debt..... 142
 Computation of Legal Bonded Debt Margin 143
 Revenue Bond Coverage – Water Revenue Bonds – Last Nine Fiscal Years 144

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

STATISTICAL SECTION (Continued):

Revenue Bond Coverage – Sewer Revenue Bonds – Last Ten Fiscal Years 145

Bonded Debt Pledged-Revenue Coverage – Last Ten Fiscal Years 146

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Fiscal Years 147

Principal Employers – Current Year and Five Years Ago 148

Operating Information:

Full-Time Equivalent City Government Employees by Function
– Last Ten Fiscal Years 149

Operating Indicators by Function/Program – Last Ten Fiscal Years 150

Crime Policy Notary and Security Bonds of Principal Officials 152

FINANCING AUTHORITY SECTION:

Independent Auditor’s Report 153

Authority-wide Financial Statements:

Statement of Net Assets 156

Statement of Revenues, Expenses, and Changes in Net Assets 157

Statement of Cash Flows 158

Notes to Basic Component Unit Financial Statements 159



CITY OF MANTECA

FINANCE DEPARTMENT

December 28, 2012

Honorable Mayor
Members of the City Council
And Citizens of Manteca

Comprehensive Annual Financial Report

The City of Manteca's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Manteca. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Manteca. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This CAFR has been prepared in accordance with "generally accepted accounting principles" (GAAP). GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This transmittal letter is intended to be read in conjunction with the Management Discussion and Analysis (MD&A) and the Financial Statements.

Major Changes in Reporting

In an effort to balance its budget, the State of California adopted ABX1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved Redevelopment Agencies as of January 31, 2012.

Under the provision of ABX1 26 a city that authorized the creation of a redevelopment agency may elect to serve as the successor agency. On September 20, 2011, the City made the election to become the Successor Agency to the Manteca Redevelopment Agency and on February 1, 2012, the Redevelopment Agency's non-housing related assets were distributed to and the liabilities were assumed by the Successor Agency. The activities of the Successor Agency are subject to the review and approval of a seven member Oversight Board of which the City has two members.

Additionally, under the provision of ABX1 26 and pursuant to Health and Safety Code Section 34176(b), the City can elect to become the Housing Successor and retain the housing assets. On February 7, 2012, the City elected to become the Housing Successor and certain housing assets were transferred to the City's Successor Agency Housing Special Revenue Fund pending State approval of the transfer. The activities of the Housing Successor are reported in the Successor Agency Housing Special Revenue Fund as the City has control of the assets, which may be used in accordance with the low and moderate income housing provisions of the California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency. The activities and net assets information for the Private-Purpose Trust Fund can be found in the Fiduciary Financial Statements section.

Reporting Entities

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

Government Profile

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

Located in the central portion of the San Joaquin Valley, Manteca is adjacent to extensive green areas and agricultural lands. Although agriculturally-oriented business activities are still an important part of Manteca's local economy, the area has many other large employers including packaging and distribution plants, a manufacturer of modular buildings, electronic firms, and two local hospitals. These employment bases along with Manteca's access to transportation routes position Manteca to attract employers migrating to the Valley from the San Francisco Bay and other areas.

The City of Manteca is a full-service city providing police protection, fire protection, parks and recreation, planning, building inspection, engineering, fleet maintenance, construction and maintenance of streets, public buildings, and other infrastructure, as well as solid waste, water, and waste water utility services. The City is a general-law city incorporated under California law on May 28, 1918. The City operates under the City Council/Manager form of government. The Mayor is directly elected by the people and serves as a member of the City Council for a four-year term. Four council members are elected at-large and serve four-year terms. All elections are conducted on a non-partisan basis. The City Council is financially accountable for the Manteca Redevelopment Agency and the Manteca Financing Authority.

Economic Conditions and Outlook

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

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

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

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

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

LONG TERM FINANCIAL PLANNING:

After nearly a decade of strong economic growth, the extraordinary and severe economic downturn in recent years has led the City of Manteca to face unprecedented fiscal challenges. To ensure continued financial stability for the City, the City Council holds annual strategy and goal setting sessions. Through the sessions, the City develops long-term financial planning strategies which meet Council's goals and priorities. 5-year pro-forma projections have been developed for major funds including the General Fund. Beginning in July 2011, the City adopted its first formal 5-year Capital Improvement Plan. Projects are analyzed not only on the merits and benefits of the proposal, but also on the long-term financial impact on City resources resulting from anticipated maintenance.

To address the rising costs of employee benefits and to stem structural budget deficits resulting from declining revenues, in spring of 2011 City leaders began negotiations with all employee bargaining units to address increasing personnel expenditures. During the first six months of Fiscal Year ended June 30, 2012, new Memoranda of Understanding (MOU) were negotiated with all of the City's bargaining units. Key areas addressed included the increasing cost of retirement benefits, including retiree health. Additionally, second tier retirement formulas with CalPERS were implemented for both public safety and miscellaneous units. All MOUs are in effect through June 30, 2015.

Major Initiatives

Infrastructure projects continue to play a key role in the City's vision for economic recovery. Public Works continues to design and construct major transportation projects that will improve traffic operations, support commercial and retail development, and reduce congestion. Projects currently under design and construction include the Atherton Drive Gap Closure project and the Union Road/Highway 120 Interchange Improvements project. The Woodward Avenue Utilities and Street Improvements project will provide needed sewer and storm drainage pipelines from Main Street to Galleria Drive.

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

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

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

Financial Information

Budgetary Control

The City prepares a budget for each fiscal year on or before June 30. The City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level for the General Fund and at the fund level for all other funds. The City also applies and maintains encumbrance accounting as a technique of accomplishing budgetary control. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

The City invests temporarily idle funds in accordance with the Government Code and the Investment Policy approved by the City Council. The City pools all cash funds not held by fiscal agents in order to maximize investment opportunities and increase flexibility. Investments are conservatively managed with the three primary objectives of safety of principal, liquidity to meet disbursement requirements, and investment yield, pursued in that order.

Total cash and investments as of June 30, 2012 amounted to \$276,061,865 encompassing governmental and business type activities, including restricted cash and investments. During fiscal year 2011-2012 investments consisted primarily of Federal Agencies (22%), U.S. Treasuries (15%) corporate notes (11%) and the Local Agency Investment Fund (LAIF) managed by the State Treasurer (6%). \$64,254,000 or 23% of the portfolio is related to bond reserves and unspent bond proceeds held by trustees in Money Market Mutual Funds.

Single Audit

The City is subject to an annual single audit in compliance with provisions of the Single Audit Act as amended in 1996 and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non profit Organizations*. Information contained in this separate report related to the single audit includes the Schedule of Expenditures of Federal Awards

and the auditor's report on the Schedule along with their reports on internal controls and compliance with applicable laws and regulations.

Internal Controls

City management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived from the control, and 2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above-stated framework. We believe our internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Risk Management

The City is a member of the Municipal Pooling Authority (MPA), a Joint Powers Authority. The City joined the MPA's general liability program in January 1998 and the workers' compensation program in 2002. The City is not insured for liability occurrences over \$29 million per occurrence and maintains an Insurance Internal Service Fund to provide for the uninsured portion of claims and judgments.

Independent Audit

State statutes require an annual audit of the City's accounts by an independent certified public accountant. The City of Manteca selected the accounting firm of Maze and Associates. The auditor's report on the basic and combining financial statements and schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-third year the City has received this prestigious award.

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

Acknowledgments

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

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

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

Respectfully submitted,

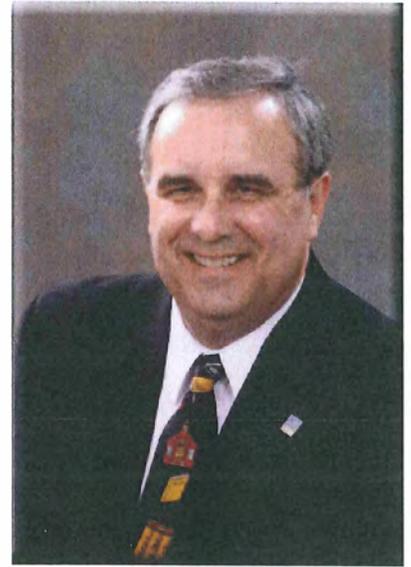
A handwritten signature in cursive script that reads "Suzanne Mallory". The signature is written in black ink and is positioned above the printed name and title.

Suzanne Mallory
Director of Finance

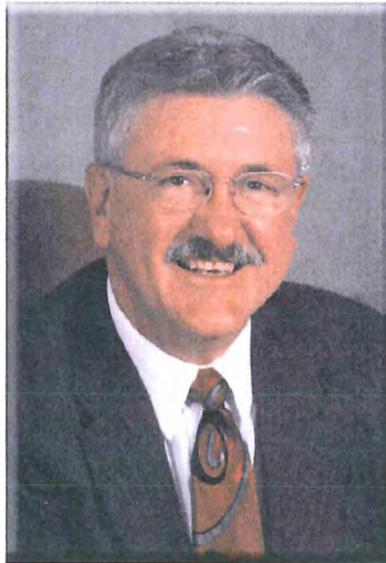
CITY OF MANTECA CITY COUNCIL



Debby Moorhead
Councilwoman



John Harris
Councilman



Willie Weatherford
Mayor



Steve DeBrum
Councilman

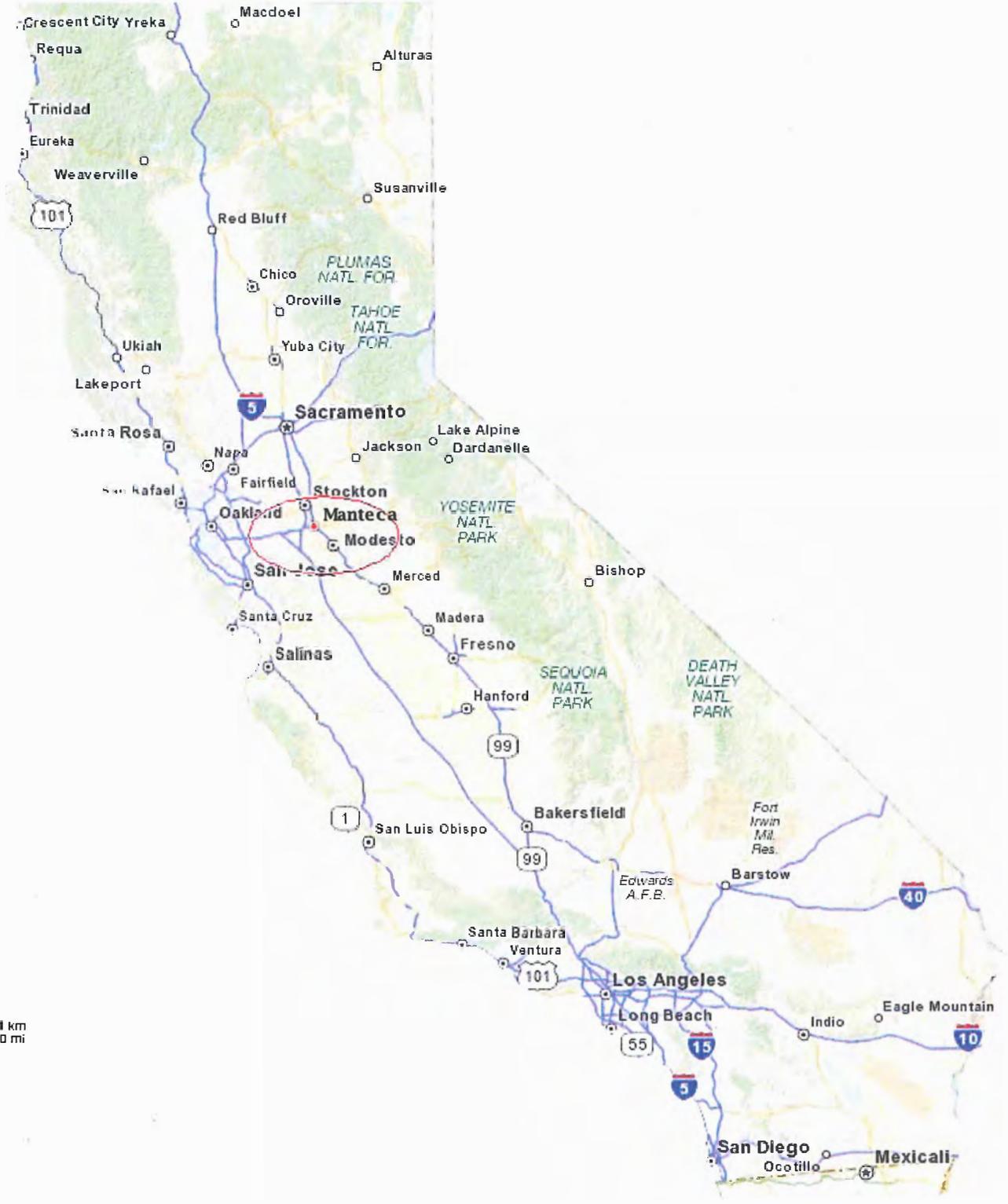


Vincent Hernandez
Councilman

ADMINISTRATIVE PERSONNEL

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

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



0 71 km
40 mi

Mapquest.com

Voters of Manteca, California

City Council

Mayor - Willie W. Weatherford

Mayor Pro-Tempore - John W. Harris

Councilman - Stephen DeBrum

Councilman - Vincent Herandez

Councilwoman - Debby Moorhead

City Attorney

Commissions

City Manager

Karen McLaughlin

Public Works

Finance Services

Parks and
Recreation

Information
Technology

Mark Houghton

Suzanne Mallory

Mark Hall

Fire

Administrative
Services

City Clerk

Community
Development

Police

Kirk Waters

Joe Kriskovich

Joann Tilton

Frederic Clark

Nicolas Obligacion

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manteca
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Davison

President

Jeffrey R. Emen

Executive Director

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manteca, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In fiscal 2011 and 2012, the former Redevelopment Agency transferred \$58,959,477 of assets to the City. ABx1 26 and AB 1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the former Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. As of June 30, 2012, assets totaling \$44,129,682, comprised of current assets of \$43,670,205 and capital assets of \$459,477, were held by the City. The City has not received the results of the State Controller's asset transfer review and the amount, if any, of assets to be returned is not determinable at this time.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maye & Associates

January 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the City of Manteca's financial performance for the fiscal year ended June 30, 2012. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

FISCAL 2011-12 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

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

Fund Highlights

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

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of the following sections:

- 1) Introductory Section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis,
- 3) The Basic Financial Statements, which include the Government-wide and the Fund financial Statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining statements for Non-major Governmental Funds and Internal Service Funds,
- 6) Statistical Information.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole and are presented in a manner similar to a private-sector business. These statements are comprised of:

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

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

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, library, public safety, public works, parks and recreation, and streets and highways. These services are supported by general city revenues such as taxes, and by specific program revenues such as developer fees.

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

Pursuant to ABX1 26 (“AB 26”), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Manteca Redevelopment Agency (“Agency”) was dissolved on January 31, 2012. The former Agency is now administered under the name of Successor Agency to the Manteca Redevelopment Agency. The Government-wide Financial Statements for fiscal year 2011-12 include the activities of the Agency for the seven months ended January 31, 2012 and report the assets transferred to the Successor Agency as extraordinary items. The activities of the Successor Agency to the Manteca Redevelopment Agency from February 1 through June 30, 2012 can be found in the Fiduciary Fund Section of the Financial Statements.

- Business-type activities - All of the City's enterprise activities are reported here, including golf, sewer, water, and solid waste. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

The Fund Financial Statements report the City's operations in more detail than the Government-wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets and liabilities, current and long-term. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental Funds - These funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and are therefore prepared on the modified accrual basis. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The City of Manteca has 26 governmental funds of which 9 are considered major funds for presentation purposes. Each major fund is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The financial information for the remaining non-major governmental funds is combined into a single, aggregated presentation.

- Proprietary Funds - The City maintains two different types of proprietary funds; Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as "business-type activities" in the Government-wide Financial Statements. Internal Service Funds account for the financial activity of the City's equipment pool, vehicle pool, information systems, self-insurance, and payroll tax benefits. Financial statements for proprietary funds are prepared on the full accrual basis and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the Activities which created them, along with any residual net assets of the Internal Service Funds.

- Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-wide Financial Statement because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is similar to that used for Proprietary Funds. With the dissolution of the Redevelopment Agency per ABX1 26 and AB 1484, the activities of the Successor Agency to the Manteca Redevelopment Agency are reported as a Private Purpose Trust Fund in the Fiduciary Fund section.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Combining Statements

This section of the report includes additional detailed information about non-major governmental and agency funds.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the financial activities of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

Revenues

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

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

Expenses

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

Governmental Activities

The net cost of each of the City's largest programs associated with Governmental Activities is tabled below. These programs include general government, community development, public safety, library, public works, parks and recreation, streets and highways, and interest and fiscal charges. Net cost is defined as total program cost less the revenues generated by those specific activities. For most governmental programs expenses have been greater than the revenue generated to support them.

Cost of Services by Program – Governmental Activities
Fiscal Year Ended June 30, 2012
(in thousands of dollars)

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

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

Business-Type Activities

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

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

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

The City's Fund Financial Statements

Governmental Funds

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

Proprietary Funds

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

Analyses of Major Governmental Funds

General Fund

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

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

At June 30, 2012, the General Fund balance was comprised of \$1.8 million in nonspendable balances and \$11.4 million in unassigned balances. Fund balances have been classified in accordance with GASB 54. While amounts have been categorized as unassigned, they may be informally earmarked by the City Council for specific purposes.

OTHER MAJOR GOVERNMENTAL FUNDS

Development Mitigation Fund

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

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

The Redevelopment Funds accounted for the property tax increment collected in designated project areas. Funds were used under California law for low and moderate income housing expenditures, elimination of blight, and economic development. On June 28, 2011 the State of California adopted ABx1 26, amended by AB 1484 on June 27, 2012, which dissolved redevelopment agencies as of January 31, 2012. All assets of the former Redevelopment Agency were transferred as prescribed by law to either the Housing Successor or to the Successor Agency. The Government Fund statement contains only seven months of activities for the funds associated with the former Manteca Redevelopment Agency.

The City of Manteca elected to become the Housing Successor and established the Low and Moderate Income Housing Assets Special Revenue Fund to account for the housing assets and activities formally provided by the Manteca Redevelopment Agency. As of January 31, 2012, \$2,763,568 in net assets was transferred to the Housing Successor. As of June 30, 2012, the net assets of the Low and Moderate Income Housing Assets Special Revenue Funds were comprised of \$137,460 in cash and investments and \$2,629,231 in restricted cash.

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

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

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

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

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

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

Public Facilities Implementation Plan

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

Special Apportionment Streets

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

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

Non-Major Governmental Funds

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

Analysis of Proprietary Funds

Water

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

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

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

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

Sewer

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

Solid Waste

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

Golf

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

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

CAPITAL ASSETS

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

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

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

DEBT SERVICE ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 8 in the Notes to the Basic Financial Statements. At the end of the year, the City had total long-term debt outstanding of \$3.3 million in debt associated with Governmental Activities and \$87.6 million in debt associated with Business-Type Activities. In fiscal year 2011-12, the City transferred \$125 million in long-term debt to the Successor Agency to the former Redevelopment Agency. Please see more detailed information regarding Successor Agency in Note 16 D of the basic Financial Statements.

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF MANTECA

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

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, followed by the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

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

CITY OF MANTECA
STATEMENT OF NET ASSETS
JUNE 30, 2012

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

| |
|----------------------------------|
| FUND FINANCIAL STATEMENTS |
|----------------------------------|

| |
|---------------------------------|
| MAJOR GOVERNMENTAL FUNDS |
|---------------------------------|

The funds described below were determined to be Major Funds by the City in fiscal 2012. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

DEVELOPMENT MITIGATION FUND

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

REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND

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

REDEVELOPMENT DEBT SERVICE FUND

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

REDEVELOPMENT CAPITAL IMPROVEMENT FUND

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

REDEVELOPMENT ECONOMIC DEVELOPMENT FUND

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

LOW AND MODERATE INCOME HOUSING ASSETS FUND

Established to account for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

PUBLIC FACILITIES IMPLEMENTATION PLAN FUND

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

| |
|---|
| MAJOR GOVERNMENTAL FUNDS (Continued) |
|---|

SPECIAL APPORTIONMENT STREETS FUND

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

This Page Left Intentionally Blank

CITY OF MANTECA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

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

See accompanying notes to basic financial statements

| <u>Redevelopment Economic Development</u> | <u>Low and Moderate Income Housing Assets</u> | <u>Public Facilities Implementation Plan</u> | <u>Special Apportionment Streets</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|--|--|---|---|
| | \$137,460 | \$19,261,022 | \$1,927,336 | \$36,605,321 | \$78,850,134 |
| | 2,629,231 | | 43,670,206 | 1,179,090 | 47,478,527 |
| | | 3,393,151 | 2,405,784 | 3,364,529 | 9,756,571 |
| | | 40,690 | 26,731 | 171,305 | 623,287 |
| | | 9,119,841 | | 53,287 | 314,880 |
| | | | | 141,879 | 199,687 |
| | | | | 28,000 | 10,560,266 |
| | | | | 121,865 | 482,658 |
| | <u>23,863,521</u> | | | | <u>23,863,521</u> |
| | <u>\$26,630,212</u> | <u>\$31,814,704</u> | <u>\$48,030,057</u> | <u>\$41,665,276</u> | <u>\$172,129,531</u> |
| | | \$996,325 | \$286,018 | \$1,789,564 | \$3,877,863 |
| | | 929,793 | 26,192 | 2,219 | 958,204 |
| | | 3,392,861 | 562 | 789,120 | 4,980,557 |
| | | | | | 2,599 |
| | | 439,886 | | 199,687 | 199,687 |
| | <u>\$23,863,521</u> | | | <u>1,689,464</u> | <u>25,552,985</u> |
| | <u>23,863,521</u> | <u>5,758,865</u> | <u>312,772</u> | <u>4,470,054</u> | <u>36,011,781</u> |
| | | | | 121,865 | 1,895,083 |
| | 2,766,691 | 26,055,839 | 38,021,028 | 36,805,438 | 112,765,524 |
| | | | | 267,919 | 267,919 |
| | | | 9,696,257 | | 9,830,443 |
| | | | | | <u>11,358,781</u> |
| | <u>2,766,691</u> | <u>26,055,839</u> | <u>47,717,285</u> | <u>37,195,222</u> | <u>136,117,750</u> |
| | <u>\$26,630,212</u> | <u>\$31,814,704</u> | <u>\$48,030,057</u> | <u>\$41,665,276</u> | <u>\$172,129,531</u> |

This Page Left Intentionally Blank

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

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

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

260,033,711

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

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

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

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

23,863,521

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

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

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$413,107,236

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

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

This Page Left Intentionally Blank

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

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$33,585,019)

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

CAPITAL ASSETS TRANSACTIONS

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

| | |
|---|-------------|
| The capital outlay and other capitalized expenditures are therefore added back to fund balance. | 14,034,603 |
| Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$681,361 which has already been allocated to serviced funds). | (8,591,789) |
| Retirements are deducted from the fund balance | (84,787) |
| Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands. | 1,979,132 |
| Capital assets transferred to the Successor Agency | (8,952,866) |

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

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

ACCRUAL OF NON-CURRENT ITEMS

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

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

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

| | |
|---|---------|
| Change in Net Assets - All Internal Service Funds | 390,584 |
|---|---------|

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$91,290,865

See accompanying notes to basic financial statements

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

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

(Continued)

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

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

| |
|--------------------------------|
| 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 2012, as identified below.

WATER FUND

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

SEWER FUND

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

SOLID WASTE FUND

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

GOLF FUND

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

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

| |
|------------------------|
| FIDUCIARY FUNDS |
|------------------------|

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

RETIREE HEALTH SAVINGS PLAN TRUST FUND

The Fund is used to account for the medical benefits for former employees of the City.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

The Fund is used to account for the activities of the Successor Agency to the former Manteca Redevelopment Agency.

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

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

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

See accompanying notes to basic financial statements

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

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

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The **City of Manteca Housing Authority**, formed in February 2011, is a separate government entity whose purpose is to assist with the housing for the City’s low and moderate income residents. The Housing Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Housing Authority. The Housing Authority did not undertake any transactions during fiscal year 2012.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City and its blended component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GENERAL FUND - The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

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

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

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

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

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

LOW AND MODERATE INCOME HOUSING ASSETS FUND – Established to account for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

PUBLIC FACILITIES IMPLEMENTATION PLAN FUND - Established to account for the costs incurred for the development of a Public Facilities Implementation Plan. Now that the Plan is functional, this fund accounts for the developer impact fees collected and expended in the construction of the drainage and transportation elements of the Plan. The sewer and water developer impact fees collected and expended in connection with the Plan are accounted for in their respective Enterprise Funds.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The City also reports the following fund types:

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

Fiduciary Funds. Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The Retiree Health Savings Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical benefit payments at appropriate amounts and times in the future. The Successor Agency to the Manteca Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The Agency Fund holds funds for the City of Lathrop for their share of the expansion of the Wastewater Control Facility. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted resources to such programs, followed by general revenues if necessary.

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

Those revenues susceptible to accrual are use of money and property revenue, charges for services and fines and penalties. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

All Proprietary Funds and Fiduciary Funds are accounted for using the *accrual basis* of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

E. Revenue Recognition for Water, Sewer and Solid Waste

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

F. Property Tax

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Compensated Absences*

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. For governmental funds, a liability for these amounts is recorded only if they have matured, for example, as a result of employee resignations and retirements. The remaining amounts are reported as a liability in the Statement of Net Assets. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Changes in compensated absences were as follows:

| | |
|-------------------|--------------------|
| Beginning Balance | \$4,293,770 |
| Additions | 3,892,253 |
| Payments | <u>(3,967,762)</u> |
| Ending Balance | <u>\$4,218,261</u> |
| Current Portion | <u>\$113,253</u> |

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

H. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. *New Funds and Closed Funds*

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

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

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

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

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the adoption of a resolution.
4. All budget adjustments are approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and at the Fund level for all other funds.
5. Budgets are adopted for all funds except the Low and Moderate Income Housing Assets Special Revenue Fund and the Street Improvements Special Revenue Fund.
6. Formal budgetary integration is employed as a management control device during the year in all funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. *Encumbrances*

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

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

NOTE 3 - CASH AND INVESTMENTS

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

A. Policies

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

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

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

B. Classification

Cash and investments as of June 30, 2012 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

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

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

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

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|------------------------|---------------------------------|----------------------------------|
| United States Treasury Bills, Bonds, Notes | 5 years | None | 100% | No Limit |
| United States Government Agency Obligations | 5 years | None | 100% | No Limit |
| Mortgage Pass Through Agency Securities | 5 years | None | 20% | No Limit |
| Bankers' Acceptances | 180 days | Highest Category | 40% | 15% |
| Commercial Paper | 270 days | A-1 | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | A | 30% | 15% |
| Repurchase Agreements | 90 days | None | 100% | 15% |
| Local Agency Investment Fund | n/a | None | \$50 million/account | \$50 million/account |
| Time Deposits | 5 years | None | 25% | 15% |
| Medium-Term Corporation Notes | 5 years | A | 30% | 15% |
| Money Market Funds | n/a | Highest Category | 100% | 15% |

D. Investments Authorized by Debt Agreements

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

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality |
|---|--------------------|------------------------|
| United States Treasury Bill, Bonds, Notes | 5 years | N/A |
| United States Government Agency Obligations | 5 years | N/A |
| Federal Securities | 5 years | N/A |
| Bankers' Acceptances | 30 days to 1 year | A-1 |
| Commercial Paper | 270 days to 1 year | A-1 |
| Certificates of Deposit | 30 days to 5 years | None to A |
| Repurchase Agreements | None to 30 days | A-1 |
| Local Agency Investment Fund | n/a | Not rated |
| Money Market Funds | n/a | AA-m |
| Investment Agreements | None | None to AA |
| State and Municipal Bonds, Notes | None | Two Highest Categories |
| Prefunded Municipal Obligations | None | None to AAA |
| State Obligations | None | A |
| State Obligations - Direct Short-Term | None | A-1 |
| State Obligations - Special Revenue Bonds | None | AA |

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Investments Authorized for the Retiree Health Savings Plan Trust

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

F. Interest Rate Risk

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

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

| Investment Type | 12 Months or less | 13 to 24 Months | 25 to 36 Months | More than 36 Months | Total |
|---|----------------------|---------------------|---------------------|------------------------|----------------------|
| <i>Held by City:</i> | | | | | |
| U.S. Government Agency Obligations | | \$37,840,634 | \$21,950,343 | | \$59,790,977 |
| U.S. Treasury Notes | | 8,092,350 | 34,297,416 | | 42,389,766 |
| Corporate Notes | | | | | |
| Non-Callable | \$3,550,400 | 18,978,618 | 7,797,042 | | 30,326,060 |
| Certificates of Deposit | 6,006,780 | | | | 6,006,780 |
| California Local Agency Investment Fund | 16,746,883 | | | | 16,746,883 |
| Money Market Mutual Funds (U.S. Securities) | 165,599 | | | | 165,599 |
| <i>Held by Trustees:</i> | | | | | |
| U.S. Government Agency Obligations | 996,168 | | | | 996,168 |
| Certificates of Deposit | | 484,000 | 2,461,000 | \$484,000 | 3,429,000 |
| Guaranteed Investment Contracts | | | 2,487,549 | 9,331,959 | 11,819,508 |
| California Local Agency Investment Fund | 1,134,890 | | | | 1,134,890 |
| Money Market Mutual Funds (U.S. Securities) | 64,254,000 | | | | 64,254,000 |
| American United Life Annuity | 425,073 | | | | 425,073 |
| Total Investments | <u>\$93,279,793</u> | <u>\$65,395,602</u> | <u>\$68,993,350</u> | <u>\$9,815,959</u> | <u>\$237,484,704</u> |

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2012, these investments have an average maturity of 268 days.

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each investment type as provided by Standard and Poor's investment rating system.

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

H. Concentration Risk

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

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

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

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

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

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

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

B To fund capital projects.

C To fund operations.

B. Current Interfund Balances

Current interfund balances arise mainly due to the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be repaid shortly after the end of the fiscal year. At June 30, 2012, interfund balances were as follows:

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

C. Long-Term Interfund Advances

At June 30, 2012 the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future developer fees and golf fees.

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

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

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Golf Advances

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

Public Facilities Implementation Plan

Advances above in the amount of \$10,048,410 have been made between the Public Facilities Improvement Plan, Water and Sewer Funds in coordination with the City's adopted Public Facilities Implementation Plan. The long-term interfund advances to and from these funds were made in accordance to this Plan and are expected to be repaid out of future developer fees over the next fifteen years.

During the fiscal year 2011 the Public Facilities Implementation Plan Fund made an additional advance to the Sewer Enterprise Fund in the amount of \$5,000,000 which is included in the balance above. The advance bears interest at an annual rate of 2%.

Development Services

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

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - REDEVELOPMENT AGREEMENTS, NOTES RECEIVABLE AND DEFERRED REVENUE

The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 16, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund and a Successor Agency assumed the loans receivable of the Redevelopment Agency's Capital Improvement and Economic Development Funds as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2012 are set forth below:

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

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

A. Summary of Notes Receivable and Deferred Revenue

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

| | |
|--|--------------|
| HOPE Shelter | \$1,435,194 |
| Habitat for Humanity | 10,000 |
| Down Payment Assistance Program | 1,809,045 |
| Residential Rehabilitation | 179,700 |
| First-Time Homebuyer Program | 90,000 |
| Mid-Peninsula Housing Coalition | 2,500,000 |
| Eden Housing Inc. - Union Court Apartments | 2,593,742 |
| Eden Housing Inc. - Senior Housing | 1,680,932 |
| Manteca Senior Housing, LLC - Affirmed Housing | 750,000 |
| Senior Rehabilitation Loans | 64,908 |
| Manteca Atherton Associates - Juniper Apartments | 12,750,000 |
| Total notes receivable | 23,863,521 |
| Less: Allowance for conditional grants | 2,343,419 |
| Net long-term notes receivable | \$21,520,102 |

Deferred revenue at June 30, 2012 consisted of the outstanding balances of the above notes.

B. HOPE Shelter

In fiscal year 1998, the Agency loaned \$14,842 to the Helping Others Provide Encouragement (HOPE) Shelter for the replacement of windows at a facility for rent to very-low-income tenants and \$150,000 was loaned for the rehabilitation of a different property leased by HOPE. If the facility is used for the stated purpose for fifteen years, the Agency will forgive the Loans and the due date or potential forgiveness date is June 1, 2013.

On August 3, 2010, the Agency entered into a Predevelopment Loan Agreement with HOPE in the amount of \$188,750, secured by a promissory note, to fund the design phase of the rehabilitation of the Shelter and to create seven new units with thirty-five beds. On November 16, 2010, the Agency entered into an Owner Participation and Loan Agreement with HOPE to loan an additional \$1,243,440 to fund the construction phase of the rehabilitation of the Shelter. This loan is secured by a deed of trust and bears simple interest of one percent from the date of each disbursement of loan funds, if the new rental units are used for affordable housing for low and moderate income households for fifty-five years after completion of construction. The Agency agreed to forgive the loan after fifty-five years if the facility is used for the stated purpose.

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

C. Habitat for Humanity

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

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

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

D. *Owner Participation Agreement*

During fiscal year 2006 the Redevelopment Agency entered into an Owner Participation Agreement under which it made a loan totaling \$1,433,357 to a real property owner in the Redevelopment Area for the purpose of making street improvements. The loan bears interest at six percent with the entire outstanding amount of principal and accrued interest due on September 20, 2011. The Owner signed a promissory note secured by a deed of trust. However, the Agency agrees to forgive the repayment of the loan if loan forgiveness conditions are met. At January 31, 2012, the total outstanding balance on this loan was \$1,433,357. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Capital Improvement Fund, including the Owner Participation Agreement, were transferred to a Successor Agency as discussed in Note 16.

E. *Down Payment Assistance Program*

The Moderate Income Housing Down Payment Assistance Program was established in 2004 to provide financing for homebuyers with moderate income who are unable to qualify for a home purchase without down payment assistance. At June 30, 2012, loans related to this Program in the amount of \$1,809,045 had been extended. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due if the home is sold, equity is removed, home is non-owner occupied, or after 40 years.

F. *Residential Rehabilitation Loans*

During fiscal year 2003 the Redevelopment Agency began the Residential Rehabilitation Matching Grant Program under which it made loans to real property owners in the Redevelopment Area for the purpose of making property improvements. The Agency agreed to forgive the loans after five years based on program provisions; the loans bear eight percent interest due from date of closing applicable only in case of default. At June 30, 2012, loans receivable under this program totaled \$152,973.

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

G. *First-Time Homebuyer Loan Program*

In January 2002 the Agency engaged in a first-time homebuyer down payment assistance program designed to encourage home ownership among low-and-moderate-income households. Under this program, an interest free loan up to \$60,000 is provided to eligible households to be used as part of the down payment for the purchase of home in the City of Manteca. These promissory notes are secured by second deeds of trust and due forty years from the date the property was purchased. The balance of the notes receivable arising from this program at June 30, 2012 was \$90,000.

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

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

H. *AKF Development, LLC (Spreckels Park)*

On April 8, 2003 the Agency loaned an additional \$54,080 to AKF Development, LLC, of which \$54,080 was for assistance from the Agency's Fee Reduction Program. This additional loan was to partially finance the construction costs of Sexton Chevrolet Property in order to assist in the elimination of blight in an adjacent to the Project Area and will enhance the viability of the Project Area. The loan bears interest at five percent annual interest, and was due the earliest of the sixth anniversary of the opening of the automobile dealership or August 1, 2009. AKF signed a promissory note secured by a deed of trust. The Agency will forgive repayment of the loan if certain provisions regarding completion of public improvements, job creation, continued business for five years, and sales tax generation are met. As of January 31, 2012, the developer had not met all of the forgiveness provisions of the loan agreement, but the Agency had not yet required repayment of the loan and the principal balance outstanding was \$54,080. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Capital Improvement Fund, including the AKF loan, were transferred to a Successor Agency as discussed in Note 16.

I. *Mid-Peninsula Housing Coalition*

In March 2006, the Manteca Redevelopment Agency entered into a loan agreement with the Mid-Peninsula Housing Coalition for affordable housing. Under the terms of the agreement, the Agency loaned \$2,500,000 to partially fund the acquisition of the property to be used for the construction of affordable rental housing. The note bears interest of 3% interest. Repayment of the loan will commence on April 30 of the year after the completion of construction of the project. Principal and interest payments will be due annually and equal to 50% of residual receipts, if any, as defined in the loan agreement. The loan is due in full no later than December 31, 2065. The agreement is secured by a deed of trust.

J. *Eden Housing Inc. – Union Court Apartments*

On September 1, 2000 the Agency agreed to loan \$2,593,742 to Eden Housing Inc., for the acquisition and rehabilitation of the Union Court Apartments. The loan is secured by a second deed of trust, bears interest at one percent and is due in 2055.

K. *Eden Housing Inc. – Senior Housing (Almond Terrace)*

On June 5, 2000 the Agency agreed to loan Eden Housing Inc. up to \$900,000 at three percent interest to assist with the acquisition of two parcels and construction of fifty units of affordable rental housing for very-low-income seniors. On April 17, 2002, the Agency loaned an additional \$781,000 to increase the total amount of loan to \$1,681,000 in order to help Eden Housing Inc. complete the construction. The loan is secured by a deed of trust. If Eden Housing sells or transfers any of the parcels prior to the June 5, 2030 due date, the unpaid principal and interest on those parcels become due. As of June 30, 2012, Eden Housing had drawn down the loan in the amount of \$1,680,932.

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

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

L. Cabral Western Motors

On May 14, 2002 the Agency agreed to loan Cabral Western Motors \$338,040 at three percent interest to assist with the expansion of its facility, which includes a \$311,000 Forgivable Business Development Loan and a \$27,040 Development Fee Reduction Loan. The loans are secured by a second and third deed of trust, respectively. As of January 31, 2012, the principal balance outstanding was \$338,040. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Economic Development Fund, including the Cabral Western Motors loan, were transferred to a Successor Agency as discussed in Note 16.

M. Manteca Senior Housing Inc. – Affirmed Housing

On March 22, 2007 the Agency agreed to loan Manteca Senior Housing Inc. \$750,000 along with a grant of \$2,000,000 to be used for the acquisition and development costs for the fifty-two-unit apartment complex available for low income households. The Agency agreed to forgive the loan after fifty-five years based on program provisions; the loan bears a three percent interest due from date of closing applicable only in case of default. If there are residual receipts, the developer must pay to the Agency fifty percent of the receipts. At June 30, 2012, \$750,000 has been drawn down from the loan and remains outstanding, and \$2,000,000 of the grant has been drawn down.

N. Senior Rehabilitation Loans

During fiscal year 2010 the Agency began the Senior Rehabilitation Loan Program under which it made loans up to \$7,500 to senior citizens in the Redevelopment Area for the purpose of making property improvements. The terms and conditions of the loans are dependent upon the income of the applicants. At June 30, 2012, loans receivable under this program totaled \$64,908.

O. Manteca Atherton Associates – Juniper Apartments

On December 21, 2010 the Agency entered into an Owner Participation and Loan Agreement under which it agreed to loan \$12,250,000 to Manteca Atherton Associates to finance the construction of the Juniper Apartments, a 153-unit affordable housing complex. The Agreement was amended in March 2011 to increase the loan to \$12,750,000, payable as follows: \$4,530,644 of the loan is to pay the cost of the City development fees, \$4,301,069 is to pay for the cost of acquiring the land and construction costs, and \$3,918,287 is to be disbursed upon completion of the project to repay other sources of construction financing. The loan is secured by a deed of trust and bears simple interest of one percent from the date of each disbursement of loan funds. The loan is repayable from residual receipts, as defined in the agreement, beginning twelve months after the issuance of the certificate of occupancy, and all unpaid principal and interest on the Loan is due fifty five years after the issuance of the certificate of occupancy.

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

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

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

P. Conditional Grants

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

NOTE 6 – EMPLOYEE NOTES RECEIVABLE

All full-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$3,000 to purchase a computer. All requests for loans are subject to review by the employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally over a three year period. Employees must repay the outstanding balance of their loans upon ending their employment with the City. As of June 30, 2012, 101 employees had notes totaling \$103,853 due to the City.

NOTE 7 - CAPITAL ASSETS

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

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

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

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

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

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

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

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

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

NOTE 7 - CAPITAL ASSETS (Continued)

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

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

B. Capital Asset Contributions

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

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

NOTE 7 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

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

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

NOTE 8 – LONG -TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

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

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

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

NOTE 8 - LONG TERM DEBT (Continued)

B. Sewer Revenue Bonds

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

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

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2003 and 2009 Sewer Revenue Bonds through 2036. Projected net customer revenues are expected to provide coverage over debt service of at least 125% over the life of the bonds. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$82,737,835. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,086,779 and \$10,065,230, respectively.

C. Water Revenue Bonds

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

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Water Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$67,724,724. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,530,336 and \$5,965,777 respectively.

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

NOTE 8 - LONG TERM DEBT (Continued)

D. Capital Lease Obligations

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

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

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

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

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

E. Loan Payable to Successor Agency

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

F. Debt Service Requirements

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

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

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

NOTE 9 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

NOTE 9 – NET ASSETS AND FUND BALANCE (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

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

C. Deficit Fund Balances and Accumulated Deficits

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

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

NOTE 10 - PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

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

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

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

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

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

NOTE 10 – PENSION PLAN (Continued)

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

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

Safety Plan:

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

Miscellaneous Plan:

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

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

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

NOTE 10 – PENSION PLAN (Continued)

B. Supplemental Retirement Program

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

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

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

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

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

The City provides postretirement health care benefits to employees who retire in good standing from the City after attaining the age of 50 and to certain employees who retire due to disability. As of June 30, 2012 there were 148 participants receiving these health care benefits.

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City's eligible health plans. In addition, there are eligibility rules and contribution requirements defined in the Memorandum of Understanding (MOU) with each employee group. For all retirements effective as of January 1, 2012 through June 30, 2012, the City-paid contribution for retiree health will be equal to the Minimum Employer Contribution (MEC) as set by CALPERS. For the fiscal year ended June 30, 2012 the MEC was \$112. For retirements effective on or prior to December 31, 2011, the benefit is set at the amount the employee or retiree was receiving as of December 31, 2011 for health benefits. The eligibility rules for each MOU and associated benefits are summarized below:

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

| | Manteca Police Officers Association | Fire | Manteca Police Employees Association | Technical Support Services | General Services | Management |
|--|---|---|---|---|---|---|
| Benefit Types Provided | Medical only | Medical only | Medical only | Medical only | Medical only | Medical only |
| Duration of Benefits | Lifetime | Lifetime | Lifetime | Lifetime | Lifetime | Lifetime |
| Required Service: | | | | | | |
| Basic | | | Retirement under CALPERS | | | |
| Supplemental | | | | | | |
| Minimum Age | 50 | 50 | 50 | 50 | 50 | 50 |
| Dependent Coverage | Yes | Yes | Yes | Yes | Yes | Yes |
| City Contribution 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| City Contribution Cap per Month (Basic) retirement on or prior to 12/31/2011 | \$630 for single \$1,170 for two party \$1,440 for family | \$631 for single \$1,165 for two party \$1,490 for family | \$655 for single \$1,140 for two \$1,340 for family | \$695 for single \$1,202 for two party \$1,561 for family | \$675 for single \$1,165 for two \$1,535 for family | \$683 for single \$1,321 for two party \$1,761 for family |
| City Contribution Cap per Month (Basic) retirement after 12/31/2011 | \$112 | \$112 | \$112 | \$112 | \$112 | \$112 |

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

Funding Policy and Actuarial Assumptions

The City's policy is to fund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2011-206 (Resolution). The annual required contribution (ARC) was determined as part of a June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, and (b) 3.25% projected annual salary increase, and (c) 5% to 9.4% health inflation increase. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and the plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis.

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Progress and Funded Status

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

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

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

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

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A – B) | Funded Ratio (A/B) | Covered Payroll (C) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C] |
|--------------------------|-------------------------------|---|--|--------------------|---------------------|---|
| 6/30/2008 | \$0 | \$43,225,000 | (\$43,225,000) | 0.00% | \$24,936,000 | -173% |
| 6/30/2010 | 0 | 18,320,000 | (18,320,000) | 0.00% | 26,368,000 | -69% |

NOTE 12 - DEFERRED COMPENSATION PLAN

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

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

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

NOTE 13 - RISK MANAGEMENT

A. Coverage

City employees are covered under a medical and prescriptions policy with coverage limited to \$2,000,000 in the aggregate. The City provides group dental and vision coverage to employees through programs which are administered by a service agent. The City pays all dental and vision claims.

On June 1, 2002 the City joined the Municipal Pooling Authority's workers' compensation program. The City joined the Authority's general liability program on January 1, 1998. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

| Type of Coverage (Deductible) | Coverage Limits |
|--|-----------------|
| Liability (\$100,000) | \$29,000,000 |
| All Risk Fire and Property: | |
| Property (\$5,000) | 1,000,000,000 |
| Flood* | 25,000,000 |
| Boiler and Machinery (\$5,000) | 100,000,000 |
| Vehicle Physical Damage (\$3,000 police; \$2,000 others) | 250,000 |
| Cyber Liability (\$50,000) | 2,000,000 |
| Public Entity Pollution Liability (\$100,000) | 25,000,000 |
| Workers' Compensation (no deductible) | Statutory Limit |

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

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

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

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

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

NOTE 13 - RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

A. *Pass-Through Agreements*

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

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

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

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

B. *Public Facilities Implementation Plan*

The City of Manteca has developed a Public Facilities Implementation Plan (PFIP) to ensure that public facilities are adequate and constructed in accordance with the adopted master plans for water, sewer, storm drainage and traffic as the City grows and develops in accordance with its General Plan. Development Impact Fees are collected at or near the time of development and are used wherever practical to finance the expansion of infrastructure necessary to accommodate the demand for new capacity. In certain cases, developers may construct public improvements that are in the PFIP and enter into reimbursement agreements with the City. Developers are then granted credit against the fees owed or are reimbursed any remaining amounts owed to the developer by the City when sufficient funds are available from future development impact fees paid by subsequent development that benefit from the available improvements. As of June 30, 2012, the City had outstanding reimbursement commitments totaling \$13,472,905.

C. *Government Building Facilities Fee*

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

D. Encumbrances

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

E. Orchard Valley Shopping Center Parking Lease Agreement

In fiscal 2007, the City entered into a lease agreement with the Manteca Lifestyles Center LLC to lease public parking at the Orchard Valley Shopping Center. The lease became effective in fiscal year 2012 and the City is to make annual lease payments by September 1 of each year equal to 55% of the previous fiscal year's actual local sales taxes generated from the shopping center. Although the lease payments are based on the sales taxes collected, they can be made from any source of legally available funds. If the local sales taxes are insufficient in one year for the City to make the full scheduled lease payment, the shortfall carries to the next year without interest. Payments in excess of the scheduled annual lease payments are credited first to any outstanding shortfall and then against the total amount due under the lease. The total amount of lease payments to be made under the agreement is \$61,704,140; however the agreement terminates in 2047, regardless of whether this amount has been paid to the developer. During fiscal year 2012, payments made to the developer under the agreement totaled \$298,843.

NOTE 15 – AUTHORIZED BUT UNISSUED DEBT

At June 30, 2003, the City authorized the issuance of Water Revenue Bonds, Series 2003A in the amount of \$65,000,000 to fund the costs of constructing a water treatment plant and certain related capital facilities. As of June 30, 2012, the City had issued a bond in the amount of \$43,325,000; \$21,675,000 remained authorized but unissued.

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

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

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

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

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency.

In fiscal 2011 and 2012, the former Redevelopment Agency transferred \$58,959,477 of assets to the City. In May 2012 and August 2012, the City approved the return of cash and investments totaling \$14,829,795 to the Successor Agency, which was recorded in the financial statements as of June 30, 2012. As of June 30, 2012, assets totaling \$44,129,682, comprised of current assets of \$43,670,205 and capital assets of \$459,477, were held by the City. The State Controller's Office has not yet completed its asset transfer review and the amount of assets, if any, to be returned is not determinable at this time.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund.

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

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

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

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

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

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

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

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

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

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

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

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

B. *Redevelopment and Agreements and Notes Receivable*

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2012 are set forth below:

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

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

C. *Capital Assets*

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

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

Capital Asset Recorded June 30, Comprise:

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

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

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

D. Long-Term Debt

The Successor Agency assumed the long-term debt and interest-rate swap agreement of the Redevelopment Agency as of February 1, 2012.

1. Current Year Transactions and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond transactions were as follows:

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

2. Redevelopment Agency Tax Allocation Bonds

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

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

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

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

On November 30, 2004, the Agency issued Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds Series 2004 in the amount of \$5,310,000. The proceeds of the Housing Set-Aside series were used to finance public capital improvements including the acquisition of land for the construction of certain residential housing units in the Amended Merged Project Area. The 2004 Housing Set-Aside TABs are secured by a pledge of and lien on housing tax revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project areas. The 2004 Housing Set-Aside Bonds bear interest rates range from 3% to 5%. Interest payments are due on April 1 and October 1 of each year through October 1, 2034.

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

On December 13, 2005 the Agency issued \$50,760,000 of Amended Merged Project Area Variable Rate Subordinated Tax Allocation Refunding Bonds, Series 2005. Proceeds of the Bonds and other Agency money were used to refund the Agency's Project No. 1, Tax Allocation Refunding Bonds, Series 1998, and Redevelopment Project No. 2 Tax Allocation Bonds, Series 1998. The proceeds were also used to finance ongoing redevelopment activities of the Agency. The bonds were issued as variable rate bonds with daily interest rate resets, and interest is paid on the first business day of each calendar month. However, the Agency entered into a thirty-seven-year interest rate swap agreement, as discussed in Note 16D3 below. Principal payments are due annually beginning October 1, 2010 through October 1, 2042.

The 2005 Subordinated Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from XL Capital Assurance and a standby purchase agreement with State Street Corporation. The interest rate on the Bonds resets daily according to market conditions and is capped at 12%. During fiscal year 2008, the Agency substituted an irrevocable letter of credit issued by State Street Bank and Trust Company for the standby purchase agreement in order to remarket the bonds at lower interest rates. The Street Bank and Trust Company's letter of credit is valid through May 13, 2013. The Agency is required to pay Street Bank and Trust Company an annual Letter of Credit Fee equal to 1.75% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.125% of the outstanding principal amount of the Bonds.

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

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

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

On December 1, 2006, the Agency issued Amended Merged Project Area Subordinate Tax Allocation Bonds Series 2006 in the amount of \$22,675,000. The proceeds were used to finance ongoing redevelopment activities. The 2006 TABs are secured on a parity with the Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005, by a pledge of and lien on tax revenues, in subordination to debt services of the 2002 Subordinated Tax Allocation Refunding Bonds and 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds in any given period. Tax revenues consist of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project areas. The 2006 Bond interest rates range from 4% to 5%. Principal payments are due annually beginning October 1, 2010 through October 1, 2042. Interest payments are due on April 1 and October 1 of each year through October 1, 2042.

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set-aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. Debt service for the 2002 Subordinated Tax Allocation Refunding Bonds is senior to the 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 2005 Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds and 2006 Amended Merged Project Area Subordinate Tax Allocation Bonds. The pledge of all future tax increment revenues end upon repayment of the combined remaining debt service of \$202,408,258 on the Bonds above, which is scheduled to occur in 2042.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Using both property taxes received by the Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution, total collections were \$11,953,924 which represented coverage of 161% of the \$7,391,117 of debt service.

3. Interest Rate Swap Agreement Derivative Instrument

The Agency entered into an interest rate swap in connection with the Series 2005 Tax Allocation Refunding Bonds. The intention of the swap was to effectively change the Agency's variable interest rate on the bonds to a synthetic fixed rate of 3.333%. The terms, fair value and credit risk of the swap agreement is disclosed below.

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2012, are included below. The Agency's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

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

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

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

Based on the swap agreement, the Agency owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Agency interest based on the variable rate that approximates the rate required by the bonds. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

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

As of June 30, 2012, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$14,133,160), a decrease of \$7,641,997 from the prior fiscal year. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of the swap as a deferred outflow.

Credit risk. As of June 30, 2012, the Agency was not exposed to credit risk on its outstanding swap because the swap had a positive fair value. However, if the fair value of the swap were to become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates decline in the future. The swap counterparty is Piper Jaffray Financial Products, Inc. with a credit guarantee provided by Morgan Stanley Capital Services and is rated A2/A+ by Moody's and Standard & Poor's respectively. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the Agency on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Agency bears basis risk on its swap. The Swap has basis risk since the Agency receives a percentage of LIBOR to offset the actual variable bond rate the Agency pays on its bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal or state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Agency is exposed to this basis risk.

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

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

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

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the Agency's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These estimated payments presented in the table are included in the Debt Service Requirements Table below:

| For the Year Ending June 30 | Variable-Rate Bonds | | Interest Rate Swap, Net | Total |
|-----------------------------------|---------------------|-----------------|----------------------------|---------------------|
| | Principal | Interest | | |
| 2013 | \$49,560,000 | \$74,340 | \$1,560,141 | \$51,194,481 |
| 2014 | | | 1,537,305 | 1,537,305 |
| 2015 | | | 1,513,729 | 1,513,729 |
| 2016 | | | 1,487,893 | 1,487,893 |
| 2017 | | | 1,448,353 | 1,448,353 |
| 2018-2022 | | | 6,579,164 | 6,579,164 |
| 2023-2027 | | | 5,398,364 | 5,398,364 |
| 2028-2032 | | | 4,404,271 | 4,404,271 |
| 2033-2037 | | | 3,519,012 | 3,519,012 |
| 2038-2042 | | | 1,658,932 | 1,658,932 |
| 2043 | | | 23,365 | 23,365 |
| Totals | \$49,560,000 | \$74,340 | \$29,130,529 | \$78,764,869 |

4. Debt Service Requirements

Annual debt service requirements, including the effect of the swaps agreement disclosed above, are shown below:

| For the Year Ending June 30 | Governmental Activities | |
|--------------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2013 | \$51,510,000 | \$5,179,087 |
| 2014 | 2,025,000 | 4,993,812 |
| 2015 | 2,130,000 | 4,874,952 |
| 2016 | 2,170,000 | 4,753,376 |
| 2017 | 1,780,000 | 4,623,105 |
| 2018-2022 | 10,010,000 | 21,083,921 |
| 2023-2027 | 9,950,000 | 17,576,626 |
| 2028-2032 | 18,965,000 | 13,161,393 |
| 2033-2037 | 21,445,000 | 7,276,301 |
| 2038-2042 | 4,075,000 | 2,352,045 |
| 2043 | 955,000 | 44,853 |
| Total | \$125,015,000 | \$85,919,471 |

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

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

F. COMMITMENTS AND CONTINGENCIES

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 17 – SUBSEQUENT EVENTS

2012 Water Revenue Refunding Bonds

On December 11, 2012, the City issued Water Revenue Refunding Bonds, Series 2012 in the original principal amount of \$35,840,000 at interest rates that range from 2.00-5.00% to provide for a refunding of the City's outstanding 2003A Manteca Financing Authority Water Revenue Bonds. Principal payments are due annually on July 1, with interest payments payable semi-annually on July 1 and January 1 through July 1, 2033. Repayment of these bonds is from a pledge of revenue from the Water Enterprise Fund.

2012 Sewer Revenue Refunding Bonds

On December 11, 2012, the City issued Sewer Revenue Refunding Bonds, Series 2012 in the original principal amount of \$22,690,000 at interest rates that range from 2.00-4.00% to provide for a refunding of the City's outstanding 2003A and 2003B Manteca Financing Authority Sewer Revenue Bonds. Principal payments are due annually on December 1, with interest payments payable semi-annually on December 1 and June 1 through December 1, 2033. Repayment of these bonds is from a pledge of revenue from the Sewer Enterprise Fund.

This Page Left Intentionally Blank

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

REDEVELOPMENT DEBT SERVICE FUND

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

REDEVELOPMENT CAPITAL IMPROVEMENT FUND

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

REDEVELOPMENT ECONOMIC DEVELOPMENT FUND

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

PUBLIC FACILITIES IMPLEMENTATION PLAN FUND

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

SPECIAL APPORTIONMENT STREETS FUND

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

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

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

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

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

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

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

CITY OF MANTECA
PUBLIC FACILITIES IMPLEMENTATION PLAN FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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 FEE

Established to account for funds received from the Public Safety Endowment Fee. This fee is collected as part of negotiated development agreements and the interest from the fee has been designated for the use of funding public safety salaries.

DEVELOPMENT SERVICES

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

CAPITAL IMPROVEMENT FUNDS:**STATE GASOLINE TAX**

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

REGIONAL TRANSPORTATION IMPACT FEES

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

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

MEASURE K

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

PARKS

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

GOVERNMENT BUILDING FACILITIES

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

COMMUNITY FACILITIES DISTRICT FUND

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

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

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

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

(Continued)

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

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

This Page Left Intentionally Blank

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

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

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

(Continued)

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

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

This Page Left Intentionally Blank

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

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

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

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

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

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

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

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

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

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

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

INTERNAL SERVICE FUNDS

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

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

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

VEHICLE

Established to account for the purchase and replacement of vehicles utilized by City departments.

EQUIPMENT

Established to account for the purchase and replacement of equipment (including Information Systems equipment) utilized by City departments.

PAYROLL TAX BENEFIT ALLOCATION

Established to fund and account for the City's liability for compensated absences and employee benefits.

INSURANCE

Established to account for the self-insured portion of the City's workers' compensation and liability insurance programs.

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

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

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

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

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

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

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

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

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

| <u>AGENCY FUND</u> | <u>Balance June 30, 2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2012</u> |
|----------------------|----------------------------------|--------------------------|--------------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash and investments | <u>\$5,351</u> | <u> </u> | <u> </u> | <u>\$5,351</u> |
| Total Assets | <u><u>\$5,351</u></u> | <u><u> </u></u> | <u><u> </u></u> | <u><u>\$5,351</u></u> |
| <u>Liabilities</u> | | | | |
| Due to stakeholders | <u>\$5,351</u> | <u> </u> | <u> </u> | <u>\$5,351</u> |
| Total Liabilities | <u><u>\$5,351</u></u> | <u><u> </u></u> | <u><u> </u></u> | <u><u>\$5,351</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 – Sewer Revenue Bonds
7. Bonded Debt Pledged Revenue Coverage -- Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

| |
|--|
| STATISTICAL SECTION (Continued) |
|--|

Operating Information

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

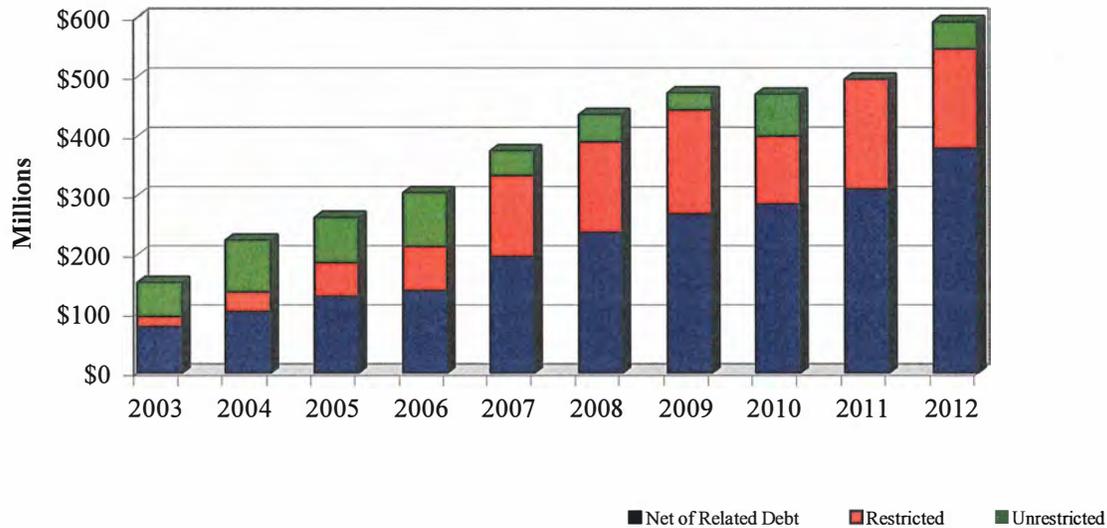
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Crime Policy Notary and Security Bonds of Principal Officials

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

This Page Left Intentionally Blank

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



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

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

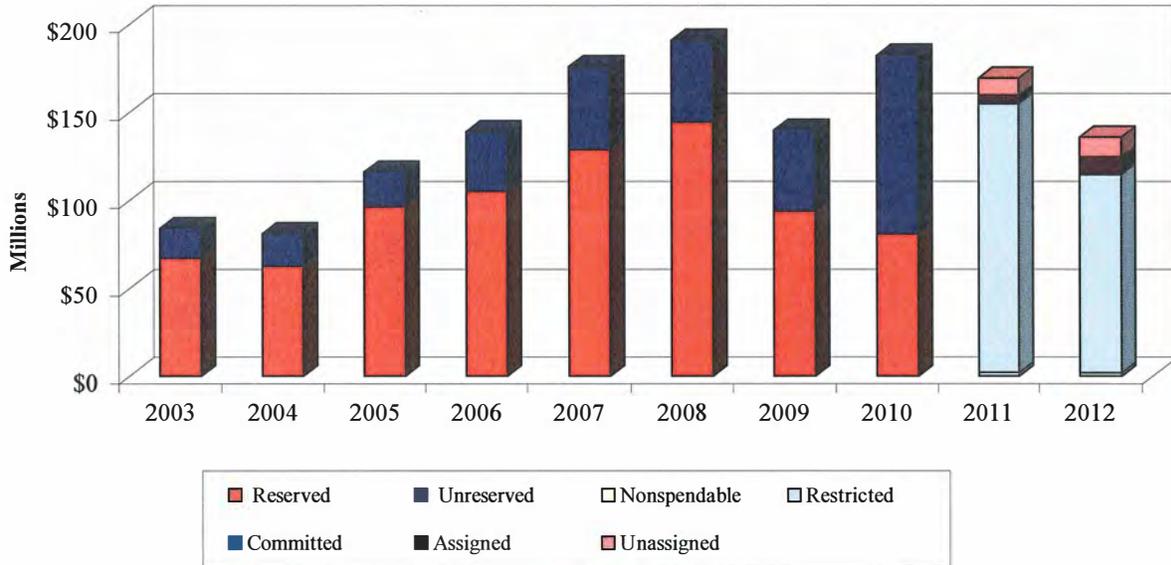
CITY OF MANTECA
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

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

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

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

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



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

- (a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
- (b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

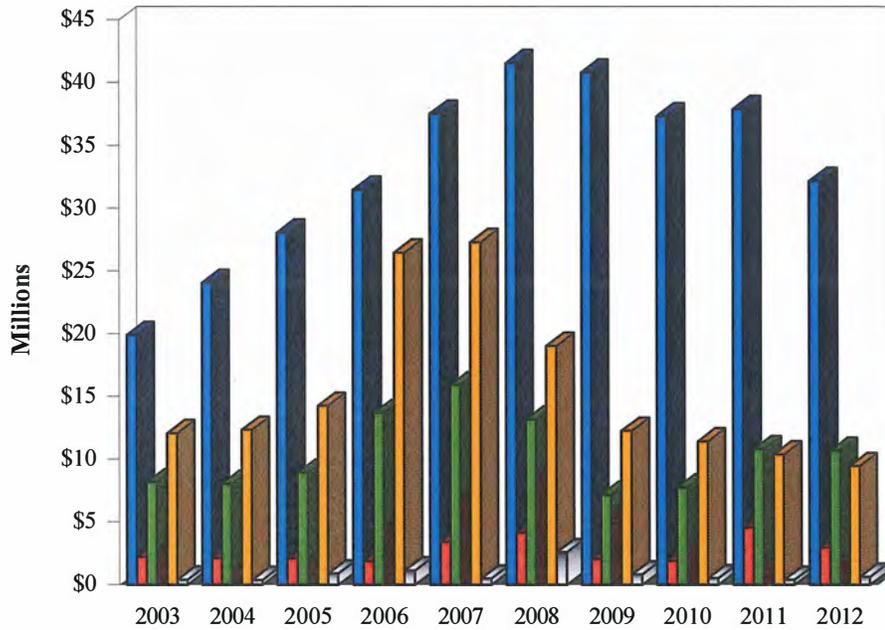
| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011 (b)</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| \$1,681,076 | \$1,822,967 | \$1,917,928 | | |
| 12,798,045 | 13,346,867 | 10,137,693 | | |
| | | | \$1,716,914 | \$1,773,218 |
| | | | 24,329 | 134,186 |
| | | | 10,746,187 | 11,358,781 |
| <u>\$14,479,121</u> | <u>\$15,169,834</u> | <u>\$12,055,621</u> | <u>\$12,487,430</u> | <u>\$13,266,185 (a)</u> |
| \$142,845,030 | \$91,946,949 | \$79,080,523 | | |
| 31,681,735 | 26,977,907 | 25,237,443 | | |
| 2,054,083 | 5,923,572 | 66,218,838 | | |
| | | | \$182,800 | \$121,865 |
| | | | 153,102,767 | 112,765,524 |
| | | | 383,968 | 267,919 |
| | | | 4,525,889 | 9,696,257 |
| | | | (980,085) | |
| <u>\$176,580,848</u> | <u>\$124,848,428</u> | <u>\$170,536,804</u> | <u>\$157,215,339</u> | <u>\$122,851,565 (a)</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, | | | | |
|--|----------------------------|----------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenues | | | | | |
| Taxes | \$19,902,642 | \$24,051,682 | \$28,064,714 | \$31,488,644 | \$37,519,811 |
| Licenses, permits and fees | 2,239,307 | 2,117,767 | 2,101,007 | 1,876,789 | 3,421,479 |
| Fines and forfeitures | 299,891 | 272,435 | 246,088 | 265,458 | 189,764 |
| Use of money and property | 2,701,760 | 1,237,990 | 1,992,315 | 4,748,065 | 7,074,383 |
| Revenue from other agencies | 8,163,279 | 8,032,506 | 8,930,535 | 13,689,426 | 15,910,594 |
| Charges for services | 12,079,900 | 12,347,427 | 14,260,891 | 26,472,384 | 27,309,138 |
| Other | 107,687 | 109,428 | 660,999 | 877,815 | 307,132 |
| Total Revenues | 45,494,466 | 48,169,235 | 56,256,549 | 79,418,581 | 91,732,301 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,805,873 | 2,376,883 | 2,658,200 | 2,873,724 | 3,379,358 |
| Community development | 3,163,133 | 3,400,600 | 3,256,415 | 8,083,105 | 7,239,389 |
| Public safety | 13,334,962 | 15,181,807 | 17,335,511 | 18,520,266 | 19,719,694 |
| Library | 138,763 | 134,911 | 139,410 | 127,646 | 141,817 |
| Public works | 3,235,730 | 3,549,259 | 3,614,271 | 3,203,484 | 4,226,997 |
| Parks and recreation | 3,157,634 | 3,568,477 | 3,984,346 | 4,390,584 | 4,665,686 |
| Streets and highways | 1,890,231 | 2,663,894 | 2,849,672 | 2,237,078 | 2,761,592 |
| Nondepartmental | 475,405 | 545,039 | 527,452 | 695,662 | 936,759 |
| Supplemental Educational Revenue | | | | | |
| Augmentation Fund payment | | | | | |
| Capital outlay | 8,032,525 | 16,020,421 | 20,265,542 | 50,548,786 | 27,925,988 |
| Debt service: | | | | | |
| Principal repayment | 5,020,140 | 363,456 | 415,958 | 1,132,576 | 1,060,081 |
| Interest and fiscal charges | 3,508,454 | 2,033,639 | 3,124,877 | 5,596,017 | 5,705,160 |
| Total Expenditures | 43,762,850 | 49,838,386 | 58,171,654 | 97,408,928 | 77,762,521 |
| Excess (deficiency) of revenues over (under) expenditures | 1,731,616 | (1,669,151) | (1,915,105) | (17,990,347) | 13,969,780 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 24,632,334 | 10,650,047 | 6,106,435 | 11,000,206 | 20,402,679 |
| Transfers (out) | (24,004,786) | (12,330,468) | (6,071,571) | (11,204,206) | (21,191,440) |
| Issuance of long-term debt | | 350,000 | 31,235,000 | 50,760,000 | 22,675,000 |
| Bond issuance premium | | | 217,653 | | 105,544 |
| Proceeds from capital lease obligations | | | | | |
| Proceeds from sale of property | | | 5,555,245 | | 1,123,028 |
| Proceeds from refunding bonds | 31,431,840 | | | | |
| Payment to escrow agent | (4,631,877) | | | (9,637,335) | |
| Extraordinary item | | | | | |
| Total other financing sources (uses) | 27,427,511 | (1,330,421) | 37,042,762 | 40,918,665 | 23,114,811 |
| Net Change in Fund Balances | \$29,159,127 | (\$2,999,572) | \$35,127,657 | \$22,928,318 | \$37,084,591 |
| Debt service as a percentage of noncapital expenditures | 24.2% | 5.1% | 6.5% | 7.4% | 9.5% |

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

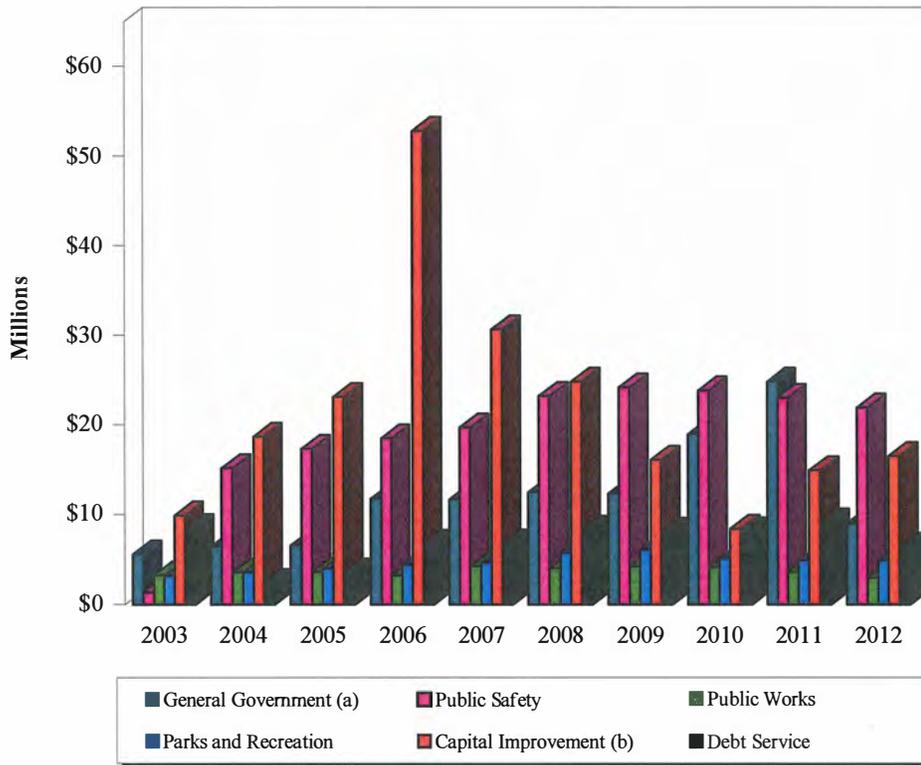
**CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



| Fiscal Year | Taxes | Licenses and Permits | Revenue From Other Agencies | Use of Money and Property | Charges for Services | Fines, Forfeits and Other Revenue | Total |
|--------------------|--------------|-----------------------------|------------------------------------|----------------------------------|-----------------------------|--|--------------|
| 2003 | \$19,902,642 | \$2,239,307 | \$8,163,279 | \$2,701,760 | \$12,079,900 | \$407,578 | \$45,494,466 |
| 2004 | 24,051,682 | 2,117,767 | 8,032,506 | 1,237,990 | 12,347,427 | 381,863 | 48,169,235 |
| 2005 | 28,064,714 | 2,101,007 | 8,930,535 | 1,992,315 | 14,260,891 | 907,087 | 56,256,549 |
| 2006 | 31,488,644 | 1,876,789 | 13,689,426 | 4,748,065 | 26,472,384 | 1,143,273 | 79,418,581 |
| 2007 | 37,519,811 | 3,421,479 | 15,910,594 | 7,074,383 | 27,309,138 | 496,896 | 91,732,301 |
| 2008 | 41,549,587 | 4,154,266 | 13,160,419 | 8,974,771 | 19,036,847 | 2,599,743 | 89,475,633 |
| 2009 | 40,802,726 | 2,018,165 | 7,173,063 | 5,833,346 | 12,260,805 | 827,964 | 68,916,069 |
| 2010 | 37,315,264 | 1,887,780 | 7,750,146 | 3,126,330 | 11,423,374 | 522,850 | 62,025,744 |
| 2011 | 37,885,239 | 4,550,326 | 10,792,463 | 1,851,487 | 10,379,307 | 405,695 | 65,864,517 |
| 2012 | 32,190,532 | 2,970,397 | 10,672,408 | 2,007,087 | 9,453,285 | 643,895 | 57,937,604 |

Source: City Operating Budget and City Annual Financial Report

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

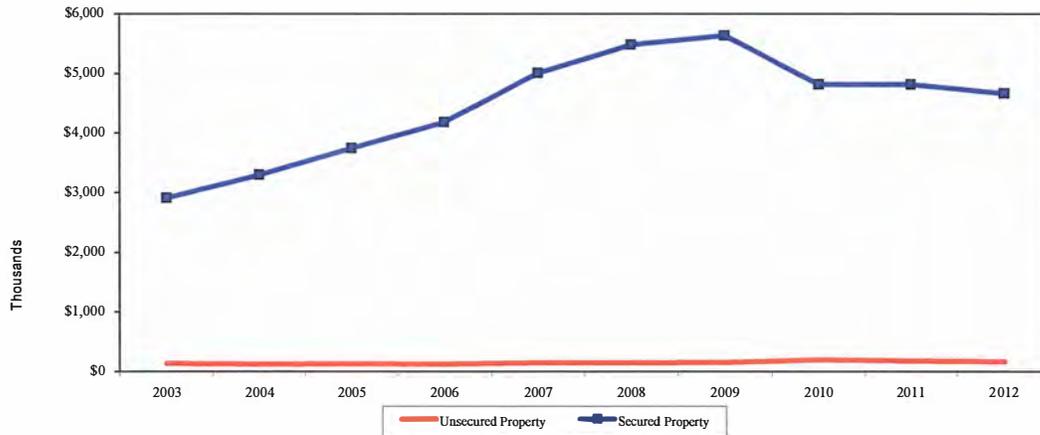


| <u>Fiscal Year</u> | <u>General Government (a)</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Parks and Recreation</u> | <u>Capital Improvement (b)</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|-------------------------------|----------------------|---------------------|-----------------------------|--------------------------------|---------------------|--------------|
| 2003 | \$5,583,174 | \$1,334,962 | \$3,235,730 | \$3,157,634 | \$9,922,756 | \$8,528,594 | \$31,762,850 |
| 2004 | 6,457,433 | 15,181,807 | 3,549,259 | 3,568,477 | 18,684,315 | 2,397,095 | 49,838,386 |
| 2005 | 6,581,477 | 17,335,511 | 3,614,271 | 3,984,346 | 23,115,214 | 3,540,835 | 58,171,654 |
| 2006 | 11,780,137 | 18,520,266 | 3,203,484 | 4,390,584 | 52,785,864 | 6,728,593 | 97,408,928 |
| 2007 | 11,697,323 | 19,719,694 | 4,226,997 | 4,665,686 | 30,687,580 | 6,765,241 | 77,762,521 |
| 2008 | 12,491,248 | 23,235,778 | 4,009,469 | 5,724,593 | 24,824,630 | 8,287,493 | 78,573,211 |
| 2009 | 12,341,990 | 24,182,106 | 4,214,766 | 6,090,427 | 16,101,765 | 8,083,523 | 71,014,577 |
| 2010 | 18,956,399 | 23,849,627 | 4,091,100 | 5,132,634 | 8,408,761 | 8,121,208 | 68,559,729 |
| 2011 | 24,806,571 | 23,015,102 | 3,636,835 | 4,864,431 | 14,928,738 | 9,104,501 | 80,356,178 |
| 2012 | 9,019,809 | 21,935,765 | 2,942,711 | 4,874,253 | 16,535,418 | 6,415,250 | 61,723,206 |

Source: City Operating Budget and City Annual Financial Report

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

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

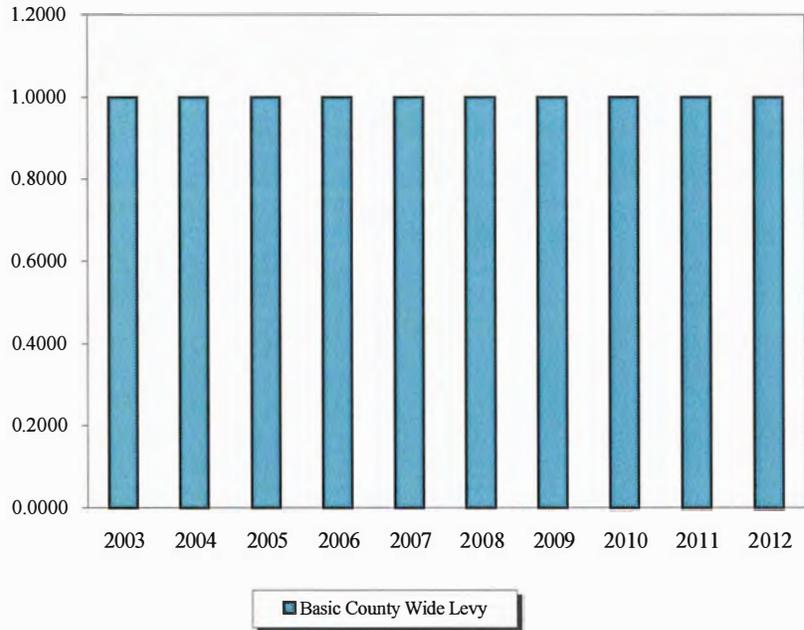


| Fiscal Year | Real Property | | | Total Real Secured Property | (Less) Exemption | Public Utility | Net Real Secured Property | Unsecured Property | Total Assessed (a) | Estimated Full Market (a) | Total Direct Tax Rate (b) |
|-------------|---------------|-----------------------|-------------------|-----------------------------|------------------|----------------|---------------------------|--------------------|--------------------|---------------------------|---------------------------|
| | Land Property | Improvements Property | Personal Property | | | | | | | | |
| 2003 | \$924,183 | \$1,936,170 | \$30,954 | \$2,891,307 | (\$121,588) | \$1,928 | \$2,771,647 | \$138,569 | \$2,910,216 | \$2,910,216 | 1% |
| 2004 | 1,041,976 | 2,222,753 | 31,965 | 3,296,694 | (127,764) | 517 | 3,169,447 | 128,369 | 3,297,816 | 3,297,816 | 1% |
| 2005 | 1,175,617 | 2,524,656 | 41,300 | 3,741,573 | (132,372) | 582 | 3,609,783 | 133,807 | 3,743,590 | 3,743,590 | 1% |
| 2006 | N/A - (c) | N/A - (c) | N/A - (c) | 4,124,085 | (70,227) | 560 | 4,054,419 | 126,201 | 4,180,619 | 4,180,619 | 1% |
| 2007 | 1,707,705 | 3,262,688 | 36,017 | 5,006,410 | (146,439) | 506 | 4,860,477 | 150,051 | 5,010,528 | 5,010,528 | 1% |
| 2008 | 1,917,266 | 3,534,131 | 40,493 | 5,491,890 | (157,668) | 256 | 5,334,478 | 147,614 | 5,482,092 | 5,482,092 | 1% |
| 2009 | 2,001,841 | 3,608,807 | 42,649 | 5,653,297 | (170,599) | 256 | 5,482,954 | 156,536 | 5,639,490 | 5,639,490 | 1% |
| 2010 | 1,430,392 | 3,308,837 | 51,643 | 4,790,872 | (173,630) | 1,536 | 4,618,778 | 198,248 | 4,817,026 | 4,817,026 | 1% |
| 2011 | 1,360,034 | 3,328,133 | 50,012 | 4,738,179 | (107,194) | 1,536 | 4,632,521 | 182,398 | 4,814,919 | 4,814,919 | 1% |
| 2012 | 1,299,952 | 3,226,791 | 41,833 | 4,568,576 | (70,806) | 1,531 | 4,499,301 | 169,664 | 4,668,965 | 4,668,965 | 1% |

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

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Manteca encompasses more than 15 tax rate areas.
- (c) San Joaquin County did not provide individual breakdown of the Real Property for fiscal year 2006.

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



| <u>Fiscal Year</u> | <u>Basic County Wide Levy</u> | <u>Total</u> |
|--------------------|-------------------------------|--------------|
| 2003 | 1.0000 | 1.0000 |
| 2004 | 1.0000 | 1.0000 |
| 2005 | 1.0000 | 1.0000 |
| 2006 | 1.0000 | 1.0000 |
| 2007 | 1.0000 | 1.0000 |
| 2008 | 1.0000 | 1.0000 |
| 2009 | 1.0000 | 1.0000 |
| 2010 | 1.0000 | 1.0000 |
| 2011 | 1.0000 | 1.0000 |
| 2012 | 1.0000 | 1.0000 |

Source: San Joaquin County Assessors Office

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

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

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

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

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

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

Source: California Municipal Statistics, Inc

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

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

Source: California Municipal Statistics, Inc

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

| | | 2011-12 Total Local Secured Assessed Valuation 2005 Merged Project Amended Area | | |
|--|--------------------------|---|----------------------------------|-------------------------------------|
| Property Owner | Primary Land Use | 2011-12 Assessed Valuation | 2011-12 Assessed Valuation | % of Total Assessed Valuation |
| 1 Gasspecs Inc. | Service Station | \$3,591,833 | \$17,110,970 | 20.99 |
| 2 Kelly Mah | Commercial Land | 870,384 | | 5.09 |
| 3 Major Singh Brar | Commercial Land | 750,000 | | 4.38 |
| 4 Chattarpal S. Pabla | Multi-Family Residential | 717,250 | | 4.19 |
| 5 David L. Peters | Truck Terminals | 601,967 | | 3.52 |
| 6 Jagmohan S. and Jaspinder K. Kailey | Residential | 591,991 | | 3.46 |
| 7 Jose Rene Diaz | Commercial Land | 549,264 | | 3.21 |
| 8 Jasvir Singh | Light Industrial | 510,280 | | 2.98 |
| 9 Makhan Singh Sandhu | Commercial Land | 323,217 | | 1.89 |
| 10 Dale A. and April D. Matts | Residential | 312,780 | | 1.83 |
| 11 Natalyn J. and Thomas E. Bergman, Jr. | Residential | 275,000 | | 1.61 |
| 12 John N. and Galatia Aretakis | Residential | 272,033 | | 1.59 |
| 13 Shiv D. and Sarla R. Kumar | Residential | 271,884 | | 1.59 |
| 14 Loan Anh Nguyen | Commercial | 270,505 | | 1.58 |
| 15 Robert E. and Gail A. Dorris | Residential | 268,191 | | 1.57 |
| 16 Roger O. Beugre | Residential | 265,000 | | 1.55 |
| 17 R.D. and Maggie Voyer | Residential | 251,164 | | 1.47 |
| 18 Guadalupe and Eva Anaya | Residential | 244,286 | | 1.43 |
| 19 Robert L. and Dorthy F. Mack | Residential | 238,218 | | 1.39 |
| 20 Amar and Kaushalya Singh | Multi-Family Residential | 236,209 | | 1.38 |
| | | <u>\$11,411,456</u> | | <u>66.69%</u> |

Source: California Municipal Statistics, Inc

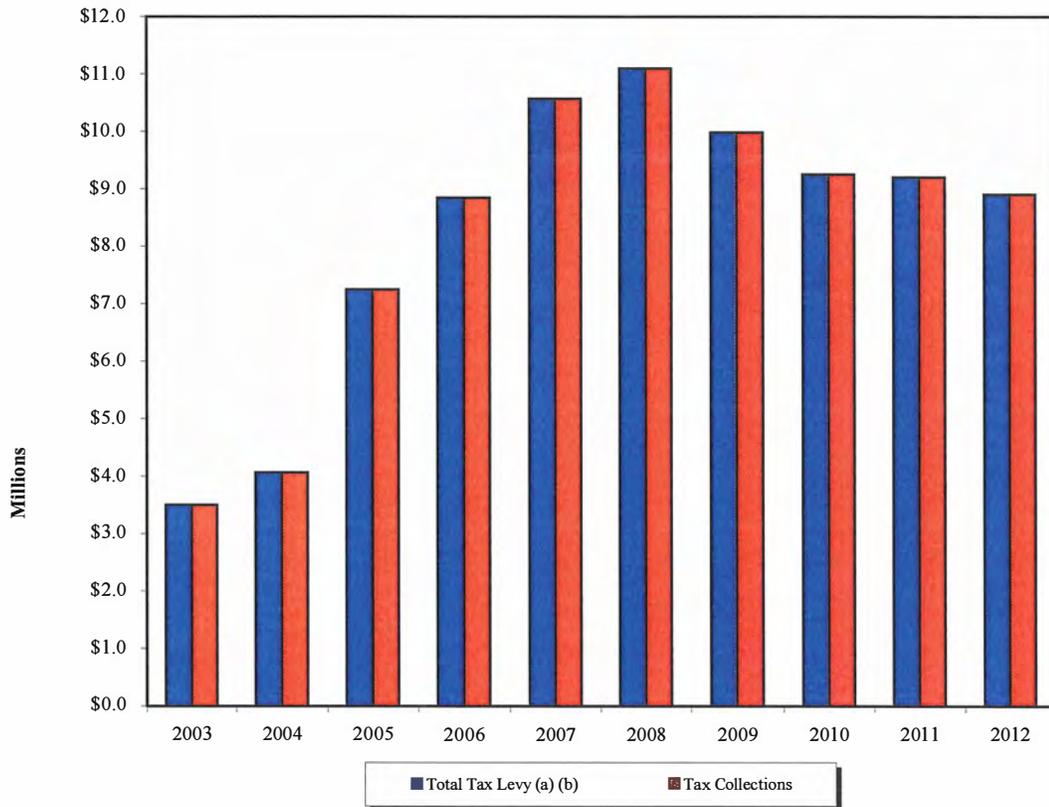
**CITY OF MANTECA
 MANTECA REDEVELOPMENT MERGED PROJECT AREA
 TOP TWENTY ASSESSED VALUES
 June 30, 2012**

2011-12 Total Local Secured
 Assessed Valuation \$153,830,920
 2004 Amended Area

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

Source: California Municipal Statistics, Inc

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



| <u>Fiscal Year</u> | <u>Total Tax Levy (a) (b)</u> | <u>Current Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Percent of Total Tax Collections to Tax Levy</u> |
|--------------------|-------------------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|---|
| 2003 | \$3,499,543 | \$3,499,543 | 100.00% | \$0 | \$3,499,543 | 100.00% |
| 2004 | 4,066,347 | 4,066,347 | 100.00% | 0 | 4,066,347 | 100.00% |
| 2005 | 7,248,789 | 7,248,789 | 100.00% | 0 | 7,248,789 | 100.00% |
| 2006 | 8,840,647 | 8,840,647 | 100.00% | 0 | 8,840,647 | 100.00% |
| 2007 | 10,566,237 | 10,566,237 | 100.00% | 0 | 10,566,237 | 100.00% |
| 2008 | 11,100,442 | 11,100,442 | 100.00% | 0 | 11,100,442 | 100.00% |
| 2009 | 9,979,476 | 9,979,476 | 100.00% | 0 | 9,979,476 | 100.00% |
| 2010 | 9,253,641 | 9,253,641 | 100.00% | 0 | 9,253,641 | 100.00% |
| 2011 | 9,200,379 | 9,200,379 | 100.00% | 0 | 9,200,379 | 100.00% |
| 2012 | 8,901,066 | 8,901,066 | 100.00% | 0 | 8,901,066 | 100.00% |

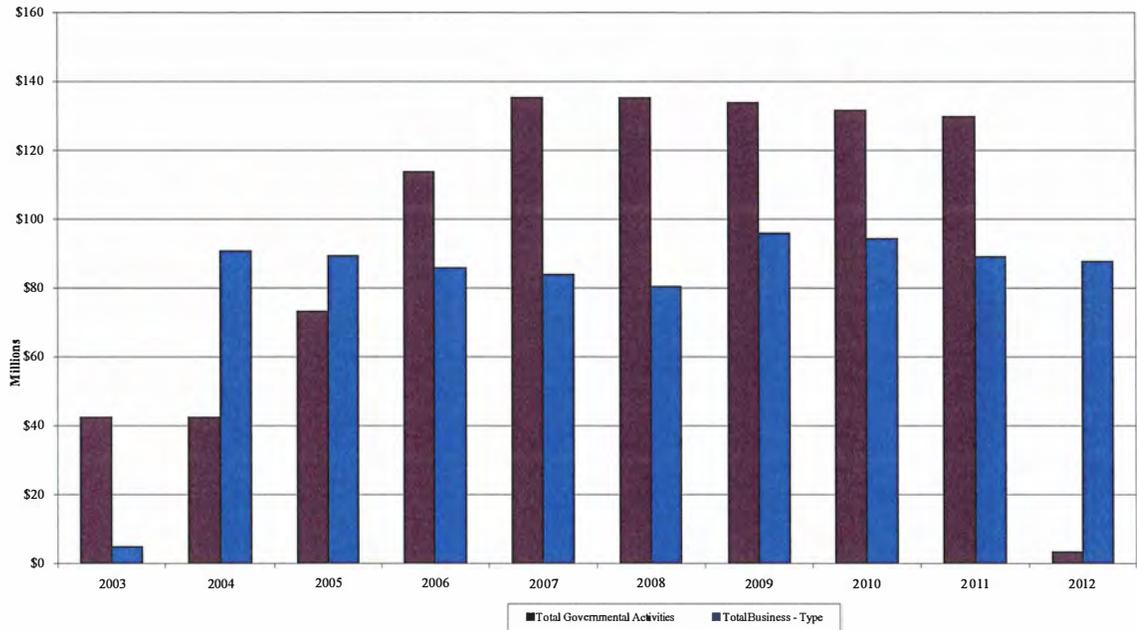
Source: City of Manteca Records

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

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

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

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



| Governmental Activities | | | | | | | | | |
|--------------------------------|----------------------|----------------|-------------------------------------|---------------------------------|-----------------|-------------|--------------------------|-----------------------------------|----------------|
| Fiscal Year | Tax Allocation Bonds | Capital Leases | Energy Conservation Assistance Loan | Installment Purchase Obligation | Loan Payable | Total | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
| | 2003 | \$40,150,000 | \$858,534 | \$207,432 | \$1,219,457 | | | | |
| 2004 | 40,065,000 | 1,113,274 | 180,392 | 1,040,070 | | 42,398,736 | 133,020,929 | 8.73% | 2,228 |
| 2005 | 71,210,000 | 980,615 | 152,519 | 874,644 | | 73,217,778 | 162,456,409 | 10.02% | 2,623 |
| 2006 | 112,030,000 | 841,996 | 123,804 | 699,402 | | 113,695,202 | 199,429,306 | 11.48% | 3,131 |
| 2007 | 134,005,000 | 697,143 | 94,220 | 513,758 | | 135,310,121 | 219,163,345 | 13.65% | 3,368 |
| 2008 | 133,280,000 | 1,536,029 | 63,747 | 317,097 | | 135,196,873 | 215,492,560 | N/A -- (b) | 3,243 |
| 2009 | 131,790,000 | 1,895,292 | 32,350 | 108,758 | | 133,826,400 | 229,657,290 | N/A -- (b) | 3,390 |
| 2010 | 130,010,000 | 1,574,840 | | | | 131,584,840 | 225,808,331 | 10.52% | 3,280 |
| 2011 | 127,555,000 | 2,186,020 | | | | 129,741,020 | 218,751,139 | 10.29% | 3,198 |
| 2012 | (c) | 1,632,972 | | | \$1,700,000 (d) | 3,332,972 | 90,914,622 | 4.24% | 1,302 |

| Business-Type Activities | | | | | | |
|---------------------------------|---------------------|---------------------|-------------------------------|----------------|---------------------|------------|
| Fiscal Year | Water Revenue Bonds | Sewer Revenue Bonds | Energy Conservation Asst Loan | Capital Leases | Lease Revenue Bonds | Total |
| | 2003 | | \$610,000 | \$2,346,984 | \$569,260 | |
| 2004 | \$43,325,000 | 43,520,000 | 2,124,698 | 527,495 | 1,125,000 | 90,622,193 |
| 2005 | 43,325,000 | 42,620,000 | 1,840,144 | 483,487 | 970,000 | 89,238,631 |
| 2006 | 43,325,000 | 39,620,000 | 1,546,989 | 437,115 | 805,000 | 85,734,104 |
| 2007 | 43,325,000 | 38,270,000 | 1,244,973 | 388,251 | 625,000 | 83,853,224 |
| 2008 | 43,325,000 | 35,270,000 | 933,919 | 336,768 | 430,000 | 80,295,687 |
| 2009 | 43,075,000 | 51,635,000 | 613,373 | 282,517 | 225,000 | 95,830,890 |
| 2010 | 42,715,000 | 51,000,000 | 283,139 | 225,352 | | 94,223,491 |
| 2011 | 42,235,000 | 46,610,000 | | 165,119 | | 89,010,119 |
| 2012 | 41,625,000 | 45,855,000 | | 101,650 | | 87,581,650 |

Sources: City of Manteca
State of California, Department of Finance (population)
Bureau of Economic Analysis

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.
(a) See Demographic Statistics for personal income and population data.
(b) Personal Income information not available for fiscal years 2008 and 2009.
(c) Due to the dissolution of the Redevelopment Agency as of January 31, 2012, the Tax Allocation Bonds are no longer a governmental commitment. See Note 16D
(d) Due to the dissolution of the Redevelopment Agency the City's previous advance with the Agency becomes a loan payable to the Successor Agency. See Note 8E

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

| Fiscal Year | General Bonded Debt Outstanding | | Percentage of Actual Taxable Value of Property | Per Capita |
|--------------------|--|--------------|---|-------------------|
| | Tax Allocation Bonds | Total | | |
| 2003 | \$40,150,000 | \$40,150,000 | 1.38% | 701.92 |
| 2004 | 40,065,000 | 40,065,000 | 1.21% | 671.11 |
| 2005 | 71,210,000 | 71,210,000 | 1.90% | 1,149.90 |
| 2006 | 112,030,000 | 112,030,000 | 2.68% | 1,758.63 |
| 2007 | 134,005,000 | 134,005,000 | 2.67% | 2,059.21 |
| 2008 | 133,280,000 | 133,280,000 | 2.43% | 2,005.69 |
| 2009 | 131,790,000 | 131,790,000 | 2.34% | 1,945.13 |
| 2010 | 130,100,000 | 130,010,000 | 2.70% | 1,888.39 |
| 2011 | 127,555,000 | 127,555,000 | 2.65% | 1,852.73 |
| 2012 | (a) | (a) | (a) | (a) |

Note: (a) Due to the dissolution of the Redevelopment Agency as of January 31, 2012, the Tax Allocation Bonds are no longer a governmental commitment. See Note 16D.

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

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

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

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

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

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

Source: California Municipal Statistics

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

ASSESSED VALUATION:

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

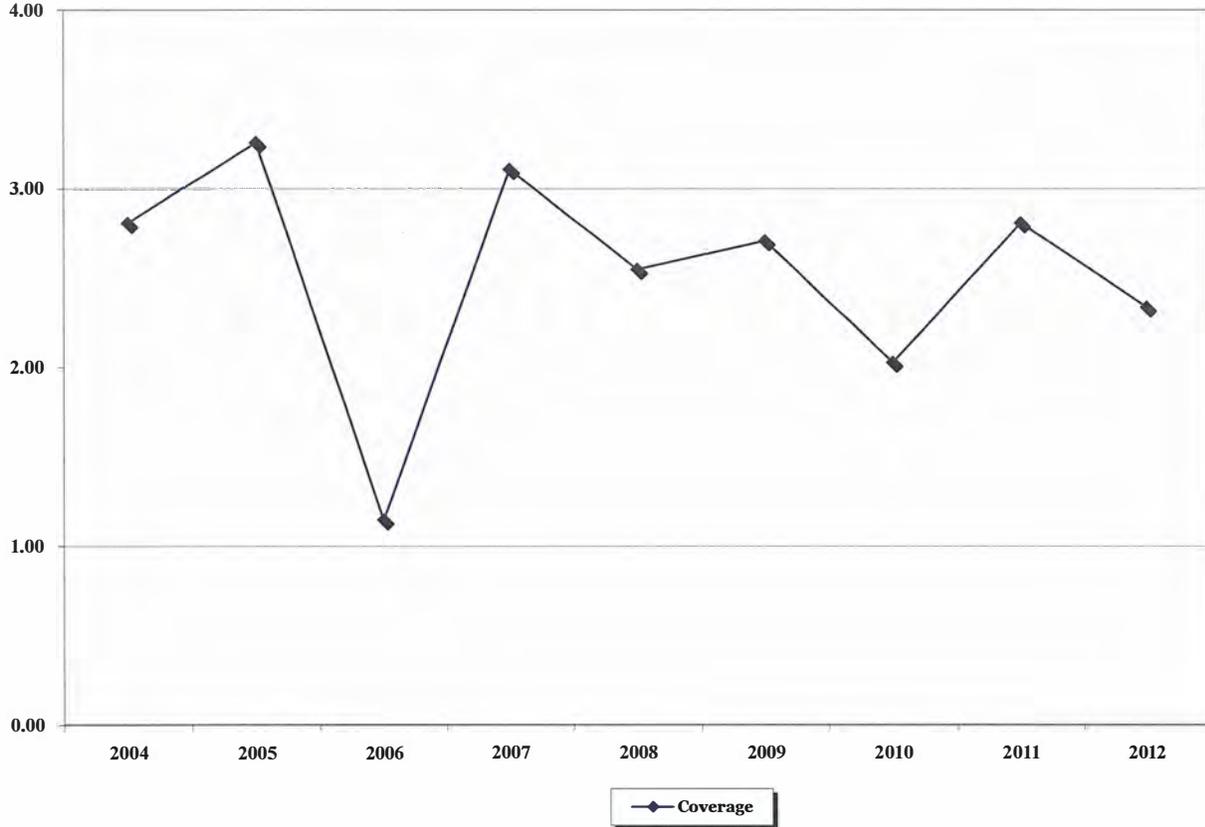
BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) \$706,125,659

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

LEGAL BONDED DEBT MARGIN \$706,125,659

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|----------------|---------------|--|-------------------------|---|
| 2003 | \$454,770,481 | \$0 | \$454,770,481 | 0.00% |
| 2004 | 513,837,061 | 0 | 513,837,061 | 0.00% |
| 2005 | 571,970,817 | 0 | 571,970,817 | 0.00% |
| 2006 | 627,103,434 | 0 | 627,103,434 | 0.00% |
| 2007 | 762,126,321 | 0 | 762,126,321 | 0.00% |
| 2008 | 832,768,720 | 0 | 832,768,720 | 0.00% |
| 2009 | 857,806,271 | 0 | 857,806,271 | 0.00% |
| 2010 | 733,010,861 | 0 | 733,010,861 | 0.00% |
| 2011 | 732,757,271 | 0 | 732,757,271 | 0.00% |
| 2012 | 706,125,659 | 0 | 706,125,659 | 0.00% |

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

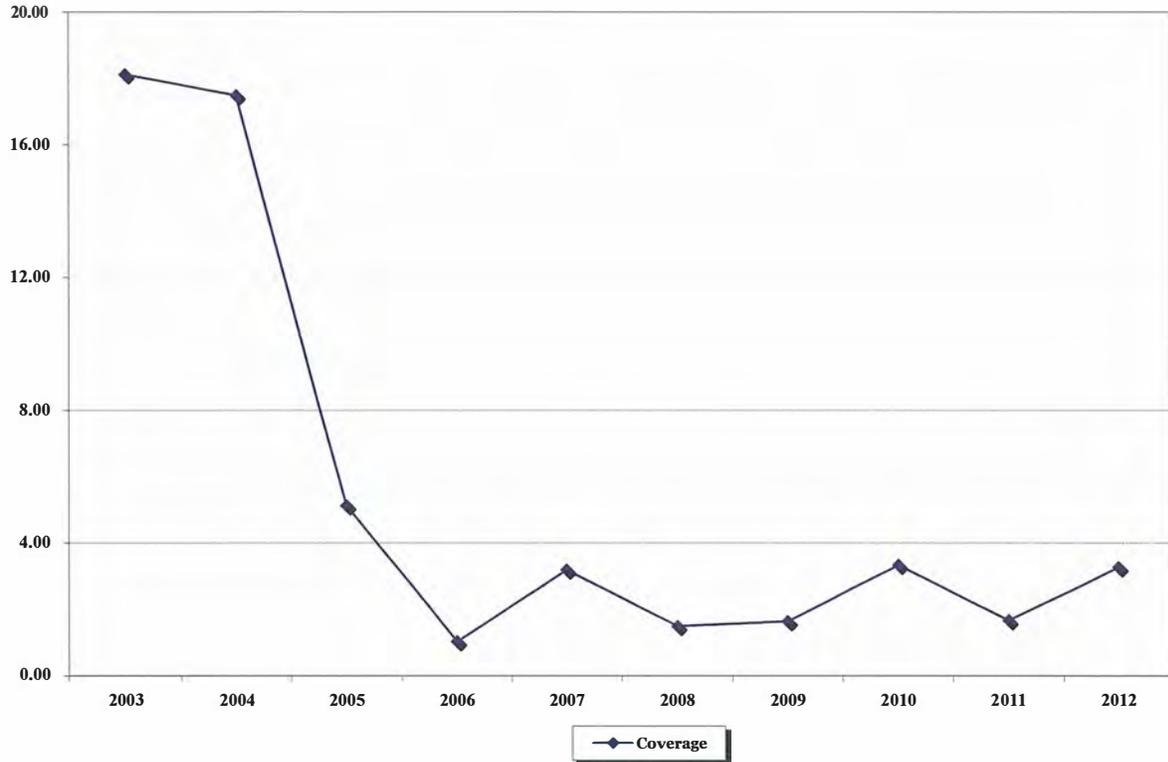


| Fiscal Year (a) | Gross Revenue | Operating Expenses | Depreciation Non-Operating Revenues/Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-----------------|---------------|--------------------|--|--|---------------------------|-------------|-------------|----------|
| | | | | | Principal | Interest | Total | |
| 2004 | \$10,503,016 | (\$4,376,643) | \$1,326,099 | \$5,478,936 | \$0 | \$1,948,696 | \$1,948,696 | 2.81 |
| 2005 | 11,518,311 | (4,677,420) | 1,516,678 | 6,378,273 | 0 | 1,954,124 | 1,954,124 | 3.26 |
| 2006 | 12,035,781 | (8,677,112) | 3,449,835 | 2,256,878 | 0 | 1,954,124 | 1,954,124 | 1.15 |
| 2007 | 15,089,500 | (8,741,374) | 4,320,806 | 6,073,277 | 0 | 1,954,124 | 1,954,124 | 3.11 |
| 2008 | 14,937,151 | (10,319,992) | 5,018,595 | 4,976,155 | 0 | 1,954,124 | 1,954,124 | 2.55 |
| 2009 | 13,557,178 | (10,695,624) | 5,083,707 | 5,973,520 | 250,000 | 1,951,624 | 2,201,624 | 2.71 |
| 2010 | 13,360,391 | (11,265,725) | 4,536,161 | 4,670,375 | 360,000 | 1,945,164 | 2,305,164 | 2.03 |
| 2011 | 13,917,366 | (11,006,351) | 3,863,597 | 6,774,612 | 480,000 | 1,934,964 | 2,414,964 | 2.81 |
| 2012 | 13,285,244 | (11,395,400) | 4,029,951 | 5,919,795 | 610,000 | 1,920,336 | 2,530,336 | 2.34 |

Source: City of Manteca Annual Financial Statements

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

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

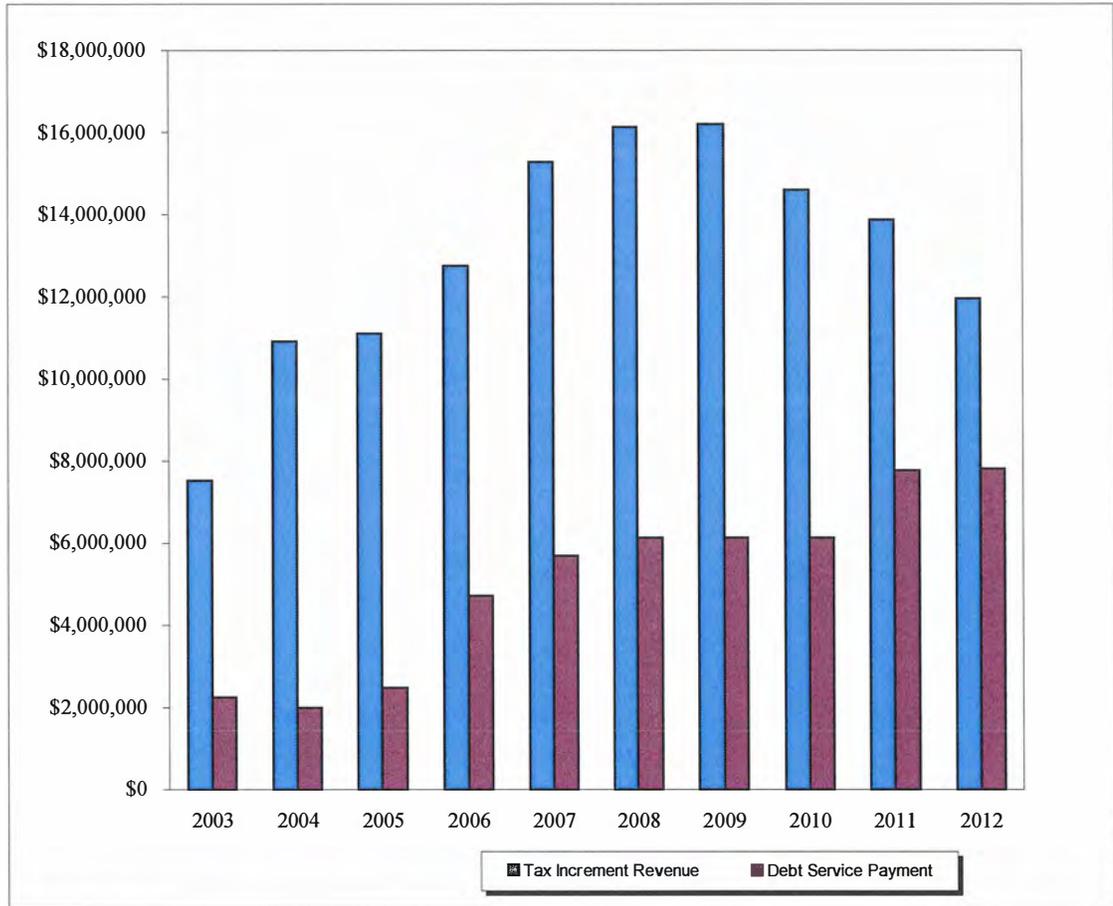


| Fiscal Year | Operating Revenue | Operating Expenses | Depreciation Non-Operating Revenues/Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|-------------------|--------------------|--|--|---------------------------|-----------|-----------|----------|
| | | | | | Principal | Interest | Total | |
| 2003 | \$7,223,412 | (\$4,812,347) | \$1,691,349 | \$4,102,414 | \$275,000 | \$53,073 | \$328,073 | 18.12 |
| 2004 | 11,722,876 | (6,297,363) | 1,711,297 | 7,136,810 | 300,000 | 27,838 | 327,838 | 17.49 |
| 2005 | 16,804,236 | (6,640,793) | 2,556,130 | 12,719,573 | 900,000 | 2,046,686 | 2,946,686 | 5.13 |
| 2006 | 14,673,053 | (8,180,861) | 2,984,841 | 9,477,033 | 3,000,000 (a) | 2,069,162 | 5,069,162 | 1.04 |
| 2007 | 19,304,123 | (8,550,499) | 3,424,659 | 14,178,283 | 1,350,000 (a) | 1,817,936 | 3,167,936 | 3.20 |
| 2008 | 16,146,875 | (8,697,328) | 2,983,352 | 10,432,899 | 3,000,000 (a) | 1,709,186 | 4,709,186 | 1.50 |
| 2009 | 15,096,533 | (8,964,273) | 3,001,273 | 9,133,533 | 2,635,000 (a) | 1,631,425 | 4,266,425 | 1.65 |
| 2010 | 16,341,765 | (9,779,294) | 2,314,244 | 8,876,715 | 635,000 | 2,026,531 | 2,661,531 | 3.34 |
| 2011 | 19,047,755 | (10,500,075) | 3,010,880 | 11,558,560 | 4,390,000 (a) | 2,474,759 | 6,864,759 | 1.68 |
| 2012 | 17,506,803 | (10,638,966) | 3,253,372 | 10,121,209 | 755,000 | 2,331,779 | 3,086,779 | 3.28 |

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

Source: City of Manteca Annual Financial Statements

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



| Fiscal Year | Tax Increment Revenue | Debt Service Requirements | | | Coverage |
|-------------|-----------------------|---------------------------|---------------|-------------|----------|
| | | Principal | Interest (c) | Total | |
| 2003 | \$7,519,404 | \$75,000 | \$2,171,358 | \$2,246,358 | 3.35 |
| 2004 | 10,913,498 | 85,000 | 1,902,735 | 1,987,735 | 5.49 |
| 2005 | 11,107,845 | 90,000 | 2,383,913 | 2,473,913 | 4.49 |
| 2006 | 12,755,182 | 790,000 | 3,922,390 | 4,712,390 | 2.71 |
| 2007 | 15,279,472 | 700,000 | 4,987,665 | 5,687,665 | 2.69 |
| 2008 | 16,127,574 | 725,000 | 5,407,366 | 6,132,366 | 2.63 |
| 2009 | 16,194,009 | 1,490,000 | 5,505,410 | 6,132,366 | 2.64 |
| 2010 | 14,594,745 | 1,780,000 | 5,400,564 | 6,132,366 | 2.38 |
| 2011 | 13,866,378 | 2,455,000 | 5,311,074 | 7,766,074 | 1.79 |
| 2012 | 11,953,924 (a) (b) | 2,540,000 (a) | 5,265,299 (a) | 7,805,299 | 1.53 |

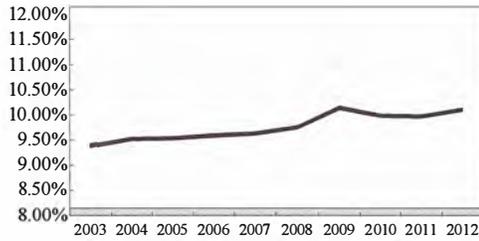
Note: (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(b) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

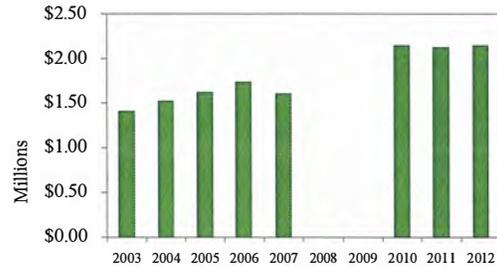
(c) Excludes the letter of credit and remarketing fees on the 2005 Tax Allocation Bonds.

Source: City of Manteca Annual Financial Statements

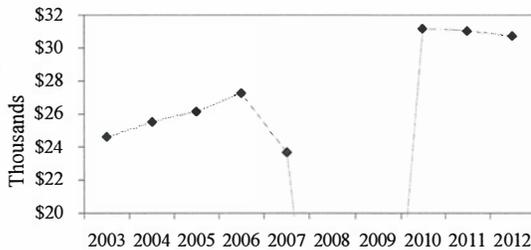
CITY OF MANTECA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



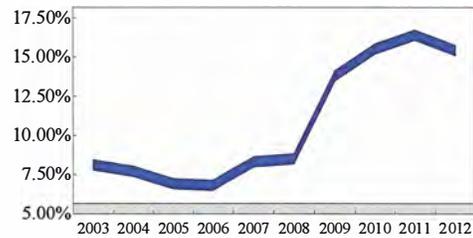
■ City Population as a % of County Population



■ Personal Income (in thousands)



◆ Per Capita Personal Income



■ Unemployment Rate (%)

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

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

^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 FIVE YEARS AGO**

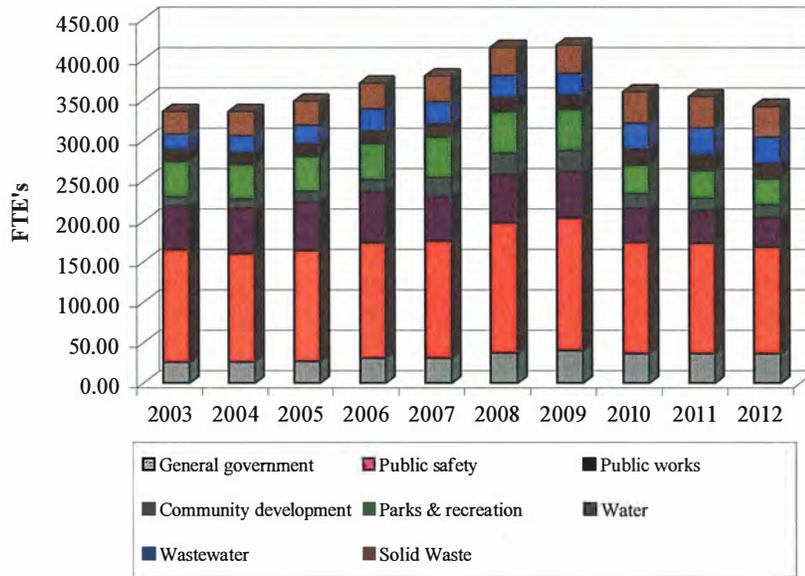
| <u>Employer</u> | <u>2011-12</u> | | | <u>2006-07</u> | | |
|--|----------------------------|-------------|--|--------------------------------|-------------|--|
| | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>(a) Number of Employees</u> | <u>Rank</u> |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

Source: City of Manteca Community Development Department

Notes: Data not available for historical trend

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

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



| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Function | | | | | | | | | | |
| General government | 25.50 | 25.75 | 26.75 | 30.75 | 30.75 | 37.00 | 40.00 | 36.00 | 36.00 | 36.00 |
| Public safety | 139.00 | 134.00 | 137.00 | 143.00 | 145.00 | 161.00 | 164.00 | 138.00 | 137.00 | 132.00 |
| Public works | 54.00 | 56.00 | 60.00 | 63.00 | 55.00 | 60.00 | 58.00 | 42.00 | 40.00 | 37.00 |
| Community development | 11.00 | 11.00 | 13.00 | 14.00 | 23.00 | 26.00 | 25.00 | 18.00 | 15.00 | 15.00 |
| Parks & recreation | 44.00 | 43.00 | 43.00 | 45.00 | 50.00 | 51.00 | 51.00 | 35.00 | 34.00 | 32.00 |
| Water | 15.00 | 15.00 | 16.00 | 16.00 | 17.00 | 18.00 | 18.00 | 20.00 | 20.00 | 20.00 |
| Wastewater | 19.00 | 21.00 | 23.00 | 27.00 | 27.00 | 27.00 | 27.00 | 32.00 | 33.00 | 32.00 |
| Solid Waste | 28.00 | 29.75 | 29.75 | 32.00 | 32.00 | 35.00 | 35.00 | 39.00 | 39.00 | 38.00 |
| Total | <u><u>335.50</u></u> | <u><u>335.50</u></u> | <u><u>348.50</u></u> | <u><u>370.75</u></u> | <u><u>379.75</u></u> | <u><u>415.00</u></u> | <u><u>418.00</u></u> | <u><u>360.00</u></u> | <u><u>354.00</u></u> | <u><u>342.00</u></u> |

Source: City of Manteca Budget Document

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

| | Fiscal Year | | | | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Population | | | | | |
| Citizens | 57,200 | 59,700 | 61,927 | 63,703 | 65,076 |
| Date of Incorporation | May 28, 1918 |
| Form of Government | Council/Manager | Council/Manager | Council/Manager | Council/Manager | Council/Manager |
| Area | 16.05 Sq Miles | 16.13 Sq Miles | 16.19 Sq. Miles | 16.19 Sq. Miles | 17.7 Sq Miles |
| Registered Voters | 21,579 | 23,788 | 25,575 | 25,209 | 24,843 |
| Taxable Sales | 589,162,700 | 635,916,900 | 698,218,600 | 759,729,900 | 756,216,800 |
| Building Permits Issued | 2,345 | 2,300 | 2,259 | 2,302 | 2,596 |
| Employees from Budget Document | 336 | 336 | 348 | 370 | 380 |
| Fire Protection | | | | | |
| Number of Stations | 3 | 3 | 3 | 3 | 3 |
| Number of Reserve Personnel | 20 | 12 | 21 | 15 | 14 |
| Number of Sworn Fire Personnel * | 30 | 30 | 30 | 30 | 36 |
| Number of Calls Answered | 4,044 | 4,126 | 4,203 | n/a | n/a |
| Police Protection | | | | | |
| Number of Stations | 1 | 1 | 1 | 1 | 1 |
| Number of Police Officers | 68 | 68 | 68 | 72 | 73 |
| Number of Volunteers | 112 | 123 | 119 | 114 | 69 |
| Number of Support Personnel | 27 | 29 | 28 | 28 | 30 |
| Number of Calls Answered | 35,820 | 37,251 | 39,282 | 39,435 | 38,763 |
| Parks & Recreation | | | | | |
| Park Sites | 41 | 41 | 45 | 46 | 46 |
| Acres of Parks | 273 | 273 | 266 | 275 | 275 |
| Senior Centers | 1 | 1 | 1 | 1 | 1 |
| Swimming Pools | 1 | 1 | 1 | 1 | 1 |
| Tennis Courts | 8 | 8 | 8 | 8 | 8 |
| Number of Park/Golf Trees | 6,873 | 6,873 | 6,873 | 6,925 | 7,320 |
| Number of Street Trees | 5,288 | 5,288 | 7,000 | 8,438 | 8,629 |
| Acres of Golf Course | 122 | 122 | 122 | 122 | 122 |
| Public Libraries | 1 | 1 | 1 | 1 | 1 |
| Landscape Maintenance Districts | 14 | 14 | 14 | 14 | 21 |
| Benefit Area District | | | | | 2 |
| Public Works | | | | | |
| Miles of Streets | 171 | 179 | 180 | 184 | 186 |
| Number of Street Lights | 3,134 | 3,314 | 3,314 | 3,800 | 4,300 |
| Water Utility | | | | | |
| Number of Meters | 16,037 | 16,687 | 17,199 | 17,428 | 21,950 |
| Miles of Water Mains | 168 | 214 | 212 | 279 | 251 |
| Average Daily Consumptions (Gal) | 10,597,002 | 11,542,356 | 10,493,809 | 11.96 MGD | 13.7 MGD |
| Wastewater | | | | | |
| Number of Connections | 20,043 | 20,556 | 21,248 | 21,383 | 21,967 |
| Miles of Sewer Lines | 168 | 163 | 169 | 250 | 209 |
| Number of Treatment Plants | 1 | 1 | 1 | 1 | 1 |
| Average Daily Treatment | 6.0 MGD | 6.27 MGD | 6.07 MGD | 6.50 MGD | 6.28 MGD |
| Treatment Capacity | 6.95 MGD | 8.11 MGD | 7.50 MGD | 8.11 MGD | 8.11 MGD |
| Solid Waste | | | | | |
| Number of Accounts | 15,866 | 16,442 | 17,073 | 17,310 | 17,630 |
| Education | | | | | |
| Elementary Schools | 17 | 17 | 19 | 19 | 21 |
| High Schools | 4 | 4 | 4 | 4 | 6 |
| Adult Education | 1 | 1 | 1 | 4 | 2 |
| Teachers | 1,031 | 1,144 | 1,133 | 1,132 | 1,236 |
| Elementary Classrooms | 851 | 821 | 869 | 869 | 939 |
| High School Classrooms | 259 | 291 | 304 | 330 | 331 |
| Adult Education Classrooms | 36 | 27 | 27 | 37 | 37 |
| Current Enrollment | 21,067 | 23,409 | 23,805 | 23,393 | 23,506 |

Source: City of Manteca Budget Document
Manteca Fire Department Annual Report
Various Manteca Unified School District Records
City of Manteca

Note: n/a denotes information not available.

* Includes the Fire Department's Chief Officers

| | Fiscal Year | | | | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Population | | | | | |
| Citizens | 66,451 | 67,754 | 68,847 | 68,410 | 69,815 |
| Date of Incorporation | May 28, 1918 |
| Form of Government | Council/Manager | Council/Manager | Council/Manager | Council/Manager | Council/Manager |
| Area | 17.52 Sq Miles | 17.7 Sq Miles | 17.9 Sq Miles | 20.1 Sq Miles | 20.61 Sq Miles |
| Registered Voters | 24,954 | 26,500 | 26,922 | 27,562 | 27,999 |
| Taxable Sales | 729,782,700 | 679,545,400 | 684,299,100 | 733,739,500 | 770,125,800 |
| Building Permits Issued | 1,816 | 1,459 | 1,843 | 1,675 | 1,783 |
| Employees from Budget Document | 415 | 418 | 360 | 354 | 342 |
| Fire Protection | | | | | |
| Number of Stations | 3 | 3 | 3 | 3 | 3 |
| Number of Reserve Personnel | 20 | 11 | 20 | 20 | 12 |
| Number of Sworn Fire Personnel | 42 | 43 | 42 | 41 | 39 |
| Number of Calls Answered | 4,589 | 4,823 | 4,787 | 4,800 | 5,448 |
| Police Protection | | | | | |
| Number of Stations | 1 | 1 | 1 | 1 | 1 |
| Number of Police Officers | 80 | 83 | 59 | 58 | 63 |
| Number of Volunteers | 74 | 153 | 100 | 211 | 102 |
| Number of Support Personnel | 33 | 36 | 26 | 28 | 21 |
| Number of Calls Answered | 37,122 | 37,345 | 35,902 | 35,331 | 32,964 |
| Parks & Recreation | | | | | |
| Park Sites | 47 | 47 | 52 | 53 | 53 |
| Acres of Parks | 326 | 335 | 335 | 335 | 329 |
| Senior Centers | 1 | 1 | 1 | 1 | 1 |
| Swimming Pools | 1 | 2 | 2 | 2 | 2 |
| Tennis Courts | 8 | 8 | 8 | 8 | 8 |
| Number of Park/Golf Trees | 7,596 | 7,600 | 7,320 | 7,320 | 7,320 |
| Number of Street Trees | 8,801 | 8,801 | 10,680 | 10,680 | 10,680 |
| Acres of Golf Course | 111 | 111 | 111 | 111 | 111 |
| Public Libraries | 1 | 1 | 1 | 1 | 1 |
| Landscape Maintenance Districts | 21 | 24 | 23 | 23 | 24 |
| Benefit Area District | 2 | 2 | 4 | 4 | 4 |
| Public Works | | | | | |
| Miles of Streets | 193 | 197 | 197 | 197 | 222 |
| Number of Street Lights | 4,800 | 4,800 | 4,800 | 4,800 | 4,681 |
| Water Utility | | | | | |
| Number of Meters | 22,172 | 19,800 | 19,700 | 20,071 | 20,338 |
| Miles of Water Mains | 254 | 244 | 236 | 257 | 258 |
| Average Daily Consumptions (Gal) | 13.82 MGD | 12.62 MGD | 12.68 MGD | 11.83 MGD | 11.83 MGD |
| Wastewater | | | | | |
| Number of Connections | 22,212 | 22,461 | 23,053 | | 23,738 |
| Miles of Sewer Lines | 184 | 184 | 184 | 184 | 223 |
| Number of Treatment Plants | 1 | 1 | 1 | 1 | 1 |
| Average Daily Treatment | 5.95MGD | 6.2 MGD | 6.2 MGD | 6.18MGD | 5.98MGD |
| Treatment Capacity | 9.87 MGD | 9.87 MGD | 9.87 MGD | 9.87MGD | 9.87MGD |
| Solid Waste | | | | | |
| Number of Accounts | 17,799 | 18,262 | 18,765 | 19,400 | 23,397 |
| Education | | | | | |
| Elementary Schools | 20 | 23 | 23 | 24 | 20 |
| High Schools | 7 | 4 | 5 | 8 | 5 |
| Adult Education | 2 | 1 | 1 | 1 | 1 |
| Teachers | 1,157 | 1,012 | 989 | 953 | 934 |
| Elementary Classrooms | 934 | 900 | 895 | 900 | 903 |
| High School Classrooms | 330 | 390 | 375 | 390 | 464 |
| Adult Education Classrooms | 27 | 47 | 27 | 47 | 10 |
| Current Enrollment | 23,003 | 22,900 | 22,796 | 23,283 | 23,325 |

Source: City of Manteca Budget Document
Manteca Fire Department Annual Report
Various Manteca Unified School District Records
City of Manteca

Note: n/a denotes information not available.

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

| | <u>Limit Amount of Policy¹</u> |
|----------------------------------|---|
| City Manager | \$1,000,000 |
| Deputy City Manager | 1,000,000 |
| City Attorney | 1,000,000 |
| City Clerk | 1,000,000 |
| City Treasurer | 1,000,000 |
| Public Works Director | 1,000,000 |
| Police Chief | 1,000,000 |
| Fire Chief | 1,000,000 |
| Finance Director | 1,000,000 |
| Parks and Recreation Director | 1,000,000 |
| Community Development Director | 1,000,000 |
| Administrative Services Director | 1,000,000 |
| Executive Secretary (Notary) | 1,000,000 |
| City Clerk (Notary) | 1,000,000 |

¹ City employees are covered by a Crime Policy amounting to a maximum of \$1,000,000 with a \$10,000 deductible.

Source: City Administration Department

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of each major fund of the Manteca Financing Authority, a component unit of the City of Manteca, California, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic component unit financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

The Authority has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script that reads 'Maze & Associates'.

January 30, 2013

This Page Left Intentionally Blank

MANTECA FINANCING AUTHORITY

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities purpose is to summarize the entire Authority's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Authority's assets and all its liabilities, as well as all its revenues and expenses.

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

The Statement of Activities reports increases and decreases in the Authority's net assets. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands.

MANTECA FINANCING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Purpose*

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

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

B. *Basis of Presentation*

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

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

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

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

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

C. *Major Funds*

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2003 SEWER REVENUE BONDS – To account for Bond transactions.

2003 WATER REVENUE BONDS – To account for Bond transactions.

2009 SEWER REVENUE BONDS – To account for Bond transactions.

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

D. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS HELD BY TRUSTEE

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

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

A. *Investments Authorized by Debt Agreements*

In accordance with the Lease Revenue Bond Indenture of Trust, a Trustee holds the portion of Bond proceeds established as reserves for debt service on these Bonds. The California Government Code requires these funds to be invested in accordance with bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by trustee and certain provisions of these debt agreements. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

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

NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality |
|---|--------------------|------------------------|
| United States Treasury Bill, Bonds, Notes | 5 years | N/A |
| United States Government Agency Obligations | 5 years | N/A |
| Federal Securities | 5 years | N/A |
| Bankers' Acceptances | 30 days to 1 year | A-1 |
| Commercial Paper | 270 days to 1 year | A-1 |
| Certificates of Deposit | 30 days to 5 years | None to A |
| Repurchase Agreements | None to 30 days | A-1 |
| Local Agency Investment Fund | n/a | Not rated |
| Money Market Funds | n/a | AA-m |
| Investment Agreements | None | None to AA |
| State and Municipal Bonds, Notes | None | Two Highest Categories |
| Prefunded Municipal Obligations | None | None to AAA |
| State Obligations | None | A |
| State Obligations - Direct Short-Term | None | A-1 |
| State Obligations - Special Revenue Bonds | None | AA |

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

| Investment Type | 12 Months or less | More than 36 Months | Total |
|--------------------------------------|--------------------|---------------------|--------------------|
| <i>Held by Trustees:</i> | | | |
| Money Market Funds (U.S. Securities) | \$2,217,442 | | \$2,217,442 |
| Guaranteed Investment Contracts | | \$6,798,838 | 6,798,838 |
| Total Cash and Investments | <u>\$2,217,442</u> | <u>\$6,798,838</u> | <u>\$9,016,280</u> |

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2012 for the Money Market Funds was AAAM as provided by Standard & Poor's investment rating system. Money market funds are available for withdrawal on demand and at June 30, 2012, have an average maturity of 45 days. The Guaranteed Investment Contracts were not rated as of June 30, 2012.

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

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

NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)

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

NOTE 3 – RECEIVABLE FROM THE CITY OF MANTECA

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

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

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

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

NOTE 4 – LONG TERM DEBT

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

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

A. Sewer Revenue Bonds

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

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

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2003 and 2009 Sewer Revenue Bonds through 2036. Projected net customer revenues are expected to provide coverage over debt service of at least 125% over the life of the bonds. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$82,737,835. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,086,779 and \$10,065,230, respectively.

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

NOTE 4 – LONG TERM DEBT (Continued)

B. Water Revenue Bonds

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

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Water Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125 percent of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$67,724,724. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,530,336 and \$5,965,777, respectively.

NOTE 5 – SUBSEQUENT EVENTS

2012 Water Revenue Refunding Bonds

On December 11, 2012, the City issued Water Revenue Refunding Bonds, Series 2012 in the original principal amount of \$35,840,000 at interest rates that range from 2.00-5.00% to provide for a refunding of the Authority's outstanding 2003A Manteca Financing Authority Water Revenue Bonds. Principal payments are due annually on July 1, with interest payments payable semi-annually on July 1 and January 1 through July 1, 2033. Repayment of these bonds is from a pledge of revenue from the Water Enterprise Fund.

2012 Sewer Revenue Refunding Bonds

On December 11, 2012, the City issued Sewer Revenue Refunding Bonds, Series 2012 in the original principal amount of \$22,690,000 at interest rates that range from 2.00-4.00% to provide for a refunding of the Authority's outstanding 2003A and 2003B Manteca Financing Authority Sewer Revenue Bonds. Principal payments are due annually on December 1, with interest payments payable semi-annually on December 1 and June 1 through December 1, 2033. Repayment of these bonds is from a pledge of revenue from the Sewer Enterprise Fund.