

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2005

Prepared by the Finance and  
Administrative Services Department

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2005

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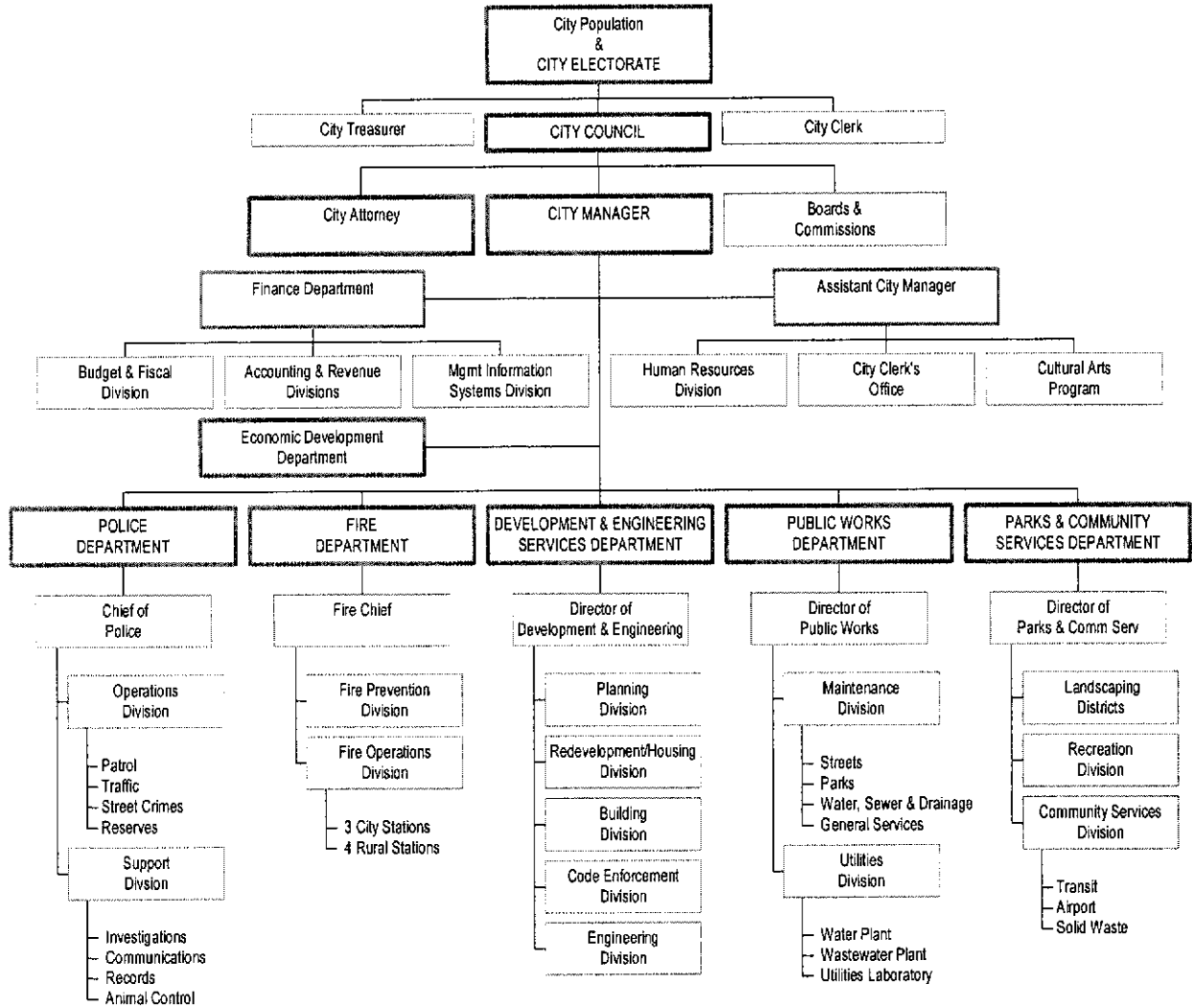
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**CITY OF TRACY  
Organization Chart  
FY04-05**



# **CITY OF TRACY, CALIFORNIA**

## **COUNCIL - MANAGER FORM OF GOVERNMENT**

June 30,2005

**DAN BILBREY**

Mayor

**BRENT IVES**

Mayor Pro Tem

**Irene Sundberg**

Council Member

**EVELYN TOLBERT**

Council Member

**SUZANNE TUCKER**

Council Member

**DEBRA CORBETT**

City Attorney

**Raymond McCray**

City Treasurer

**Sandra Edwards**

City Clerk

**Dan Hobbs**

City Manager

**Julie Yuan-Miu**

Assistant City Manager

**Zane H. Johnston**

Finance & Administrative Services Director

**Terrell Estes - Fire Chief**

**David Krauss - Police Chief**

**Andrew Malik - Economic Development Director**

**Karen McNamara - Parks and Community Services Director**

**Nicholas Pinhey - Public Works Director**

**Bill Reeds - Community Development Director**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tracy,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director



# California Society of Municipal Finance Officers

Certificate of Award

***Outstanding Financial Reporting 2003-04***

Presented to the

***City of Tracy***

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***February 24, 2005***

*William A. Seaman*

Bill Thomas, Chair  
Professional & Technical Standards Committee

***Dedicated to Excellence in Municipal Financial Management***





## CITY OF TRACY

City Manager's Office  
325 East Tenth Street  
Tracy, CA 95376

Telephone (209) 831-4100  
FAX (209) 831-4110

October 15, 2005

Honorable Mayor and City Council Members  
Citizens of the City of Tracy:

The Tracy Municipal Code requires that all funds, accounts, and financial transactions of the City be subjected to an annual audit by an independent certified public accountant that is selected by the City Council. The Municipal Code further specifies that after the close of the fiscal year, an annual financial report covering all funds and financial operations shall be prepared and submitted to the City Council. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

### **Profile of the Government**

Tracy is located on the western edge of the Central Valley in San Joaquin County. The City is 80 miles east of San Francisco and 70 miles south of Sacramento. The City is situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580.

Tracy was founded in 1878 as a railroad center. It was incorporated as a city in 1910. For many decades, it served both as a railroad center and farm market town. Since World War II, it has been the location of a defense supply center. By 1980, the City's employment base included a few food-processing plants and small-related manufacturing operations. A state correctional facility and both a federal and a state water project facility are located nearby.

During the 1980s, Tracy experienced a period of major growth influenced by the East Bay area of the San Francisco Bay region with its high cost of housing. Tracy, with more affordable housing than the Bay area, continues to be an attractive residential location for many Bay area workers. Tracy is now considered an outer suburb of the Bay area, rather than a small agricultural and industrial town.

The population and size of Tracy has increased from 18,428 and 7.0 square miles in 1980 to 78,316 and 21 square miles in 2005. Previous economic studies have projected the population of Tracy to be approximately 87,000 by the year 2010. Furthermore, it is anticipated that employment in Tracy will increase from 9,500 workers in 1997 to 16,000 by the year 2010.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a Mayor and a four member Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a nonpartisan basis. Council members are elected to four year staggered terms, with two Council members elected every two years. The mayor is elected every two years.

Moss, Levy and Hartzheim, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tracy's financial statements for the fiscal year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter and should be read in conjunction with it.

### Local Economy

California real estate prices remain in the national headlines and there is much anticipation how this extraordinary gap between income and home prices gets resolved. Affordability is becoming a serious problem across much of the state and rising interest rates once they arrive will likely force California's affordability to all time lows. As far as Northern California is concerned, most economic indicators still point toward continued improvement in the economy and faster total payroll growth over the forecast horizon. Education, healthcare, and biotechnology will continue to drive growth in Northern California. More consolidation and cost cutting in the technology industry, and tight local government budgets may keep Northern California a slight under performer this year.

The economy of the Bay area suffered the most during the California recession of the early 2000's. This region has bounced back. Most new homebuyers in Tracy work in this area, the East Bay, and the Livermore Valley. Home prices in these areas are expensive and remain out of the price range of most buyers. Tracy continues to experience a building boom with new single-family construction totaling 1,026 for 1998, 1,320 for 1999 and 1,500 for 2000 (the highest number allowed), 915 for 2001 and 1,345 for 2002 and 1,209 for 2003 and 1,001 for 2004. Even the lower number for 2001 was due to not enough inventory as opposed to not enough demand.

Slowing the construction of new homes in Tracy will not be the economy, but rather Measure A passed by Tracy voters in November 2000, which cuts the current growth rate for residential development in half. Already, a slowdown in the issuance of building permits for new single-family homes has been seen in FY 04-05; with only 720 such permits anticipated. For FY 05-06, only 670 such permits are projected. However, the real effect of Measure A will occur in FY 06-07. There was a significant number of properties with vested rights that proceeded to construction under the prior growth limits. However, these must never be allowed to exceed the new limits. Thus, after all vested rights properties have received their permits (expected in FY 05-06), there will be a period of 7 years where only 100 permits can be issued in order to fall back below the average of 600 required by Measure A. Beginning in 2013 the City will be able to issue 600 permits annually.

Tracy's population growth has led to a current robust development of commercial centers. The I-205 commercial center in and around the West Valley Mall continues to prosper and expand. The mall has announced plans to add a Macys as a new anchor. The City now has large retailers such as Costco, Wal-Mart, and Home Depot. There are now eleven new auto dealerships in the area mall. The result of this commercial activity has been strong increases to the City's sales tax for several years. While residential growth will slow under Measure A, the City remains optimistic that growth in the region will result in continued strong sales tax for Tracy as the City has positioned itself as a retail center and will attract shoppers from around the area.

The City also continues to aggressively pursue industrial development. Phase 1 of Northwest Industrial Area is underway and Phase 2 is forming necessary financing vehicles to pay for infrastructure improvements. In addition, the City is processing plans for Tracy Gateway, a large proposed business park designed for high tech companies. The annexation of the land for Tracy Gateway has been completed, environmental reviews secured, and the City Council has approved a development agreement with the owners.

## ***Long-term Financial Planning***

The Tracy Municipal Code requires that the City Council adopt a budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Tracy's financial planning and control. The budget is prepared by fund, department (e.g. Police), and by program (i.e. Patrol Services, Traffic Enforcement, etc.). Department heads may transfer resources within a department as they see fit with the approval of the City Manager. Transfer between departments; however, need special approval from the City Council.

As evidenced by this financial report, the City is in sound financial condition. The ending General Fund balance as of June 30, 2005 is \$19,800,007. In addition to the undesignated fund balance of the General Fund, the City also has a Economic Uncertainty Fund with a balance of \$10,069,879. Together, these two sources represent approximately 70.38% of General Fund operating expenses budgeted for FY 05-06. This is an excellent fiscal foundation as we approach new fiscal territory in a post-Measure A environment.

While the City's tax base in the two key areas of property and sales taxes has increased by double digits for several years, much of the City's fiscal prosperity can also be linked to the local robust construction environment. As this slows due to residential building limits of Measure A, the City must prepare for this financially. As it has been nearly 5 years since the passage of Measure A and its ultimate restriction of growth (due to vesting properties continuing to build under the prior growth limits), the City has had the opportunity through sound financial planning and budgeting to prepare for this change. Rather than aggressively expand services, the City has been prudent in its expenditures with an eye toward creating additional reserves to enable a smooth transition to post Measure A limits on building and hence on revenue growth.

Also during this time, cities in California have experienced the continued taking of some of their revenues by the State. However, Proposition 1A passed by 84% of the California electorate in November of 2004, will prevent the State from expanding this raid on local government revenues.

While the City has prudently managed its resources and built reserves for the future, and with Proposition 1A protection, there nevertheless remain several significant fiscal challenges for the City in the future. First, the Development and Engineering Services Department expense budget must be reduced to reflect loss of fee revenue associated with the Measure A building restrictions. Second, the City must expand certain services to keep up with population growth. This is especially true of Police Services. In addition, the City through its capital investment in the Grand Theatre Center for the Arts has also committed to a new program area of cultural arts. There may also be additional need for support of expanded aquatics center expenses. Finally, all of the City's agreements with its labor unions will expire in the coming year. The City must negotiate new contracts with all groups. Personnel expenses are the single largest expense of the City's operating budget.

## ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tracy for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the 17th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



## Major Initiatives

### Downtown Streetscape

The first and second phases of the downtown streetscape project were completed. The 6<sup>th</sup> Street parking lots were rehabilitated and the 10<sup>th</sup> Street portion of the project was completed in late fall 2004. The Central Avenue section began in 2005 and has just been completed. With this opening, the entire downtown Tracy commercial area has received an \$8 million makeover. The new streetscape is beautiful and has received rave reviews.

### Grand Theatre Center for the Arts

A construction contract was issued and work is well underway restoring the Grand Theatre and adjoining buildings to provide a new cultural arts center for the City. Site for demolition and construction has progressed according to plan. The project will continue to be actively managed to insure it is completed on time and on budget (\$10 million).

### City Center Expansion

The long-awaited construction of a new City Hall and Council Chamber has begun with initial site work including utility relocation and the construction of new parking lots. Building construction will begin in early 2006. Developer fees collected for this specific purpose during the past 15 years totaling 20% of the \$25.7 million construction budget.

### Sierra Water Supply On-Line

The City began taking delivery of water from the South County Surface Water Supply Program during August 2005. The City's new water supply comes from the Sierra Nevada via the South San Joaquin Irrigation District. The Sierra water is high quality water, softer than the City's other water supplies and it will help improve the taste of the City's overall water supply. This new water project (constructed at a cost of \$145 million in partnership with 3 other cities and the irrigation district) can deliver up to 15 million gallons of water per day to Tracy, which is about 54 percent of the City's peak summer water demand.

### Fire Facilities

Construction was completed on the new \$4 million Station #1 located on 11<sup>th</sup> Street. Construction has begun on the rehabilitation of the old downtown fire station to convert it to Fire Administration headquarters. In addition, the new RR House Fire Station was completed and added to the Tracy Rural Fire District for operation by the City of Tracy through the South County Fire Authority.

### General Plan Update

Many public meetings and workshops were held on components of the General Plan including an option component regarding community character. The administrative draft of the General Plan was finished and work is complete on the draft Environmental Impact Report. Planning Commission is expected to review the plan in early Spring 2006 and City Council Consideration and adoption shortly thereafter.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 30, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance and Administrative Services Department staff. Each member of the Department has my appreciation for the contributions made in the preparation of this report.

I also would like to express special appreciation to Accounting Officer Linda Bischoch, whose long hours, dedication, and attention to detail made possible the successful completion of the annual audit.

Respectfully submitted,



Daniel Hobbs  
City Manager



Zane H. Johnston  
Finance & Administrative Services Director

# MOSS, LEVY & HARTZHEIM

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## MEMBER

AMERICAN INSTITUTE OF C.P.A.S  
CALIFORNIA SOCIETY OF C.P.A.S  
CALIFORNIA SOCIETY OF  
MUNICIPAL FINANCE OFFICERS  
CALIFORNIA ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS

## OFFICES

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RONALD A. LEVY, C.P.A.\*  
CRAIG A. HARTZHEIM, C.P.A.\*  
HADLEY HUI, C.P.A.  
PAUL NIEDERMULLER, C.P.A.

\*DENOTES PROFESSIONAL CORPORATION

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Tracy  
Tracy, 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 Tracy (City), as of and for the fiscal year ended June 30, 2005, 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 applicable to 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 the 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 of Tracy, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 9, 2005, 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.

The Managements' Discussion and Analysis on pages 3 through 13 and the Modified Approach to Reporting Street Pavement Costs on page are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tracy's basic financial statements. The Introductory Section, Combining Statements for the Nonmajor Governmental Funds, the Internal Service Funds, and Agency Funds, the Budgetary Comparison Schedules for the Nonmajor Governmental Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statements for the Nonmajor Governmental Funds, Internal Service Funds, and Agency Funds and the Budgetary Comparison Schedules for the Nonmajor Governmental Funds have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the "Introductory Section", and the "Statistical Section", have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Moss, Levy & Hartzheim  
Beverly Hills, California  
September 9, 2005

## City Of Tracy

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

This discussion and analysis provided here by the management of the City of Tracy provides a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### **FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

- At the close of fiscal year 2004-05, the City's total assets (all funds) exceeded its liabilities by \$838 million dollars (net assets). Of this amount, 10% or \$84.7 million is unrestricted net assets.
- The City's total net assets increased by \$56.4 million in fiscal year 2004-05. This was due mainly to the increase in capital assets.
- The governmental funds reported a combined fund balance of \$171 million at the end of the fiscal year 2005. This is an increase of only 3.7% from last fiscal year.
- At the end of the fiscal year, unreserved, undesignated fund balance for the general fund was \$19 million, or 50% of the total general fund expenditures. During the fiscal year, the general fund also transferred \$3.9 million to the Uncertainty Fund. The Uncertainty Fund has a fund balance of over \$10 million as of June 30, 2005 or an increase of 69% from last year.
- Licenses, permits and fees decreased by 10% from last year. This was due to the effects of Measure A, an ordinance passed by the voters of the City Of Tracy in November, 2000 that limits residential growth rate by 50%.

#### **OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The City of Tracy's basic financial statements are introduced to the readers through this discussion and analysis. The City of Tracy's basic Comprehensive Annual Financial Report is in six parts:

- 1) Introductory Section, which includes the Transmittal Letter and general information
- 2) Management Discussion and Analysis (this part)
- 3) Basic Financial Statements which include the Government –wide and the Fund Financial Statements, along with the Notes to Basic Financial Statements
- 4) Required Supplemental Information
- 5) Other Supplemental Information
- 6) Statistical Information



## **Government-wide Financial Statements**

The government-wide financial statements are designed to give readers a broad overview of the City of Tracy's finances.

The Statement of Net Assets shows information on all of the City's assets and liabilities. The difference between the assets and the liabilities is reported as net assets. An increase in net assets is an indicator that the financial position of the City is improving while a decrease in net assets indicates that the City is financially distressed.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year just ended. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

All the amounts in the Statement of Net Assets and the Statement of Activities are presented as follows:

- **Governmental Activities**---All of the City's basic services are considered to be governmental activities including general government, public safety, public works, community development and culture, and recreation.

The City's governmental activities include the activities of a separate legal entity, the City of Tracy Community Development Agency, because the City is financially accountable for the Agency.

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

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state or local government, the City Of Tracy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The fiduciary statements provide financial information about the activities of the Special Assessment Districts, for which the City acts solely as agent.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the

major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of City's activities.

Fund Financial Statements include governmental, proprietary and fiduciary funds as discussed below.

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

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type 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 government-wide financial statements and any related profits or losses are returned to the Activities, which created them, along with any residual net assets of the Internal Service Funds.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government.

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

### **Notes to the Financial Statements**

The notes are provided to give the reader more detailed information that is necessary in getting a full understanding of the data shown in the government-wide and fund financial statements.

### **Required Supplementary Information**

This report also includes supplementary information related to City Of Tracy's progress in maintaining its infrastructure assets.

**Government-wide Financial Analysis**

Net assets are a useful indicator of a government's financial position. The City Of Tracy's assets exceeded liabilities by more than \$800 million at the close of fiscal year 2004-2005. The largest portion (79%) of the City's net assets is invested in capital assets. These capital assets comprise of land, buildings, machinery, and equipment and are being used to provide services to its citizens.

**Table 1**  
**City of Tracy**  
**Schedule of Net Assets**  
**June 30, 2005**  
(in Thousands)

|  | Governmental Activities |                   | Business-type Activities |                   | Total             |                   |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | 2005                    | 2004              | 2005                     | 2004              | 2005              | 2004              |
| Cash and Investments                               | \$ 200,102              | \$ 207,889        | \$ 65,850                | \$ 63,330         | \$ 265,952        | \$ 271,219        |
| Other assets                                       | 5,702                   | 6,725             | 14,269                   | 16,016            | 19,971            | 22,741            |
| Capital assets                                     | 393,455                 | 363,991           | 301,940                  | 269,151           | 695,395           | 633,142           |
| <b>Total assets</b>                                | <b>599,259</b>          | <b>578,605</b>    | <b>382,059</b>           | <b>348,497</b>    | <b>981,318</b>    | <b>927,102</b>    |
| Long-term debt outstanding                         | 68,699                  | 70,144            | 42,728                   | 44,274            | 111,427           | 114,418           |
| Other liabilities                                  | 17,104                  | 24,263            | 14,502                   | 6,490             | 31,606            | 30,753            |
| <b>Total liabilities</b>                           | <b>85,803</b>           | <b>94,407</b>     | <b>57,230</b>            | <b>50,764</b>     | <b>143,033</b>    | <b>145,171</b>    |
| <b>Net assets:</b>                                 |                         |                   |                          |                   |                   |                   |
| Invested in capital assets,<br>net of related debt | 371,908                 | 300,105           | 288,340                  | 223,792           | 66,248            | 523,897           |
| Restricted   | 62,021                  | 143,948           | 31,249                   | 766               | 93,270            | 144,714           |
| Unrestricted                                       | 79,527                  | 40,145            | 5,240                    | 73,175            | 84,767            | 113,322           |
| <b>Total net assets</b>                            | <b>\$ 513,456</b>       | <b>\$ 484,198</b> | <b>\$ 324,829</b>        | <b>\$ 297,733</b> | <b>\$ 838,285</b> | <b>\$ 781,933</b> |

The City's total net assets also include restricted assets (11%), which are subject to restrictions on how they may be used. The remaining balance of 10% consists of unrestricted assets that may be used to meet the City's ongoing obligations to its citizens and creditors.

In governmental activities, investments in capital assets and unrestricted assets increased during the fiscal year of 2004-05. Net assets invested in capital assets increased by more than 21% while unrestricted assets went up by almost 50%. The increase in capital assets investments was mainly due to funds poured into infrastructures and other capital assets to support its growing population.

Governmental activities increased the City Of Tracy's net assets by \$56 million or approximately 10% compared to last fiscal year's net assets. Business-type activities increased by \$9.2 million or only 3%. The table below will show the key elements of these increases.

**Table 2**  
**City of Tracy**  
**Schedule of Changes in Net Assets**  
**June 30, 2005**  
(in Thousands)

|   | Governmental Activities |                   | Business-type Activities |                   | Total             |                   |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|   | 2005                    | 2004              | 2005                     | 2004              | 2005              | 2004              |
| <b>Revenues</b>                             |                         |                   |                          |                   |                   |                   |
| <b>Program revenues:</b>                    |                         |                   |                          |                   |                   |                   |
| Charges for services                        | \$ 11,447               | \$ 11,647         | \$ 34,347                | \$ 35,069         | \$ 45,794         | \$ 46,716         |
| Operating contributions and grants          | 8,666                   | 5,457             | 1,763                    | 1,367             | 10,429            | 6,824             |
| Capital grants and contributions            | 27,450                  | 74,462            | 24,897                   | 55,033            | 52,347            | 129,495           |
| <b>Total Program revenues</b>               | <b>47,563</b>           | <b>91,566</b>     | <b>61,007</b>            | <b>91,469</b>     | <b>108,570</b>    | <b>183,035</b>    |
| <b>General revenues:</b>                    |                         |                   |                          |                   |                   |                   |
| Property Taxes                              | 17,616                  | 15,886            |                          |                   | 17,616            | 15,886            |
| Other Taxes                                 | 21,105                  | 20,491            |                          |                   | 21,105            | 20,491            |
| Other General Revenues                      | 5,913                   | 5,881             | 1,872                    | (453)             | 7,785             | 5,428             |
| <b>Total general revenues and transfers</b> | <b>44,634</b>           | <b>42,258</b>     | <b>1,872</b>             | <b>(453)</b>      | <b>46,506</b>     | <b>41,805</b>     |
| <b>Total revenues</b>                       | <b>92,197</b>           | <b>133,824</b>    | <b>62,879</b>            | <b>91,016</b>     | <b>155,076</b>    | <b>224,840</b>    |
| <b>Expenses</b>                             |                         |                   |                          |                   |                   |                   |
| General government                          | \$ 6,698                | \$ 9,771          |                          |                   | 6,698             | 9,771             |
| Police                                      | 15,551                  | 14,037            |                          |                   | 15,551            | 14,037            |
| Fire  | 11,134                  | 9,623             |                          |                   | 11,134            | 9,623             |
| Development and Engineering                 | 9,948                   | 8,026             |                          |                   | 9,948             | 8,026             |
| Public Works                                | 11,004                  | 71,695            |                          |                   | 11,004            | 71,695            |
| Parks and Community Services                | 4,119                   | 3,606             |                          |                   | 4,119             | 3,606             |
| Interest on Long-term Debt                  | 3,626                   | 4,306             |                          |                   | 3,626             | 4,306             |
| Unallocated depreciation                    | 860                     | -                 |                          |                   | 860               | -                 |
| Water                                       |                         |                   | 9,363                    | 10,076            | 9,363             | 10,076            |
| Sewer                                       |                         |                   | 8,987                    | 8,624             | 8,987             | 8,624             |
| Solid waste                                 |                         |                   | 15,604                   | 13,451            | 15,604            | 13,451            |
| Storm Drainage                              |                         |                   | 978                      | 854               | 978               | 854               |
| Airport                                     |                         |                   | 471                      | 388               | 471               | 388               |
| Transit                                     |                         |                   | 381                      | 1,361             | 381               | 1,361             |
| <b>Total expenses</b>                       | <b>62,940</b>           | <b>121,064</b>    | <b>35,784</b>            | <b>34,754</b>     | <b>98,724</b>     | <b>155,818</b>    |
| <b>Increase in net assets</b>               | <b>29,257</b>           | <b>12,760</b>     | <b>27,095</b>            | <b>56,262</b>     | <b>56,352</b>     | <b>69,022</b>     |
| <b>Net Assets, 7-1</b>                      | <b>484,199</b>          | <b>471,439</b>    | <b>297,734</b>           | <b>241,472</b>    | <b>781,933</b>    | <b>712,911</b>    |
| <b>Net Assets, 6-30</b>                     | <b>\$ 513,456</b>       | <b>\$ 484,199</b> | <b>\$ 324,829</b>        | <b>\$ 297,734</b> | <b>\$ 838,285</b> | <b>\$ 781,933</b> |

## **Governmental Activities**

Table 2 shows that property taxes increased by more than 10%. This increase was due mainly to increased property values. The median price of a home in the City Of Tracy rose from \$385,000 in 2004 to \$530,000 in 2005. Investment income also increased significantly (201%) in fiscal year 2004-05 due to higher interest rates. Overall, total revenues declined by 12%. This was primarily due to a decrease of more than 37% in capital grants and contributions. Although revenues declined, there was also a corresponding decline of 38% in expenses. Public works spending declined significantly during the fiscal year. General government expenditures also declined. Due to this, net assets managed to increase by 10% at the end of the fiscal year.

## **Business-type Activities**

The City Of Tracy maintains two different types of proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Water, sewer, solid waste, drainage, airport, and transit services provided by the City Of Tracy are all accounted for in the enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, central services, equipment acquisition, building maintenance, and insurance expenditures.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The financial statements show separate information for each service provided and all are considered to be major funds of the City Of Tracy.

Revenues of business-type activities declined by almost 50%, which was mainly due to a 54% decrease in capital grants and contributions. The decline in public works spending during the fiscal year also affected the revenues of business-type activities.

The expenditures of business-type activities declined slightly but not as much as the decrease in revenues. The net assets increased only by 2% compared to last fiscal year.

## **Financial Analysis of the Government's Funds**

The City of Tracy's governmental funds' purpose is to provide information on near-term inflows, outflows, and balances of spendable resources. In assessing the City's financing requirements, this information is useful. The unreserved fund balance is a useful measure of the City's resources that are available for spending at the end of the fiscal year.

At June 30, 2005, the City's governmental funds presented a combined fund balance of over \$171 million, a decrease of \$6.3 million when compared to that of the prior fiscal year. The sharp decline (68%) of revenues derived from special assessments and contributions caused the fund balance of governmental funds to drop by 3.5% in comparison to last fiscal year's fund balance. \$140.7 million of this governmental fund balance or 82% constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining 18% or \$30.5 million has already been committed to liquidate contracts and purchase orders to pay debt service and other restricted purposes.

At the end of the fiscal year, the City of Tracy's general fund has a fund balance of \$19.8 million. Of this amount, \$19 million or 96% is unreserved and undesignated. The total unreserved and undesignated fund balance represents 50% of the total general fund expenditures.

In the governmental funds, Northeast Industrial Plan Area Fund, a major fund is the only fund

that showed an increase in fund balance. All the other major governmental funds and the combined other governmental funds posted a decrease in fund balance at the end of the fiscal year. This was due mainly to excessive expenditures that were not covered by revenues.

The City of Tracy's debt service funds have a combined fund balance of \$16.4 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by 4.5% or \$.7 million. Last fiscal year, the Community Development Agency issued \$55.7 million of tax allocation bonds. The first payment of \$3.4 million for both principal and interest on this bond issuance contributed to the decrease of the fund balance.

The other governmental funds reported a decline in fund balance due to excessive expenditures in capital outlay that were not matched by revenues.

### **Financial Analysis of the Proprietary Funds**

The proprietary funds of the City of Tracy provide the same type of information found in the government-wide financial statements as the governmental funds but is shown with more detail.

The total unrestricted net assets of the proprietary funds is \$5.2 million for the fiscal year ended June 30, 2005, down by 93% compared to last fiscal year's unrestricted net assets. This sharp decline of \$67.9 million in unrestricted net assets can mainly be attributed to the restriction of 74% of the sewer funds' net assets to investments in capital assets and 25% to projects, which resulted in a negative unrestricted fund balance of \$27 million.

Only the water and sewer funds reported an operating income. All others showed operating losses.

Of the six enterprise funds of the City, three reported a loss before contributions. They are the sewer fund, solid waste fund, and the drainage fund.

### **General Fund Budgetary Highlights**

- The actual revenues for the general fund exceeded the estimated amount by \$.8 million.
- The actual expenditures also reported a favorable variance. The estimated expenditures were higher than the actual by \$.5 million.
- The net excess of revenues over expenditures for the fiscal year ended June 30, 2005 is \$5.1 million.

The excess of actual revenues compared to estimated revenues was due to motor vehicle license fees that were supposed to be received last fiscal year but were received this fiscal year but no receivable was recorded due to the uncertainty of its receipt. Most departments did not use all of their budget appropriations which resulted in a favorable variance in expenditures.

### **Analyses of Major Governmental Funds**

#### **General Fund**

The fund balance of the general fund remains at almost the same amount as last fiscal year. Management has decided to keep it at around \$19 million by transferring \$4 million to the Economic Uncertainty Fund. Due to these annual transfers that have been made, the Economic Uncertainty Fund has a fund balance of \$10 million as of June 30, 2005.

The revenues of the general fund increased by 9%. Although there were increases in taxes and use of money and property due to the rise of property values and interest rates, these increases were offset by a sharp decline in licenses and permits due to the effect of Measure A.

The increase in expenditures of almost 6% was mainly due to increases in salaries and benefits of both fire and police employees. In fiscal year 2004-05, fire employees' retirement rates rose by more than 72% (from 14.266% to 24.58%) and they received a cost of living increase of 3% effective July, 2004. The retirement rates of police personnel increased by 27.5% (from 19.475% to 25.174%) and they received a cost of living increase of 4% effective July, 2004. Police personnel's retirement benefits also increased to 3% at 50 effective January, 2004 while that of fire became effective January, 2005.

### **Plan C**

The fund balance of Plan C funds decreased by more than 7%. This was due to a 10% decline in revenues related to development impact fees and permit revenues from developers. As of June 30, 2005, the Plan C fund has a \$45.6 million in unreserved and unrestricted fund balance which may only be expended on infrastructure and other capital assets that benefit residents of the Plan C area.

### **Northeast Industrial Plan Area**

This Capital Project Fund was established to account for projects to support development in this specific area of the City of Tracy to be financed by assessments and/or development impact fees. The Northeast Industrial Project is an irregularly shaped area in the northeast part of Tracy consisting of approximately 870 acres. It is bounded to the south by the Southern Pacific railroad tracks, to the east by the City limit, to the north by Interstate 205 and Pescadero Avenue, and to the west by the Industrial Specific Plan zone that contains MacArthur Drive.

A variety of specific capital improvement projects are planned in this area and involve a combination of fee-funded and debt-financed facilities. Approximately 88% of the water and 7% of the wastewater facility obligations will be debt financed. The remaining 12% of water and 93% of sewer facilities will be fee-funded. All other facilities, including roadways, storm drainage facilities, and public buildings and services, will also be fee-funded. This financing strategy has been implemented to provide more flexibility to increase fees in the event that additional funding is needed for debt-financed facilities due to increases in estimated costs or other conditions have changed that require increased funding.

The negative fund balance of over \$4 million in 2004 decreased to \$2.8 million in 2005. This was mainly due to a sharp decrease in expenditures. In 2004, this fund spent more than \$10 million while in 2005, it only spent \$144.5 thousand. This decline in expenditures helped trim the negative fund balance by almost 50%.

### **Community Development Agency Debt Service**

The fund balance declined in 2005 by more than 6%. This was due to a transfer out made to the community development construction fund in the amount of \$2.2 million. This transfer was used by the construction fund in the construction of the Grand Theatre in downtown Tracy. As of June 30, 2005, the fund balance of this fund is \$12.2 million.

### **Analyses of Major Proprietary Funds**

#### **Water**

The net assets of the water fund increased by \$8.5 million or 5.2% in 2005. This increase can be attributed to an increase of 13.4% in current assets and an 11.15% increase in total depreciable assets.

## **Sewer**

The net assets of the sewer fund increased by \$16.3 million or 81.2% in 2005. This increase was due to a 178% increase in non-depreciable capital assets in construction in progress. It increased from 13.6 million to \$38.1 million in 2005. This is related to the \$74 million waste treatment plant expansion project that is currently underway.

## **Municipal Airport**

The net assets of the airport fund increased by 1.3% in 2005. This increase was due to grants and subsidies received from the state and the federal government. These subsidies resulted in an increase in revenues by more than 120% compared to 2004. Since expenses increased only by 25%, the airport fund managed to have an increase in its net assets by \$16 thousand or 1.3%.

## **Solid Waste**

In 2005, the net assets of the solid waste fund decreased by 21%. A decline in revenues by almost 3% and an increase in expenses by 16% contributed to this 21% reduction in net assets. Although other revenue sources increased, the decline in revenues was contributed by a 23% decrease in the sale of recycling materials and an 8% decrease in the charges for services derived from high-volume customers. An increase of 15% in solid waste contracts contributed to the sharp increase in expenses.

## **Municipal Transit**

The net assets of the municipal transit fund increased by 768% in 2005. This increase was due to grants and subsidies in the amount of \$1.7 million or 98% of the total revenues received during the fiscal year. The subsidies received were used to purchase passenger buses.

## **Drainage**

The net assets of the drainage fund increased by 2% in 2005. Although revenues increased by 14%, expenses increased by 18%. The fund managed to increase its net assets by the receipt of contributions amounting to \$1.1 million or 68% of its total revenues.

## **Capital Asset and Debt Administration**

**Capital Assets.** The combined investments in capital assets net of related debt of governmental and business-type activities as of June 30, 2005 is \$660.2 million. This investment in capital assets include land, buildings, machinery, equipment, park facilities, and streets. The investments in capital assets increased by 22%, a 25% increase for governmental activities and a 17% increase for business-type activities.

Construction of the Grand Theatre Center for the Arts began in June and will last for approximately 20 months. The winning bid for the construction was \$12.2 million. The civic center project which involves the construction of a new city hall was advertised for bids in April, 2005 and construction started in August, 2005. The downtown streetscape and infrastructure project continues to be a work in progress. Underground work on utilities and service lines on Central Avenue and Sixth Street is still in progress and construction is on schedule. Completion of construction for Fire Station 91 was accepted by the City Council in May, 2005. The wastewater treatment plant expansion is now in progress. Construction of aeration basin, blower building, head works and tertiary filters, primary effluent collection box, primary influent distribution box, and a flow equalization tank have been started.



**Table 6**  
**City of Tracy**  
**Schedule of Capital Assets**  
**June 30, 2005**  
(in Thousands)

|   | Governmental Activities |                   | Business-Type Activities |                   |
|---|-------------------------|-------------------|--------------------------|-------------------|
|   | 2005                    | 2004              | 2005                     | 2004              |
| <b>Governmental Activities</b>                            |                         |                   |                          |                   |
| Land  | \$ 78,530               | \$ 72,284         | \$ 6,735                 | \$ 6,720          |
| Streets and Roads   | 166,555                 | 159,844           |                          |                   |
| Construction in progress                                  | 52,985                  | 38,632            | 131,398                  | 109,849           |
| Infrastructure  |                         |                   | 26,676                   | 20,448            |
| Buildings and Improvements                                | 57,748                  | 52,853            | 240,347                  | 227,030           |
| Grading, Curbs & Gutters, Sidewalks & Driveway approaches | 22,819                  | 20,359            |                          |                   |
| Traffic Signals   | 12,963                  | 11,589            |                          |                   |
| Street Drainage   | 30,197                  | 28,481            |                          |                   |
| Equipment   | 18,696                  | 16,983            | 8,426                    | 9,395             |
| Less: Total Accumulated Depreciation                      | (47,038)                | (37,033)          | (111,641)                | (104,291)         |
| <b>Totals</b>   | <b>\$ 393,455</b>       | <b>\$ 363,992</b> | <b>\$ 301,941</b>        | <b>\$ 269,151</b> |

The City of Tracy's capital assets in governmental activities increased by more than 15% while the capital assets of business-type activities increased by more than 5%. These increases were mainly due to the numerous capital improvement projects that the city is currently undertaking. The major projects include the civic center expansion, downtown streetscape and infrastructure project, two fire stations, wastewater treatment plant expansion, and water treatment plant expansion.

**Long-term Debt.** The City of Tracy's total debt decreased by more than 7%. The refunds made to various developers for deposits in the amount of \$4 million contributed to this decrease. The payment of the annual principal amount due during the fiscal year also contributed to the reduction of the City's long-term debt.

**Table 4**  
**City of Tracy**  
**Schedule of Long-Term Debt**  
**June 30, 2005**  
(in Thousands)

| Governmental Activities |           | Business-type Activities |           | Total     |            |            |
|-------------------------|-----------|--------------------------|-----------|-----------|------------|------------|
| 2005                    | 2004      | 2005                     | 2004      | 2005      | 2004       |            |
| \$ 55,050               | \$ 55,720 | \$ 34,730                | \$ 35,300 | \$ 89,780 | \$ 91,020  |            |
|                         |           | 9,397                    | 10,178    | 9,397     | 10,178     |            |
| 13,435                  | 13,825    |                          |           | 13,435    | 13,825     |            |
| 265                     | 326       |                          |           | 265       | 326        |            |
|                         | 4,000     |                          |           |           | 4,000      |            |
| 2,194                   | 2,127     | 326                      | 275       | 2,520     | 2,402      |            |
| <hr/>                   |           |                          |           |           |            |            |
| Total                   | \$ 70,944 | \$ 75,998                | \$ 44,453 | \$ 45,753 | \$ 115,397 | \$ 121,751 |

**Economic Outlook and Major Initiatives**

Fiscal year 2005-06 will be a transition year for the City of Tracy. It will move from a historically strong residential growth environment to a much restricted growth limit of only 100 annual residential permits to implement Measure A. This and other topics related to the City's economic outlook are discussed in detail in the accompanying Transmittal Letter.

**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 325 East Tenth Street, Tracy, California 95376.

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**CITY OF TRACY**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| <b>ASSETS</b>   |                                    |                                     |                       |
| Cash and investments  | \$ 156,959,018                     | \$ 34,601,013                       | \$ 191,560,031        |
| Cash and investments with fiscal agents                               | 43,143,366                         | 31,249,204                          | 74,392,570            |
| Accounts receivable   | 6,908,372                          | 3,387,073                           | 10,295,445            |
| Interest receivable   | 1,589,453                          | 359,831                             | 1,949,284             |
| Prepaid items   | 13,345                             | 150                                 | 13,495                |
| Loans receivable  | 3,296,806                          |                                     | 3,296,806             |
| Internal balances   | (10,166,547)                       | 10,166,547                          |                       |
| Deferred charges, net of accumulated amortization                     | 4,060,451                          | 355,303                             | 4,415,754             |
| Capital assets, not being depreciated                                 | 298,069,182                        | 138,132,492                         | 436,201,674           |
| Capital assets, being depreciated,<br>net of accumulated depreciation | <u>95,385,712</u>                  | <u>163,807,947</u>                  | <u>259,193,659</u>    |
| Total Assets  | <u>599,259,158</u>                 | <u>382,059,560</u>                  | <u>981,318,718</u>    |
| <b>LIABILITIES</b>  |                                    |                                     |                       |
| Accounts payable  | 4,080,835                          | 10,220,875                          | 14,301,710            |
| Deposits payable  | 5,091,156                          | 2,293,792                           | 7,384,948             |
| Unearned revenue  | 4,171,477                          |                                     | 4,171,477             |
| Accrued interest payable  | 1,107,974                          | 262,508                             | 1,370,482             |
| Claims payable  | 406,758                            |                                     | 406,758               |
| Noncurrent liabilities:   |                                    |                                     |                       |
| Due within one year   | 2,245,394                          | 1,724,992                           | 3,970,386             |
| Due in more than one year   | <u>68,699,188</u>                  | <u>42,728,520</u>                   | <u>111,427,708</u>    |
| Total Liabilities   | <u>85,802,782</u>                  | <u>57,230,687</u>                   | <u>143,033,469</u>    |
| <b>NET ASSETS</b>   |                                    |                                     |                       |
| Invested in capital assets, net of related debt                       | 371,908,366                        | 288,339,720                         | 660,248,086           |
| Restricted for:   |                                    |                                     |                       |
| Streets and roads   | 5,183,256                          |                                     | 5,183,256             |
| Capital projects  | 37,856,559                         | 30,512,456                          | 68,369,015            |
| Low/moderate housing  | 5,151,961                          |                                     | 5,151,961             |
| Debt service  | 13,828,869                         | 736,459                             | 14,565,328            |
| Unrestricted  | <u>79,527,365</u>                  | <u>5,240,238</u>                    | <u>84,767,603</u>     |
| Total Net assets  | <u>\$ 513,456,376</u>              | <u>\$ 324,828,873</u>               | <u>\$ 838,285,249</u> |

The notes to the basic financial statements are an integral part of this statement

**CITY OF TRACY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2005

|                                  | Expenses               | Program Revenues     |                                    |                                  |
|----------------------------------|------------------------|----------------------|------------------------------------|----------------------------------|
|                                  |                        | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| <b>Governmental Activities:</b>  |                        |                      |                                    |                                  |
| General government               |                        |                      |                                    |                                  |
| City council                     | \$ (73,565)            | \$ 8,578             | \$ -                               | \$ -                             |
| City attorney                    | (589,121)              |                      |                                    |                                  |
| City treasurer                   | (311,466)              |                      |                                    |                                  |
| Administration                   | (1,233,133)            |                      |                                    |                                  |
| Personnel                        | (663,593)              |                      |                                    |                                  |
| Finance                          | (1,068,502)            |                      |                                    |                                  |
| Non-departmental                 | (2,759,088)            |                      |                                    |                                  |
| Public safety                    |                        |                      | 36,619                             | 1,027,598                        |
| Police                           | (15,550,651)           | 935,389              | 444,707                            |                                  |
| Fire                             | (11,133,746)           | 119,709              | 4,558,291                          |                                  |
| Public works                     |                        |                      |                                    |                                  |
| Development and engineering      | (9,947,621)            | 4,030,146            | 269,534                            | 13,531,871                       |
| Public works                     | (11,004,148)           | 5,379,964            | 2,766,167                          | 10,375,562                       |
| Culture and leisure              |                        |                      |                                    |                                  |
| Parks and community services     | (4,118,638)            | 973,235              |                                    | 2,514,772                        |
| Interest on long-term debt       | (3,626,035)            |                      | 591,069                            |                                  |
| Unallocated depreciation         | (860,079)              |                      |                                    |                                  |
| Total Governmental Activities    | <u>(62,939,386)</u>    | <u>11,447,021</u>    | <u>8,666,387</u>                   | <u>27,449,803</u>                |
| <b>Business-type Activities:</b> |                        |                      |                                    |                                  |
| Water                            | (9,363,317)            | 11,723,151           |                                    | 5,506,369                        |
| Sewer                            | (8,986,645)            | 7,804,983            |                                    | 16,609,508                       |
| Airport                          | (471,451)              | 278,022              | 34,516                             | 175,026                          |
| Solid waste                      | (15,603,534)           | 13,937,171           |                                    |                                  |
| Transit                          | (381,176)              | 113,374              | 1,728,243                          | 1,429,539                        |
| Drainage                         | (977,827)              | 491,044              |                                    | 1,176,298                        |
| Total Business-Type Activities   | <u>(35,783,950)</u>    | <u>34,347,745</u>    | <u>1,762,759</u>                   | <u>24,896,740</u>                |
| Total Government                 | <u>\$ (98,723,336)</u> | <u>\$ 45,794,766</u> | <u>\$ 10,429,146</u>               | <u>\$ 52,346,543</u>             |

**General Revenues:**

Taxes:

  Property taxes  
  Franchise taxes  
  Sales and use taxes  
  Other taxes  
  Motor vehicle in lieu, unrestricted  
  Investment earnings  
  Miscellaneous

**Total General Revenues**

Change in Net Assets

Net Assets, July 1, 2004

Net Assets, July 1, 2005

The notes to the basic financial statements are an integral part of this statement

Net (Expenses) Revenues and Changes in Net Assets

| <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (64,987)                        | \$ -                                | \$ (64,987)           |
| (589,121)                          |                                     | (589,121)             |
| (311,466)                          |                                     | (311,466)             |
| (1,233,133)                        |                                     | (1,233,133)           |
| (663,593)                          |                                     | (663,593)             |
| (1,068,502)                        |                                     | (1,068,502)           |
| (1,694,871)                        |                                     | (1,694,871)           |
| (14,170,555)                       |                                     | (14,170,555)          |
| (6,455,746)                        |                                     | (6,455,746)           |
| 7,883,930                          |                                     | 7,883,930             |
| 7,517,545                          |                                     | 7,517,545             |
| (630,631)                          |                                     | (630,631)             |
| (3,034,966)                        |                                     | (3,034,966)           |
| (860,079)                          |                                     | (860,079)             |
| <u>(15,376,175)</u>                |                                     | <u>(15,376,175)</u>   |
|                                    | 7,866,203                           | 7,866,203             |
|                                    | 15,427,846                          | 15,427,846            |
|                                    | 16,113                              | 16,113                |
|                                    | (1,666,363)                         | (1,666,363)           |
|                                    | 2,889,980                           | 2,889,980             |
|                                    | 689,515                             | 689,515               |
|                                    | <u>25,223,294</u>                   | <u>25,223,294</u>     |
| <u>(15,376,175)</u>                | <u>25,223,294</u>                   | <u>9,847,119</u>      |
| 17,615,996                         |                                     | 17,615,996            |
| 1,699,614                          |                                     | 1,699,614             |
| 12,162,432                         |                                     | 12,162,432            |
| 1,577,755                          |                                     | 1,577,755             |
| 5,665,256                          |                                     | 5,665,256             |
| 5,738,307                          | 1,220,490                           | 6,958,797             |
| 174,752                            | 651,730                             | 826,482               |
| <u>44,634,112</u>                  | <u>1,872,220</u>                    | <u>46,506,332</u>     |
| 29,257,937                         | 27,095,514                          | 56,353,451            |
| <u>484,198,439</u>                 | <u>297,733,359</u>                  | <u>781,931,798</u>    |
| <u>\$ 513,456,376</u>              | <u>\$ 324,828,873</u>               | <u>\$ 838,285,249</u> |

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## **FUND FINANCIAL STATEMENTS**

GASB Statement No. 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while nonmajor funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current fiscal year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (Combined financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

The funds described below were determined to be Major Funds by the City for the fiscal year 2005. Individual nonmajor funds may be found in the Other Supplemental Information 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.

### **PLAN C FUND**

Plan C is the second largest development in the City. It was approved in 1998 with 6,149 homes planned. Capital development fees levied on developers in the Plan C areas and expenditures of these fees are accounted for in this Fund.

### **NORTH EAST INDUSTRIAL PLAN AREA**

The North East Industrial Plan Area was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

### **COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND**

The Community Development Agency accounts for accumulation of City and County tax increment funds received for redevelopment purposes and to repay outstanding debt.



**CITY OF TRACY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2005**

|  | <u>General Fund</u>  | <u>Plan C</u>        | <u>North East<br/>Industrial<br/>Grants Fund</u> |
|--|----------------------|----------------------|--|
| <b>ASSETS</b>                            |                      |                      |  |
| Cash and investments                     | \$ 24,310,181        | \$ 31,726,124        | \$ 7,540,374                                     |
| Cash and investments with fiscal agents  |                      | 13,856,582           |  |
| Accounts receivable                      | 3,448,330            |                      |  |
| Interest receivable                      | 270,968              | 349,174              | 66,626   |
| Prepaid items                            | 12,795               |                      |  |
| Loans receivable                         |                      |                      |  |
| Due from other funds                     | 763,828              |                      |  |
| Advances to other funds                  | 244,057              |                      |  |
| Total Assets                             | <u>\$ 29,050,159</u> | <u>\$ 45,931,880</u> | <u>\$ 7,607,000</u>                              |
| <b>LIABILITIES AND FUND BALANCES</b>     |                      |                      |  |
| Liabilities:                             |                      |                      |  |
| Accounts payable                         | \$ 1,500,623         | \$ 263,302           | \$ 6,258   |
| Due to other funds                       |                      |                      |  |
| Compensated absences                     | 729,312              |                      |  |
| Deposits payable                         | 2,924,360            |                      | 7,000  |
| Unearned revenue                         | 4,095,857            |                      |  |
| Advances from other funds                |                      |                      | 10,412,000                                       |
| Total Liabilities                        | <u>9,250,152</u>     | <u>263,302</u>       | <u>10,425,258</u>                                |
| Fund Balances:                           |                      |                      |  |
| Reserved for encumbrances                | 505,304              | 2,574,206            | 253,208  |
| Reserved for prepaid items               | 12,795               |                      |  |
| Reserved for debt service                |                      |                      |  |
| Reserved for low/moderate income housing |                      |                      |  |
| Reserved for advances                    | 244,057              |                      |  |
| Unreserved reported in:                  |                      |                      |  |
| General fund                             | 19,037,851           |                      |  |
| Special revenue funds                    |                      |                      |  |
| Capital projects funds                   |                      | 43,094,372           | (3,071,466)                                      |
| Total Fund Balances                      | <u>19,800,007</u>    | <u>45,668,578</u>    | <u>(2,818,258)</u>                               |
| Total Liabilities and Fund Balances      | <u>\$ 29,050,159</u> | <u>\$ 45,931,880</u> | <u>\$ 7,607,000</u>                              |

The notes to the basic financial statements are an integral part of this statement

| Community<br>Development<br>Agency<br>Debt Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------------------|--------------------------------|
| \$ 8,041,149                                       | \$ 72,871,719                  | \$ 144,489,547                 |
| 4,133,255  | 25,153,529                     | 43,143,366                     |
| 234,355  | 2,617,542                      | 6,300,227                      |
| 92,955   | 695,979                        | 1,475,702                      |
|  | 550                            | 13,345                         |
|  | 3,252,776                      | 3,252,776                      |
|  |                                | 763,828                        |
|  | 123,500                        | 367,557                        |
| <u>\$ 12,501,714</u>                               | <u>\$ 104,715,595</u>          | <u>\$ 199,806,348</u>          |
| <br>   |                                |                                |
| \$ 294,049   | \$ 1,904,783                   | \$ 3,969,015                   |
|  | 762,432                        | 762,432                        |
|  | 21,304                         | 750,616                        |
|  | 2,159,796                      | 5,091,156                      |
|  | 3,357,359                      | 7,453,216                      |
|  | 123,500                        | 10,535,500                     |
| <u>294,049</u>                                     | <u>8,329,174</u>               | <u>28,561,935</u>              |
|  | 6,754,727                      | 10,087,445                     |
|  | 550                            | 13,345                         |
| 12,207,665   | 2,729,178                      | 14,936,843                     |
|  | 5,151,961                      | 5,151,961                      |
|  | 123,500                        | 367,557                        |
|  |                                | 19,037,851                     |
|  | 16,982,728                     | 16,982,728                     |
|  | 64,643,777                     | 104,666,683                    |
| <u>12,207,665</u>                                  | <u>96,386,421</u>              | <u>171,244,413</u>             |
| <u>\$ 12,501,714</u>                               | <u>\$ 104,715,595</u>          | <u>\$ 199,806,348</u>          |

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**CITY OF TRACEY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENTS OF NET ASSETS  
June 30, 2005**

|  |                     |                       |
|--|---------------------|-----------------------|
| Fund balances of governmental funds  |                     | \$ 171,244,413        |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p>   |                     |                       |
| <p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>  |                     |                       |
| Capital assets   | \$ 440,492,542      |                       |
| Less: accumulated depreciation   | <u>(47,037,648)</u> | 393,454,894           |
| <p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.</p>   |                     |                       |
| Deferred charges   | 4,285,470           |                       |
| Less: accumulated amortization   | <u>(225,019)</u>    | 4,060,451             |
| <p>Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>  |                     |                       |
|  |                     | (1,100,221)           |
| <p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>   |                     |                       |
| Compensated absences   | (1,401,515)         |                       |
| Certificates of participation  | (13,435,000)        |                       |
| Bonds payable  | <u>(55,050,000)</u> | (69,886,515)          |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (net of net capital assets reported above in the amount of \$4,777,482)</p> |                     |                       |
|  |                     | 11,974,768            |
| <p>In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue.</p>  |                     |                       |
|  |                     | 3,281,739             |
| <p>In governmental funds, other long-term assets are not available to pay for current-period expenditures:</p>   |                     |                       |
| Interest receivable on loans   | 39,764              |                       |
| Accounts receivable  | <u>387,083</u>      | <u>426,847</u>        |
| Net assets of governmental activities  |                     | <u>\$ 513,456,376</u> |

The notes to the basic financial statements are an integral part of this statement

**CITY OF TRACY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2005**

|  | General              | Plan C               | North East<br>Industrial<br>Plan Area |
|--|----------------------|----------------------|---------------------------------------|
| <b>REVENUES</b>                              |                      |                      |                                       |
| Taxes and assessments                        | \$ 24,377,469        | \$ -                 | \$ -                                  |
| Licenses, permits, and fees                  | 4,821,878            |                      |                                       |
| Fines and penalties                          | 302,077              |                      |                                       |
| Use of money and property                    | 775,211              | 1,298,241            | 248,025                               |
| Intergovernmental                            | 7,523,842            |                      |                                       |
| Charges for services                         | 6,529,271            |                      |                                       |
| Special assessments                          | 303,365              | 9,854,495            | 1,090,067                             |
| Contributions                                |                      | 7,000                | 21,400                                |
| Other revenues                               | 48,151               |                      |                                       |
| <b>Total Revenues</b>                        | <b>44,681,264</b>    | <b>11,159,736</b>    | <b>1,359,492</b>                      |
| <b>EXPENDITURES</b>                          |                      |                      |                                       |
| Current:                                     |                      |                      |                                       |
| General government                           |                      |                      |                                       |
| City council                                 | 72,632               |                      |                                       |
| City attorney                                | 589,121              |                      |                                       |
| City treasurer                               | 311,466              |                      |                                       |
| Administration                               | 990,464              |                      |                                       |
| Personnel                                    | 663,593              |                      |                                       |
| Finance                                      | 1,068,502            |                      |                                       |
| Non-departmental                             | 837,796              |                      |                                       |
| Public safety                                |                      |                      |                                       |
| Police                                       | 15,203,708           |                      |                                       |
| Fire   | 7,062,141            |                      |                                       |
| Public works                                 |                      |                      |                                       |
| Development and engineering                  | 6,853,557            |                      |                                       |
| Public works                                 | 2,949,333            |                      |                                       |
| Culture and leisure                          |                      |                      |                                       |
| Parks and community services                 | 2,853,002            | 11,112               |                                       |
| Capital outlay                               | 150,759              | 11,041,066           | 144,532                               |
| Debt service:                                |                      |                      |                                       |
| Principal payments                           |                      | 4,000,000            |                                       |
| Interest and fiscal charges                  |                      |                      |                                       |
| Intergovernmental expenditures               |                      |                      |                                       |
| <b>Total Expenditures</b>                    | <b>39,606,074</b>    | <b>15,052,178</b>    | <b>144,532</b>                        |
| Excess of revenues over (under) expenditures | 5,075,190            | (3,892,442)          | 1,214,960                             |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                      |                      |                                       |
| Transfers in                                 |                      |                      |                                       |
| Transfers out                                | (5,091,045)          |                      |                                       |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(5,091,045)</b>   |                      |                                       |
| <b>Net Change in Fund Balances</b>           | <b>(15,855)</b>      | <b>(3,892,442)</b>   | <b>1,214,960</b>                      |
| Fund Balances, July 1, 2004                  | 19,815,862           | 49,561,020           | (4,033,218)                           |
| Fund Balances, June 30, 2005                 | <b>\$ 19,800,007</b> | <b>\$ 45,668,578</b> | <b>\$ (2,818,258)</b>                 |

The notes to the basic financial statements are an integral part of this statement

| Community<br>Development<br>Agency<br>Debt Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------------------|--------------------------------|
| \$ 6,449,080                                       | \$ -                           | \$ 30,826,549                  |
|  | 122,507                        | 4,944,385                      |
|  |                                | 302,077                        |
| 845,690  | 2,194,316                      | 5,361,483                      |
| 663,247  | 10,349,511                     | 18,536,600                     |
|  |                                | 6,529,271                      |
|  | 9,332,370                      | 20,580,297                     |
|  |                                | 28,400                         |
|  | 3,995,602                      | 4,043,753                      |
| <u>7,958,017</u>                                   | <u>25,994,306</u>              | <u>91,152,815</u>              |
|  |                                | 72,632                         |
|  |                                | 589,121                        |
|  |                                | 311,466                        |
|  |                                | 990,464                        |
|  |                                | 663,593                        |
|  |                                | 1,068,502                      |
|  |                                | 837,796                        |
|  | 6,563                          | 15,210,271                     |
|  | 4,275,276                      | 11,337,417                     |
|  | 2,274,850                      | 9,128,407                      |
|  | 2,372,624                      | 5,321,957                      |
|  |                                | 2,864,114                      |
|  | 27,439,052                     | 38,775,409                     |
| 670,000  | 390,000                        | 5,060,000                      |
| 2,753,317  | 730,416                        | 3,483,733                      |
| 1,825,229  |                                | 1,825,229                      |
| <u>5,248,546</u>                                   | <u>37,488,781</u>              | <u>97,540,111</u>              |
| <u>2,709,471</u>                                   | <u>(11,494,475)</u>            | <u>(6,387,296)</u>             |
|  | 9,304,374                      | 9,304,374                      |
| <u>(3,563,329)</u>                                 | <u>(650,000)</u>               | <u>(9,304,374)</u>             |
| <u>(3,563,329)</u>                                 | 8,654,374                      |                                |
| <u>(853,858)</u>                                   | <u>(2,840,101)</u>             | <u>(6,387,296)</u>             |
| <u>13,061,523</u>                                  | <u>99,226,522</u>              | <u>177,631,709</u>             |
| <u>\$ 12,207,665</u>                               | <u>\$ 96,386,421</u>           | <u>\$ 171,244,413</u>          |

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**CITY OF TRACY  
RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure 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 \$ (6,387,296)

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

Repayment of long-term receivables is treated as revenue in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets.

|                    |            |         |
|--------------------|------------|---------|
| Repayment of loans | \$ (9,081) | (9,081) |
|--------------------|------------|---------|

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 lives and reported as depreciation expense.

|   |                    |            |
|---|--------------------|------------|
| Capital outlay expenditures are therefore added back to fund balances | 38,509,832         |            |
| Depreciation expense not reported in governmental funds               | <u>(9,144,563)</u> | 29,365,269 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. 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 | 5,060,000        |           |
| Amortization of deferred charges                          | <u>(141,279)</u> | 4,918,721 |

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

|                                |                |         |
|--------------------------------|----------------|---------|
| Interest payable               | 9,825          |         |
| Conditional grant amortization | (391,586)      |         |
| Accrued interest receivable    | 39,764         |         |
| Compensated absences           | (48,178)       |         |
| Accounts receivable            | <u>387,083</u> | (3,092) |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.

1,373,416

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 29,257,937

The notes to the basic financial statements are an integral part of this statement



**CITY OF TRACY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

|                                 | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                 | <u>Original</u>         | <u>Final</u>      |                           | <u>Positive (Negative)</u>            |
| <b>REVENUES</b>                 |                         |                   |                           |                                       |
| Taxes                           | \$ 25,379,500           | \$ 25,379,500     | \$ 24,377,469             | \$ (1,002,031)                        |
| Licenses, permits, and fees     | 5,420,800               | 5,528,800         | 4,821,878                 | (706,922)                             |
| Fines and forfeitures           | 526,000                 | 261,000           | 302,077                   | 41,077                                |
| Use of money and property       | 1,322,000               | 1,588,000         | 775,211                   | (812,789)                             |
| Intergovernmental               | 2,831,030               | 3,059,837         | 7,523,842                 | 4,464,005                             |
| Charges for services            | 7,639,580               | 7,531,580         | 6,529,271                 | (1,002,309)                           |
| Other revenues                  | 81,000                  | 185,470           | 48,151                    | (137,319)                             |
| Special assessments             | 290,400                 | 290,400           | 303,365                   | 12,965                                |
| Total revenues                  | <u>43,490,310</u>       | <u>43,824,587</u> | <u>44,681,264</u>         | <u>856,677</u>                        |
| <b>EXPENDITURES</b>             |                         |                   |                           |                                       |
| Current:                        |                         |                   |                           |                                       |
| General government:             |                         |                   |                           |                                       |
| City council                    | 79,630                  | 79,630            | 72,632                    | 6,998                                 |
| City attorney                   | 643,180                 | 643,180           | 589,121                   | 54,059                                |
| City treasurer                  | 285,050                 | 285,050           | 311,466                   | (26,416)                              |
| Administration                  | 928,440                 | 920,440           | 990,464                   | (70,024)                              |
| Personnel                       | 696,200                 | 691,800           | 663,593                   | 28,207                                |
| Finance                         | 1,491,010               | 1,102,302         | 1,068,502                 | 33,800                                |
| Non-departmental                | 70,000                  | 588,341           | 837,796                   | (269,455)                             |
| Public safety:                  |                         |                   |                           |                                       |
| Police                          | 14,572,470              | 15,393,996        | 15,203,708                | 190,288                               |
| Fire                            | 7,275,730               | 7,353,028         | 7,062,141                 | 290,887                               |
| Public works:                   |                         |                   |                           |                                       |
| Development and engineering     | 6,450,430               | 6,855,840         | 6,853,557                 | 2,283                                 |
| Public works                    | 3,620,460               | 3,154,340         | 2,949,333                 | 205,007                               |
| Culture and leisure:            |                         |                   |                           |                                       |
| Parks and community services    | 2,806,800               | 2,860,990         | 2,853,002                 | 7,988                                 |
| Capital outlay                  | 4,200                   | 191,150           | 150,759                   | 40,391                                |
| Total expenditures              | <u>38,923,600</u>       | <u>40,100,087</u> | <u>39,606,074</u>         | <u>494,013</u>                        |
| Excess of Revenues Over (Under) |                         |                   |                           |                                       |
| Expenditures                    | <u>4,566,710</u>        | <u>3,724,500</u>  | <u>5,075,190</u>          | <u>1,350,690</u>                      |

(Continued)

The notes to the basic financial statements are an integral part of this statement

CITY OF TRACY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

|  | Budgeted Amounts            |                             | Actual<br>Amounts           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---|
|  | Original                    | Final                       |                             |   |
| <b>Other financing sources (uses):</b>   |                             |                             |                             |   |
| Transfers out                            | <u>\$ (1,787,000)</u>       | <u>\$ (1,787,000)</u>       | <u>\$ (5,091,045)</u>       | <u>\$ (3,304,045)</u>                                   |
| Total other financing sources (uses)     | <u>(1,787,000)</u>          | <u>(1,787,000)</u>          | <u>(5,091,045)</u>          | <u>(3,304,045)</u>                                      |
| Net Change in Fund Balance               | 2,779,710                   | 1,937,500                   | (15,855)                    | (1,953,355)   |
| Fund balance at beginning of fiscal year | <u>19,815,862</u>           | <u>19,815,862</u>           | <u>19,815,862</u>           |   |
| Fund balance at end of fiscal year       | <u><u>\$ 22,595,572</u></u> | <u><u>\$ 21,753,362</u></u> | <u><u>\$ 19,800,007</u></u> | <u><u>\$ (1,953,355)</u></u>                            |

The notes to the basic financial statements are an integral part of this statement

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## **MAJOR PROPRIETARY FUNDS**

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

The concept of *major funds* established by GASB Statement No. 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in the fiscal year 2005.

### **WATER UTILITY FUND**

This 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 administrative, operations, capital improvements, maintenance, financing, and related debt service, and billing and collection.

### **MUNICIPAL AIRPORT FUND**

This fund accounts for the activities associated with the operations and maintenance of the City's airport.

### **SEWER UTILITY FUND**

This fund accounts for the activities associated with operating and maintaining the City's sewer and surface drainage system. All activities necessary to provide such services are accounted for in this fund including administration, operations, capital improvements, maintenance, financing, and related debt service, and billing, and collection.

### **SOLID WASTE FUND**

This fund accounts for the provision of refuse collection services to residents of the City, accomplished through a franchised operator. This fund is also used to account for the activities of the City's recycling program.

### **MUNICIPAL TRANSIT FUND**

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities, and has particular emphasis on serving the elderly and handicapped.

### **DRAINAGE FUND**

Activities of the City's storm drainage operations are accounted for in this fund.

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2005**

| ASSETS                                  | Enterprise Funds |                  |                      |
|---|------------------|------------------|----------------------|
|   | Water<br>Utility | Sewer<br>Utility | Municipal<br>Airport |
| <b>Current Assets:</b>                  |                  |                  |                      |
| Cash and investments                    | \$ 16,325,318    | \$ 10,003,713    | \$ -                 |
| Cash and investments with fiscal agents | 392,966          | 30,856,238       |                      |
| Accounts receivable - net               | 1,117,944        | 673,055          | 80,760               |
| Interest receivable                     | 198,962          | 69,012           |                      |
| Prepaid items                           | 150              |                  |                      |
| Total current assets                    | 18,035,340       | 41,602,018       | 80,760               |
| <b>Noncurrent:</b>                      |                  |                  |                      |
| Loans receivable                        |                  |                  |                      |
| Deferred charges, net of amortization   | 125,000          | 230,303          |                      |
| Advances to other funds                 | 11,107,000       |                  |                      |
| Total noncurrent assets                 | 11,232,000       | 230,303          |                      |
| <b>Capital Assets:</b>                  |                  |                  |                      |
| <b>Nondepreciable</b>                   |                  |                  |                      |
| Land                                    | 194,071          | 932,681          | 15,826               |
| Construction in progress                | 79,369,282       | 38,125,814       | 369,606              |
| Total nondepreciable capital assets     | 79,563,353       | 39,058,495       | 385,432              |
| <b>Depreciable</b>                      |                  |                  |                      |
| Infrastructure                          | 9,945,524        | 9,019,093        |                      |
| Buildings                               | 22,770,724       | 42,780,419       | 939,659              |
| Improvements                            | 87,500,627       | 67,586,058       | 3,990,081            |
| Equipment                               | 4,636,294        | 2,243,315        | 28,704               |
| Total depreciable capital assets        | 124,853,169      | 121,628,885      | 4,958,444            |
| Less accumulated depreciation           | (50,574,991)     | (54,315,530)     | (2,838,003)          |
| Net depreciable capital assets          | 74,278,178       | 67,313,355       | 2,120,441            |
| Net capital assets                      | 153,841,531      | 106,371,850      | 2,505,873            |
| Total Assets                            | \$ 183,108,871   | \$ 148,204,171   | \$ 2,586,633         |

The notes to the basic financial statements are an integral part of this statement

| Enterprise Funds    |                      |                      |                       | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---------------------|----------------------|----------------------|-----------------------|--|
| Solid<br>Waste      | Municipal<br>Transit | Drainage             | Totals                |  |
| \$ 5,250,923        | \$ 470,496           | \$ 2,550,563         | \$ 34,601,013         | \$ 12,469,471  |
|                     |                      |                      | 31,249,204            |  |
| 980,242             | 484,668              | 50,404               | 3,387,073             | 221,062  |
| 59,194              | 4,770                | 27,893               | 359,831               | 113,751  |
|                     |                      |                      | 150                   |  |
| <u>6,290,359</u>    | <u>959,934</u>       | <u>2,628,860</u>     | <u>69,597,271</u>     | <u>12,804,284</u>  |
|                     |                      |                      |                       | 4,266  |
|                     |                      |                      | 355,303               |  |
|                     |                      |                      | 11,107,000            |  |
|                     |                      |                      | <u>11,462,303</u>     | <u>4,266</u>   |
|                     |                      | 5,592,175            | 6,734,753             |  |
|                     | 9,889                | 13,523,148           | 131,397,739           |  |
|                     | <u>9,889</u>         | <u>19,115,323</u>    | <u>138,132,492</u>    |  |
|                     |                      | 7,711,161            | 26,675,778            |  |
|                     | 1,551,306            |                      | 68,042,108            | 251,486  |
|                     |                      | 13,228,263           | 172,305,029           | 554,752  |
| 42,871              | 1,395,738            | 79,218               | 8,426,140             | 11,398,138   |
| 42,871              | 2,947,044            | 21,018,642           | 275,449,055           | 12,204,376   |
| (16,211)            | (751,861)            | (3,144,512)          | (111,641,108)         | (7,426,894)  |
| <u>26,660</u>       | <u>2,195,183</u>     | <u>17,874,130</u>    | <u>163,807,947</u>    | <u>4,777,482</u>   |
| 26,660              | 2,205,072            | 36,989,453           | 301,940,439           | 4,777,482  |
| <u>\$ 6,317,019</u> | <u>\$ 3,165,006</u>  | <u>\$ 39,618,313</u> | <u>\$ 383,000,013</u> | <u>\$ 17,586,032</u>   |

(Continued)

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2005**

|  | Enterprise Funds      |                       |                      |
|--|-----------------------|-----------------------|----------------------|
|  | Water<br>Utility      | Sewer<br>Utility      | Municipal<br>Airport |
| <b>LIABILITIES</b>                                   |                       |                       |                      |
| Current Liabilities:                                 |                       |                       |                      |
| Accounts payable                                     | \$ 1,340,932          | \$ 7,852,639          | \$ 12,286            |
| Deposits payable                                     | 392,185               | 3,500                 | 21,134               |
| Due to other funds                                   |                       |                       | 1,396                |
| Accrued interest payable                             | 48,270                | 118,088               | 96,150               |
| Claims payable                                       |                       |                       |                      |
| Current portion - long-term debt                     | 1,377,485             | 314,228               | 13,408               |
| Total current liabilities                            | <u>3,158,872</u>      | <u>8,288,455</u>      | <u>144,374</u>       |
| Noncurrent Liabilities:                              |                       |                       |                      |
| Advances from other funds                            |                       |                       | 939,057              |
| Capital lease payable                                |                       |                       |                      |
| Notes payable  | 8,211,877             |                       | 171,558              |
| Revenue bonds payable                                | 645,000               | 33,505,000            |                      |
| Compensated absences                                 | 107,470               | 50,286                |                      |
| Total noncurrent liabilities                         | <u>8,964,347</u>      | <u>33,555,286</u>     | <u>1,110,615</u>     |
| Total Liabilities                                    | <u>12,123,219</u>     | <u>41,843,741</u>     | <u>1,254,989</u>     |
| <b>NET ASSETS</b>                                    |                       |                       |                      |
| Investment in capital assets,<br>net of related debt | 144,077,620           | 102,816,157           | 2,224,757            |
| Restricted for debt service                          | 392,677               | 343,782               |                      |
| Restricted for projects                              |                       | 30,512,456            |                      |
| Unrestricted   | 26,515,355            | (27,311,965)          | (893,113)            |
| Total Net Assets                                     | <u>\$ 170,985,652</u> | <u>\$ 106,360,430</u> | <u>\$ 1,331,644</u>  |

The notes to the basic financial statements are an integral part of this statement

| Solid<br>Waste      | Enterprise Funds     |                         |  | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---------------------|----------------------|-------------------------|--|--|
|                     | Municipal<br>Transit | Drainage                | Totals   |  |
| \$ 834,028          | \$ 58,404            | \$ 122,586<br>1,876,973 | \$ 10,220,875<br>2,293,792<br>1,396<br>262,508 | \$ 111,820<br>7,753<br>406,758                               |
|                     | 3,394                | 16,477                  | 1,724,992                                      |  |
| <u>834,028</u>      | <u>61,798</u>        | <u>2,016,036</u>        | <u>14,503,563</u>                              | <u>526,331</u>   |
|                     |                      |                         | 939,057  |  |
|                     |                      |                         | 8,383,435                                      | 265,345  |
|                     | 1,532                | 35,797                  | 34,150,000                                     |  |
|                     | <u>1,532</u>         | <u>35,797</u>           | <u>195,085</u>                                 | <u>42,106</u>  |
|                     | 1,532                | 35,797                  | 43,667,577                                     | 307,451  |
| <u>834,028</u>      | <u>63,330</u>        | <u>2,051,833</u>        | <u>58,171,140</u>                              | <u>833,782</u>   |
| 26,661              | 2,205,072            | 36,989,453              | 288,339,720                                    | 4,512,137  |
|                     |                      |                         | 736,459  |  |
| 5,456,330           | 896,604              | 577,027                 | 30,512,456                                     |  |
|                     |                      |                         | 5,240,238                                      | 12,240,113   |
| <u>\$ 5,482,991</u> | <u>\$ 3,101,676</u>  | <u>\$ 37,566,480</u>    | <u>\$ 324,828,873</u>                          | <u>\$ 16,752,250</u>   |



**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS  
 For the Fiscal Year Ended June 30, 2005**

|   | Enterprise Funds      |                       |                      |
|---|-----------------------|-----------------------|----------------------|
|   | Water<br>Utility      | Sewer<br>Utility      | Municipal<br>Airport |
| Operating Revenues                      |                       |                       |                      |
| Sales and charges for services          | \$ 11,335,639         | \$ 7,620,841          | \$ 275,000           |
| Other operating revenues                | 387,512               | 184,142               | 3,022                |
| Total Operating Revenues                | <u>11,723,151</u>     | <u>7,804,983</u>      | <u>278,022</u>       |
| Operating Expenses:                     |                       |                       |                      |
| Purchase of water                       | 595,222               |                       |                      |
| Maintenance and operation               | 4,460,585             | 3,957,766             | 198,736              |
| Administration                          | 327,980               | 192,500               |                      |
| Insurance costs and claims              |                       |                       |                      |
| Depreciation                            | 3,410,893             | 3,137,018             | 208,344              |
| Total Operating Expenses                | <u>8,794,680</u>      | <u>7,287,284</u>      | <u>407,080</u>       |
| Operating Income (Loss)                 | <u>2,928,471</u>      | <u>517,699</u>        | <u>(129,058)</u>     |
| Non-Operating Revenues (Expenses)       |                       |                       |                      |
| Interest income                         | 384,755               | 548,717               | (185)                |
| Interest expense                        | (568,637)             | (1,699,361)           | (53,514)             |
| Grants and subsidies                    |                       |                       | 209,542              |
| Loss on sale of capital assets          |                       |                       |                      |
| Other non-operating revenues (expenses) | 246,190               | 398,621               | (10,672)             |
| Total Non-Operating Income (Loss)       | <u>62,308</u>         | <u>(752,023)</u>      | <u>145,171</u>       |
| Income (Loss) Before Contributions      | 2,990,779             | (234,324)             | 16,113               |
| Contributions                           | 5,506,369             | 16,609,508            |                      |
| Change in Net Assets                    | 8,497,148             | 16,375,184            | 16,113               |
| Net Assets, July 1, 2004                | <u>162,488,504</u>    | <u>89,985,246</u>     | <u>1,315,531</u>     |
| Net Assets, June 30, 2005               | <u>\$ 170,985,652</u> | <u>\$ 106,360,430</u> | <u>\$ 1,331,644</u>  |

The notes to the basic financial statements are an integral part of this statement

| Enterprise Funds |                      |               |                | Governmental<br>Activities-<br>Internal<br>Service<br>Funds |
|------------------|----------------------|---------------|----------------|---|
| Solid<br>Waste   | Municipal<br>Transit | Drainage      | Totals         |   |
| \$ 13,644,634    | \$ 110,149           | \$ 480,126    | \$ 33,466,389  | \$ 7,237,135  |
| 292,537          | 3,225                | 10,918        | 881,356        |   |
| 13,937,171       | 113,374              | 491,044       | 34,347,745     | 7,237,135   |
|                  |                      |               | 595,222        |   |
| 15,544,350       | 240,880              | 502,079       | 24,904,396     | 2,632,679   |
| 51,210           |                      | 30,360        | 602,050        | 1,292,139   |
|                  |                      |               |                | 2,255,816   |
| 7,974            | 140,296              | 445,388       | 7,349,913      | 860,079   |
| 15,603,534       | 381,176              | 977,827       | 33,451,581     | 7,040,713   |
| (1,666,363)      | (267,802)            | (486,783)     | 896,164        | 196,422   |
|                  |                      |               |                |   |
| 193,857          | 19,169               | 73,992        | 1,220,305      | 346,141   |
|                  | 1,728,243            |               | (2,321,512)    | (10,848)  |
|                  |                      |               | 1,937,785      |   |
| 6,919            |                      |               | 641,058        | (96,063)  |
| 200,776          | 1,747,412            | 73,992        | 1,477,636      | 12,366  |
| (1,465,587)      | 1,479,610            | (412,791)     | 2,373,800      | 251,596   |
|                  | 1,429,539            | 1,176,298     | 24,721,714     | 448,018   |
| (1,465,587)      | 2,909,149            | 763,507       | 27,095,514     | 925,398   |
| 6,948,578        | 192,527              | 36,802,973    | 297,733,359    | 1,373,416   |
| \$ 5,482,991     | \$ 3,101,676         | \$ 37,566,480 | \$ 324,828,873 | 15,378,834  |
|                  |                      |               |                | \$ 16,752,250   |

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2005**

|   | Enterprise Funds     |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | Water<br>Utility     | Sewer<br>Utility     | Municipal<br>Airport |
| <b>Cash Flows from Operating Activities:</b>                                  |                      |                      |                      |
| Receipts from customers/interfund charges                                     | \$ 12,810,649        | \$ 7,958,528         | \$ 237,591           |
| Payments to suppliers and users   | (2,182,308)          | (1,460,124)          | (146,883)            |
| Payments to employees   | (2,428,512)          | (1,689,143)          | (58,338)             |
| <b>Net Cash Provided (Used) by Operating Activities</b>                       | <b>8,199,829</b>     | <b>4,809,261</b>     | <b>32,370</b>        |
| <b>Cash Flows from Non-Capital Financing Activities:</b>                      |                      |                      |                      |
| Grant and subsidies received  |                      |                      | 209,542              |
| Advances to/from other funds  | 20,000               |                      | (20,000)             |
| Other non-operating revenues (expenses)                                       | 246,190              | 398,621              | (10,672)             |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>           | <b>266,190</b>       | <b>398,621</b>       | <b>178,870</b>       |
| <b>Cash Flows from Capital and Related Financing Activities:</b>              |                      |                      |                      |
| Acquisitions of capital assets  | (3,946,008)          | (4,040,852)          | (194,473)            |
| Option payment  | (125,000)            |                      |                      |
| Interest paid   | (668,662)            | (1,573,940)          | 4,276                |
| Principal payments - long-term debt   | (922,345)            | (280,000)            | (32,250)             |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>   | <b>(5,662,015)</b>   | <b>(5,894,792)</b>   | <b>(222,447)</b>     |
| <b>Cash Flows from Investing Activities:</b>                                  |                      |                      |                      |
| Interest received   | 324,646              | 619,519              | (183)                |
| <b>Net Cash Provided (Used) by Investing Activities</b>                       | <b>324,646</b>       | <b>619,519</b>       | <b>(183)</b>         |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                   | <b>3,128,650</b>     | <b>(67,391)</b>      | <b>(11,390)</b>      |
| <b>Cash and Cash Equivalents, July 1, 2004</b>                                | <b>13,589,634</b>    | <b>40,927,342</b>    | <b>11,390</b>        |
| <b>Cash and Cash Equivalents, June 30, 2005</b>                               | <b>\$ 16,718,284</b> | <b>\$ 40,859,951</b> | <b>\$ -</b>          |
| <b>Noncash Transactions</b>   |                      |                      |                      |
| Capital contributions   | \$ 5,506,369         | \$ 16,609,508        | \$ -                 |
| Loss on capital asset disposition   | -                    | -                    | -                    |
| <b>Reconciliation of Cash and Cash Equivalents To Statement of Net Assets</b> |                      |                      |                      |
| <b>Cash and investments</b>   | <b>\$ 16,325,318</b> | <b>\$ 10,003,713</b> | <b>\$ -</b>          |
| <b>Cash and investments with fiscal agents</b>                                | <b>392,966</b>       | <b>30,856,238</b>    | <b>-</b>             |
| <b>Total Cash and Investments</b>   | <b>\$ 16,718,284</b> | <b>\$ 40,859,951</b> | <b>\$ -</b>          |

The notes to the basic financial statements are an integral part of this statement

| Enterprise Funds    |                      |                     |                      | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---------------------|----------------------|---------------------|----------------------|---|
| Solid<br>Waste      | Municipal<br>Transit | Drainage            | Totals               |   |
| \$ 14,733,844       | \$ 113,374           | \$ 500,930          | \$ 36,354,916        | \$ 7,180,811  |
| (15,504,281)        | (406,224)            | (638,722)           | (20,338,542)         | (4,470,953)   |
| (34,946)            | (101,857)            | (160,227)           | (4,473,023)          | (1,647,842)   |
| (805,383)           | (394,707)            | (298,019)           | 11,543,351           | 1,062,016   |
|                     | 1,685,854            |                     | 1,895,396            |   |
| 6,919               |                      |                     | 641,058              | 19,842  |
|                     |                      |                     |                      | 12,366  |
| 6,919               | 1,685,854            |                     | 2,536,454            | 32,208  |
|                     | (837,688)            | (171,302)           | (9,190,323)          | (128,689)   |
|                     |                      |                     | (125,000)            |   |
|                     |                      |                     | (2,238,326)          | (11,346)  |
|                     |                      |                     | (1,234,595)          | (60,378)  |
|                     | (837,688)            | (171,302)           | (12,788,244)         | (200,413)   |
| 192,178             | 17,036               | 75,588              | 1,228,784            | 333,365   |
| 192,178             | 17,036               | 75,588              | 1,228,784            | 333,365   |
| (606,286)           | 470,495              | (393,733)           | 2,520,345            | 1,227,176   |
| 5,857,209           | 1                    | 2,944,296           | 63,329,872           | 11,242,295  |
| <u>\$ 5,250,923</u> | <u>\$ 470,496</u>    | <u>\$ 2,550,563</u> | <u>\$ 65,850,217</u> | <u>\$ 12,469,471</u>                                      |
| \$ -                | \$ 1,429,539         | \$ 1,176,298        | \$ 24,721,714        | \$ 925,398  |
| -                   | -                    | -                   | -                    | 96,063  |
| \$ 5,250,923        | \$ 470,496           | \$ 2,550,563        | \$ 34,601,013        | \$ 12,469,471   |
|                     |                      |                     | 31,249,204           |   |
| <u>\$ 5,250,923</u> | <u>\$ 470,496</u>    | <u>\$ 2,550,563</u> | <u>\$ 65,850,217</u> | <u>\$ 12,469,471</u>                                      |

(Continued)

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2005  
 (Continued)**

|   | Enterprise Funds    |                     |                      |
|---|---------------------|---------------------|----------------------|
|   | Water<br>Utility    | Sewer<br>Utility    | Municipal<br>Airport |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:        |                     |                     |                      |
| Operating Income (Loss)   | \$ 2,928,471        | \$ 517,699          | \$ (129,058)         |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                     |                     |                      |
| Depreciation  | 3,410,893           | 3,137,018           | 208,344              |
| Increase (Decrease) in Operating Assets:  |                     |                     |                      |
| Accounts receivable   | 1,057,284           | 153,045             | (62,961)             |
| Prepaid items   | (150)               |                     |                      |
| Increase (Decrease) in Operating Liabilities:   |                     |                     |                      |
| Accounts payable  | 747,465             | 978,323             | (6,486)              |
| Due to other funds  |                     |                     | 1,396                |
| Compensated absences  | 25,652              | 22,676              |                      |
| Deposits payable  | 30,214              | 500                 | 21,135               |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 8,199,829</u> | <u>\$ 4,809,261</u> | <u>\$ 32,370</u>     |

The notes to the basic financial statements are an integral part of this statement

| Enterprise Funds    |                                  |                               |   | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---------------------|----------------------------------|-------------------------------|---|---|
| Solid<br>Waste      | Municipal<br>Transit             | Drainage                      | Totals                                  |   |
| \$ (1,666,363)      | \$ (267,802)                     | \$ (486,783)                  | \$ 896,164                              | \$ 196,422  |
| 7,974               | 140,296                          | 445,388                       | 7,349,913                               | 860,079   |
| 796,673<br>450      |                                  | 9,886                         | 1,953,927<br>300                        | (56,324)<br>750   |
| 55,883              | (207,641)<br>(56,835)<br>(2,725) | 116,601<br>5,389<br>(388,500) | 1,628,262<br>444<br>50,992<br>(336,651) | 59,448<br>1,641   |
| <u>\$ (805,383)</u> | <u>\$ (394,707)</u>              | <u>\$ (298,019)</u>           | <u>\$ 11,543,351</u>                    | <u>\$ 1,062,016</u>                                       |

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## **FIDUCIARY FUNDS**

### **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 Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.



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**CITY OF TRACY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2005**

|   | Agency<br>Funds |
|---|-----------------|
| <b>ASSETS</b>                                       |                 |
| Cash and investments                                | \$ 7,464,985    |
| Cash and investments with fiscal agents, restricted | 23,888,794      |
| Due from other funds                                | 69,142          |
| Total Assets  | 31,422,921      |
| <br><b>LIABILITIES</b>                              |                 |
| Deposits payable                                    | 13,786          |
| Due to assessment district bondholders              | 31,339,993      |
| Due to other funds                                  | 69,142          |
| Total Liabilities                                   | 31,422,921      |
| <br><b>Net Assets</b>                               | <br>\$ -        |

The notes to the basic financial statements are an integral part of this statement

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

A. Description of the Reporting Entity

The City of Tracy was incorporated as a general law city on July 10, 1910. The City operates under the Council-Manager form of government and provides the following services: public safety (policy and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment. These basic financial statements present the City of Tracy (the primary government) and its component units. The component units discussed in Section B (below) are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The accompanying financial statements present the activities of the City of Tracy (the primary government) and its component unit, and entity for which the City is financially accountable. The City of Tracy Community Development Agency (Agency) is a tax-increment redevelopment agency, the Board of which is composed of City Council members. The agency's purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. Although legally separate, this Agency is so intertwined with the City that it is, in substance, one and the same. Accordingly, it is blended with the City in these financial statements. Separate Agency financial statements may be obtained from the City of Tracy at 325 East Tenth Street, Tracy, California 95376.

B. Individual Component Unit Disclosures

*Blended Component Units.* The City of Tracy Community Development Agency (Agency) serves all the citizens of the City. The Agency is governed by a board comprised of members of the City's elected council. The Agency is reported as a special revenue fund, a capital projects fund, and a debt service fund.

*Discretely Presented Component Units.* There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, criteria for discrete disclosure within these basic financial statements.

C. 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 Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The accompanying financial statements are presented on the basis set forth in *Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-Exchange Revenues*, and

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

C. Basis of Presentation (Continued)

*Amendment of GASB Statement No. 33 and 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government – Omnibus, and No. 38, Certain Financial Statement Note Disclosures.* The City chose to implement GASB Statement No. 34 in fiscal year 2000.

The City has implemented the requirements of GASB Statement No. 40 during the final fiscal year ended June 30, 2005. This statement provides for additional disclosure related to investments and their related risks.

These Statements 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 component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize double counting or internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental and business-type 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 programs, 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 funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. These funds account for changes to other funds and departments for insurance, maintenance and equipment acquisition.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The City collects assessments and prop costs and debt service for various assessment districts within the City.

D. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental and proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

**General** - This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

D. Major Funds (Continued)

**Community Development Agency Debt Service** – This fund accounts for accumulated City and County tax increment funds received for redevelopment purposes to repay outstanding debt.

**Plan C Capital Projects** – This fund accounts for capital improvements financed by fees paid by developers in the City's Plan C area.

**North East Industrial Plan Area Capital Projects** – This fund was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

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

**Water Utility** – This fund accounts for the activities of the City's water supply system.

**Municipal Airport** – This fund accounts for the activities associated with the operations and maintenance of the City's airport.

**Sewer Utility** – This fund accounts for the activities of the City's surface drainage, sewage collection, and treatment system.

**Solid Waste** – This fund accounts for the City's refuse collection activities.

**Municipal Transit** – This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

**Drainage** – This fund accounts for the City's storm drainage activities.

E. Basis of Accounting

The government-wide, proprietary funds, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

E. Basis of Accounting (Continued)

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 fiscal 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 that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Fiduciary Funds – Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are purely custodial in nature (assets equal liabilities) and, thus, do not involve measurement of results of operations.

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

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Utility service accounts receivable are reported net of allowance for doubtful collections and include unbilled receivables using actual amounts billed in July for June services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain 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/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

F. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of San Joaquin for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The County of San Joaquin levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County of San Joaquin. The Teeter Plan authorizes the Auditor/Controller of the County of San Joaquin to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of San Joaquin remits tax monies to the City in three installments as follows:

50 percent remitted in December  
45 percent remitted in April  
5 percent remitted in June

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

F. Property Taxes (Continued)

Tax Levy Apportionments – Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

G. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding \$1,000.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for infrastructure (streets and roads) capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the modified approach, depreciation has been provided on capital assets. Depreciation of all capital assets is charged as an expense against operations each fiscal year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

|   |       |
|---|-------|
| Buildings   | 10-30 |
| Improvements  | 5-50  |
| Equipment   | 2-20  |
| Grading, curbs, gutters, sidewalks, driveway approaches | 40    |
| Traffic signals   | 20    |
| Street drainage   | 40    |
| Other   | 5-40  |

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, not of interest earned on the invested proceeds over the same period.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

H. Compensated Absences

Compensated absences are accrued as earned by employees, and consist only of vacations. The City measures vacation accrual annually; however, vacation payments are not distinguished from regular payroll paid during the year, nor are accruals made other than annually. The City's liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

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

I. Postemployment Benefits

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank. Miscellaneous Employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. Safety Employees: Police employees can bank their unused sick leave if they have at least ten (10) years of employment. Fire employees have two (2) choices: (1) bank their unused sick leave or (2) be paid in cash for all unused sick leave hours in excess of 1,440 hours. If they chose to bank their unused sick leave, they can bank all of it but they will be taxed (Federal, State and the 1.45% Medicare) for all hours in excess of 1,440. Fire employees also need at least ten (10) years of employment to receive this benefit. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees' hourly rate of pay. The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until that bank is exhausted. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ending June 30, 2005, those costs for 25 retirees totaled \$117,821, and the total liability amount is \$691,330.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make 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/expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

Annual budgets are adopted for all governmental fund types on a basis consistent with accounting principles generally accepted in the United States of America. The City's budget ordinance requires that in June of each fiscal year the City Manager submits a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g., purchase orders) is employed by the City.

B. Deficit Fund Balances

Major Fund

A deficit fund balance of \$2,818,258 exists in the North East Industrial Plan Area Fund. The deficit is due to the City incurring costs in excess of revenues.

Nonmajor Funds

A deficit fund balance of \$67,799 exists in the Community Development Block Grant Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of \$22,793 exists in the Business Improvement District Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of \$7,278 exists in the Traffic Congestion Relief Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$102,961 exists in the Community Access CTV Fund. The deficit is due to the City incurring costs in excess of revenues.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

C. Excess of Expenditures over Appropriations

|  |              |
|--|--------------|
| Major Governmental Funds:                      |              |
| Plan "C" Capital Projects Fund                 | \$ 4,959,278 |
| Community Development Agency Debt Service Fund | 1,395,506    |
| Nonmajor Governmental Funds:                   |              |
| Community Access CTV                           | 142,983      |

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

|   |                       |
|---|-----------------------|
| Statement of net assets:                |                       |
| Cash and investments                    | \$ 191,560,031        |
| Cash and investments with Fiscal Agents | 74,392,570            |
| Fiduciary funds:                        |                       |
| Cash and investments                    | 7,464,985             |
| Cash and investments with Fiscal Agents | <u>23,888,794</u>     |
| Total cash and investments              | <u>\$ 297,306,380</u> |

Cash and investments as of June 30, 2005 consist of the following:

|                                      |                       |
|--------------------------------------|-----------------------|
| Cash on hand                         | \$ 2,450              |
| Deposits with financial institutions | 9,489,572             |
| Investments                          | <u>287,814,358</u>    |
| Total cash and investments           | <u>\$ 297,306,380</u> |

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the City of Tracy (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

A. Investments Authorized by the California Government Code and the Entity's Investment Policy (Continued)

| <u>Authorized Investment Type</u>   | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|--|---|
| Local Agency Investment Fund (State Pool)   | N/A                     | \$40 million                           | \$40 million                            |
| California Asset Management Plan  | N/A                     | None                                   | 10%                                     |
| Safekeeping Services Sweep Accounts   | N/A                     | None                                   | 10%                                     |
| U.S. Treasury Obligations   | 5 years                 | None                                   | None                                    |
| U.S. Government Agency Issues   | 5 years                 | None                                   | None                                    |
| Insured Deposits with Banks and Savings and Loans   | N/A                     | None                                   | 10%                                     |
| Repurchase Agreements   | 1 year                  | None                                   | 10%                                     |
| Purchase Agreements   | 92 days                 | 20% of base value                      | 10%                                     |
| Certificates of Deposit   | 5 years                 | 30%                                    | 10%                                     |
| Bankers Acceptances (must be dollar denominated)  | 6 months                | 30%                                    | 10%                                     |
| Commercial Paper  | 9 months                | 25%                                    | 5%                                      |
| Negotiable Time Certificates of Deposit   | 18 months               | 30%                                    | 10%                                     |
| Medium Term Corporate Notes   | 5 years                 | 30%                                    | 10%                                     |
| Mutual Funds (must be comprised of eligible securities permitted under this policy)       | N/A                     | 15%                                    | 10%                                     |
| Money Market Funds (must be comprised of eligible securities permitted under this policy) | N/A                     | None                                   | 10%                                     |

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the **Investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|-----------------------------------|-------------------------|--|---|
| U.S. Treasury Obligations         | None                    | None                                   | None                                    |
| U.S. Agency Securities            | None                    | None                                   | None                                    |
| Banker's Acceptances              | 180 days                | None                                   | None                                    |
| Commercial Paper                  | 270 days                | None                                   | None                                    |
| Money Market Mutual Funds         | N/A                     | None                                   | None                                    |
| Investment Contracts              | 30 years                | None                                   | None                                    |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

**C. Disclosures Relating to 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

| Investment Type             | Totals                | Remaining maturity (in Months) |                      |                      |                      |                      | More Than 60 Months  |
|-----------------------------|-----------------------|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                             |                       | 12 Months or Less              | 13 to 24 Months      | 25-36 Months         | 37-48 Months         | 49-60 Months         |                      |
| U.S. Treasury Notes         | \$ 17,267,758         | \$ 2,100,875                   | \$ 5,711,970         | \$ 3,452,147         | \$ 4,781,975         | \$ 1,220,791         | \$ -                 |
| U.S. Treasury Bonds         | 1,009,063             | 1,009,063                      |                      |                      |                      |                      |                      |
| Money Market Funds          | 18,611,548            | 18,611,548                     |                      |                      |                      |                      |                      |
| Federal Agency Securities   | 99,607,689            | 22,302,390                     | 35,053,382           | 25,025,912           | 6,905,220            | 10,320,785           |                      |
| Corporate Medium Term Notes | 36,241,473            | 10,751,989                     | 13,925,318           | 6,807,286            | 2,242,850            | 2,514,030            |                      |
| Commercial Paper            | 8,956,640             | 8,956,640                      |                      |                      |                      |                      |                      |
| Negotiable Time Deposits    | 181,983               | 181,983                        |                      |                      |                      |                      |                      |
| Mortgage-backed Securities  | 1,627,646             |                                |                      | 1,627,646            |                      |                      |                      |
| State Investment Pool       | 6,029,193             | 6,029,193                      |                      |                      |                      |                      |                      |
| Held by Bond Trustees:      |                       |                                |                      |                      |                      |                      |                      |
| Money Market Funds          | 16,983,239            | 16,983,239                     |                      |                      |                      |                      |                      |
| Investment Contracts        | 76,977,201            | 62,269,444                     |                      |                      |                      |                      | 14,707,757           |
| State Investment Pool       | 4,320,925             | 4,320,925                      |                      |                      |                      |                      |                      |
|                             | <u>\$ 287,814,358</u> | <u>\$ 153,517,289</u>          | <u>\$ 54,690,670</u> | <u>\$ 36,912,991</u> | <u>\$ 13,930,045</u> | <u>\$ 14,055,606</u> | <u>\$ 14,707,757</u> |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

**C. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

| <u>Highly Sensitive Investments</u>   | <u>Fair Value at Fiscal Year End</u> |
|---|--------------------------------------|
| Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. | \$ 1,627,646                         |

**D. Disclosures Relating to Credit Risk**

Generally, 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 minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| <u>Investment Type</u>      | <u>Amount</u>         | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Fiscal Year End</u> |                      |                      |                       |
|-----------------------------|-----------------------|-----------------------------|-------------------------------|-------------------------------------|----------------------|----------------------|-----------------------|
|                             |                       |                             |                               | <u>AAA</u>                          | <u>AA</u>            | <u>A</u>             | <u>Not Rated</u>      |
| U.S. Treasury notes         | \$ 17,267,758         | N/A                         | \$ 17,267,758                 | \$ -                                | \$ -                 | \$ -                 | \$ -                  |
| U.S. Treasury bonds         | 1,009,063             | N/A                         | 1,009,063                     |                                     |                      |                      |                       |
| Money Market Funds          | 18,611,548            | N/A                         |                               |                                     |                      |                      | 18,611,548            |
| Federal agency securities   | 99,607,689            | N/A                         |                               | 99,607,689                          |                      |                      |                       |
| Corporate medium term notes | 36,241,473            | N/A                         |                               | 4,241,821                           | 11,600,162           | 20,399,490           |                       |
| Commercial paper            | 8,956,640             | N/A                         |                               |                                     |                      | 8,956,640            |                       |
| Negotiable time deposits    | 181,983               | N/A                         |                               |                                     |                      |                      | 181,983               |
| Mortgage-backed securities  | 1,627,646             | N/A                         |                               | 1,627,646                           |                      |                      |                       |
| State investment pool       | 6,029,193             | N/A                         |                               |                                     |                      |                      | 6,029,193             |
| Held by bond trustee:       |                       |                             |                               |                                     |                      |                      |                       |
| Money market funds          | 16,983,239            | N/A                         |                               |                                     |                      |                      | 16,983,239            |
| Investment contracts        | 76,977,201            | N/A                         |                               |                                     |                      |                      | 76,977,201            |
| State investment pool       | 4,320,925             | N/A                         |                               |                                     |                      |                      | 4,320,925             |
| <b>Total</b>                | <b>\$ 287,814,358</b> |                             | <b>\$ 18,276,821</b>          | <b>\$ 105,477,156</b>               | <b>\$ 11,600,162</b> | <b>\$ 29,356,130</b> | <b>\$ 123,104,089</b> |



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

**E. Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City investments** are as follows:

| <u>Issuer</u>          | <u>Investment Type</u>    | <u>Reported Amount</u> |
|------------------------|---------------------------|------------------------|
| FHLMC                  | Federal agency securities | \$ 21,056,171          |
| FNMA                   | Federal agency securities | 36,324,058             |
| Federal Home Loan Bank | Federal agency securities | 38,198,391             |
| MBIA                   | Investment contracts      | 33,100,653             |
| Transamerica           | Investment contracts      | 16,068,500             |

Investments in any one issuer that represent 5% or more of total investments **by reporting unit** (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.) are as follows:

\$30,512,456 of the cash and investments (including amounts held by bond trustee) reported in the Sewer Utility Fund (a major fund of the City) are held in the form of nonnegotiable unrated investment contracts issued by MBIA Investment Company that mature on May 1, 2006.

\$2,743,219 of cash and investments (including amounts held by bond trustees) reported in the Community Development Agency Debt Service Fund (a major fund of the City) are held in the form of nonnegotiable unrated investment contracts issued by AIG Investment Company. These mature March 1, 2034.

\$17,900,406 of cash and investments (including amounts held by bond trustees) reported in the aggregate nonmajor funds are held in the form of nonnegotiable unrated investment contracts issued by AIG and Transamerica investment companies. Maturity on these investments is November 1, 2005.

\$13,856,582 of cash and investments (including amounts held by bond trustees) reported in the Plan C fund (a major fund of the City) is held in the form of a nonnegotiable unrated investment contract with Transamerica investment company. Maturity on the investment is March 1, 2006.

**F. Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

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

F. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution

secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2005, \$11,185,640 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2005, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

| <u>Investment Type</u>      | <u>Reported<br/>Amount</u> |
|-----------------------------|----------------------------|
| U.S. Treasury Notes         | \$ 17,267,758              |
| U.S. Treasury Bonds         | 1,009,063                  |
| Federal agency securities   | 99,607,689                 |
| Corporate medium term notes | 36,241,473                 |
| Commercial paper            | 8,956,640                  |
| Mortgage-backed securities  | 1,627,646                  |
| Money market funds          | 18,611,548                 |

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 – LOANS RECEIVABLE**

A. Residential and Commercial Rehabilitation Loans

The City administers a residential and commercial rehabilitation program using Housing and Urban Development funds. Federal funds received by the City are deposited with a commercial bank. Upon approval of the loans, the funds are disbursed and collected by an outside collection agency. The programs are designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs was \$162,351 at June 30, 2005.

B. Community Development Agency Loans

In 1994, the Agency loaned \$609,000 in Low and Moderate Income Housing funds to Mountain View Townhomes Associations, a partnership of non-profit corporations, to assist in the construction of thirty-seven residential rental units, thirty-six of which are available to low income families. The loan is secured by a second deed of trust, is payable over twenty-three years beginning in 2026 and accrues interest at 3%. As of June 30, 2005, principal and accrued interest totaled \$809,970.

In 1996, the Agency agreed to loan Eden Housing Inc., up to \$2,208,691 to assist in the development and construction of seventy-two low income housing units. The loan is payable over ten years beginning forty years after the project is complete, and accrues interest at 1% per year. As of June 30, 2005, principal and accrued interest totaled \$2,280,126.

In 2000, the Agency agreed to loan Habitat for Humanity up to \$100,000 to construct/reconstruct from five to seven properties to ownership housing for very low-income families. The funds are to be used to pay all City fees necessary to develop and build affordable housing under the sponsorship of Habitat for Humanity. To date, Habitat for Humanity has expended \$40,093 of the loan proceeds. The loan is secured by a deed of trust on the property and may be forgiven if the property remains occupied by a low-income family for a period of ten years. Unexpended loan funds are kept in a City of Tracy account available for use by Habitat for Humanity as needed.

C. Employee Computer Loans

All full-time permanent City employees who have completed their probationary period are eligible to obtain an interest free loan to purchase a computer. All requests for loans are subject to review by the participating 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 until paid in full. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2005, employees had \$4,266 in loans due to the City.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 – LOANS RECEIVABLE (Continued)**

E. Conditional Grants

The City has several programs under which it extends loans to qualifying individual 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 5 – CAPITAL ASSETS**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

|   | <u>Balance at<br/>July 1, 2004</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Transfers</u> | <u>Balance at<br/>June 30, 2005</u> |
|---|------------------------------------|-------------------|------------------|------------------|-------------------------------------|
| <b>Governmental Activities</b>                            |                                    |                   |                  |                  |                                     |
| Nondepreciable Capital Assets:                            |                                    |                   |                  |                  |                                     |
| Land  | \$ 72,283,616                      | \$ 6,246,022      | \$ -             | \$ -             | \$ 78,529,638                       |
| Roads accounted for using the modified approach           | 159,843,906                        | 6,711,067         |                  |                  | 166,554,973                         |
| Construction in progress                                  | <u>38,631,978</u>                  | <u>14,352,593</u> |                  |                  | <u>52,984,571</u>                   |
| Total Nondepreciable Capital Assets                       | <u>270,759,500</u>                 | <u>27,309,682</u> |                  |                  | <u>298,069,182</u>                  |
| Depreciable Capital Assets:                               |                                    |                   |                  |                  |                                     |
| Buildings and improvements                                | 52,853,341                         | 4,894,685         |                  |                  | 57,748,026                          |
| Grading, curb & gutter, sidewalk, and driveway approaches | 20,359,260                         | 2,459,960         |                  |                  | 22,819,220                          |
| Traffic signals   | 11,588,535                         | 1,375,007         |                  |                  | 12,963,542                          |
| Street drainage   | 28,481,416                         | 1,715,312         |                  |                  | 30,196,728                          |
| Equipment   | <u>16,982,634</u>                  | <u>1,713,210</u>  |                  |                  | <u>18,695,844</u>                   |
| Total Depreciable Capital Assets                          | <u>130,265,186</u>                 | <u>12,158,174</u> |                  |                  | <u>142,423,360</u>                  |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 – CAPITAL ASSETS (Continued)**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:  
(Continued)

|  | Balance at<br>July 1, 2004 | Additions            | Deletions   | Transfers          | Balance at<br>June 30, 2005 |
|--|----------------------------|----------------------|-------------|--------------------|-----------------------------|
| <b>Governmental Activities</b>                                 |                            |                      |             |                    |                             |
| (Continued)  |                            |                      |             |                    |                             |
| Accumulated Depreciation:                                      |                            |                      |             |                    |                             |
| Buildings and improvements                                     | \$ (13,382,409)            | \$ (6,464,495)       | \$ -        | \$ -               | \$ (19,846,904)             |
| Grading, curbs & gutters, sidewalks<br>and driveway approaches | (4,731,975)                | (508,482)            |             |                    | (5,240,457)                 |
| Traffic signals  | (1,830,390)                | (523,098)            |             |                    | (2,353,488)                 |
| Street drainage  | (8,740,719)                | (711,907)            |             |                    | (9,452,626)                 |
| Equipment  | (8,347,513)                | (1,796,660)          |             |                    | (10,144,173)                |
| Total Accumulated Depreciation                                 | <u>(37,033,006)</u>        | <u>(10,004,642)</u>  |             |                    | <u>(47,037,648)</u>         |
| Net Depreciable Capital Assets                                 | <u>93,232,180</u>          | <u>2,153,532</u>     |             |                    | <u>95,385,712</u>           |
| Net Governmental Capital Assets                                | <u>\$ 363,991,680</u>      | <u>\$ 29,463,214</u> | <u>\$ -</u> | <u>\$ -</u>        | <u>\$ 393,454,894</u>       |
| <b>Business-type Activities</b>                                |                            |                      |             |                    |                             |
| <b>Water Utility</b>   |                            |                      |             |                    |                             |
| Nondepreciable Capital Assets:                                 |                            |                      |             |                    |                             |
| Land   | \$ 179,132                 | \$ 14,939            | \$ -        | \$ -               | \$ 194,071                  |
| Construction in progress                                       | <u>82,460,580</u>          | <u>6,028,881</u>     |             | <u>(9,120,179)</u> | <u>79,369,282</u>           |
| Total Nondepreciable<br>Capital Assets                         | <u>82,639,712</u>          | <u>6,043,820</u>     |             | <u>(9,120,179)</u> | <u>79,563,353</u>           |
| Depreciable Capital Assets:                                    |                            |                      |             |                    |                             |
| Infrastructure   | 5,578,627                  | 1,451,368            |             | 2,915,529          | 9,945,524                   |
| Buildings  | 21,100,471                 | 1,670,253            |             |                    | 22,770,724                  |
| Improvements   | 79,177,910                 |                      |             | 8,322,717          | 87,500,627                  |
| Equipment  | <u>6,467,425</u>           | <u>286,936</u>       |             | <u>(2,118,067)</u> | <u>4,636,294</u>            |
| Total Depreciable Capital Assets                               | <u>112,324,433</u>         | <u>3,408,557</u>     |             | <u>9,120,179</u>   | <u>124,853,169</u>          |
| Accumulated Depreciation:                                      |                            |                      |             |                    |                             |
| Infrastructure   | (396,814)                  | (122,313)            |             |                    | (519,127)                   |
| Buildings  | (14,851,718)               | (663,431)            |             |                    | (15,515,149)                |
| Improvements   | (27,849,177)               | (2,202,032)          |             | (791,113)          | (30,842,322)                |
| Equipment  | <u>(4,066,389)</u>         | <u>(423,117)</u>     |             | <u>791,113</u>     | <u>(3,698,393)</u>          |
| Total Accumulated Depreciation                                 | <u>(47,164,098)</u>        | <u>(3,410,893)</u>   |             |                    | <u>(50,574,991)</u>         |
| Net Depreciable Capital Assets                                 | <u>65,160,335</u>          | <u>(2,336)</u>       |             | <u>9,120,179</u>   | <u>74,278,178</u>           |
| Net Water Utility Capital Assets                               | <u>\$ 147,800,047</u>      | <u>\$ 6,041,484</u>  | <u>\$ -</u> | <u>\$ -</u>        | <u>\$ 153,841,531</u>       |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 – CAPITAL ASSETS (Continued)**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:  
(Continued)

|   | Balance at<br>July 1, 2004 | Additions     | Deletions | Transfers | Balance at<br>June 30, 2005 |
|---|----------------------------|---------------|-----------|-----------|-----------------------------|
| <b>Business-type Activities (Continued)</b> |                            |               |           |           |                             |
| <b>Municipal Transit</b>                    |                            |               |           |           |                             |
| Nondepreciable Capital Assets:              |                            |               |           |           |                             |
| Construction in progress                    | \$ -                       | \$ 9,889      | \$ -      | \$ -      | \$ 9,889                    |
| Total Nondepreciable Capital Assets         |                            | 9,889         |           |           | 9,889                       |
| Depreciable Capital Assets:                 |                            |               |           |           |                             |
| Buildings                                   | 131,656                    | 1,419,650     | -         | -         | 1,551,306                   |
| Equipment                                   | 558,050                    | 837,688       |           |           | 1,395,738                   |
| Total Depreciable Capital Assets            | 689,706                    | 2,257,338     |           |           | 2,947,044                   |
| Accumulated depreciation:                   |                            |               |           |           |                             |
| Buildings                                   | (100,492)                  | (6,583)       |           |           | (107,075)                   |
| Equipment                                   | (511,073)                  | (133,713)     |           |           | (644,786)                   |
| Total Accumulated Depreciation              | (611,565)                  | (140,296)     |           |           | (751,861)                   |
| Net Depreciable Capital Assets              | 78,141                     | 2,117,042     | -         | -         | 2,195,183                   |
| Net Transit Capital Assets:                 | \$ 78,141                  | \$ 2,126,931  | \$ -      | \$ -      | \$ 2,205,072                |
| <b>Sewer Utility</b>                        |                            |               |           |           |                             |
| Nondepreciable Capital Assets:              |                            |               |           |           |                             |
| Land  | \$ 932,681                 | \$ -          | \$ -      | \$ -      | \$ 932,681                  |
| Construction in progress                    | 13,686,929                 | 24,764,586    |           | (325,701) | 38,125,814                  |
| Total Nondepreciable Capital Assets         | 14,619,610                 | 24,764,586    |           | (325,701) | 39,058,495                  |
| Depreciable Capital Assets:                 |                            |               |           |           |                             |
| Infrastructure                              | \$ 7,158,313               | \$ 1,860,780  | \$ -      | \$ -      | \$ 9,019,093                |
| Buildings                                   | 42,552,306                 | 228,113       |           |           | 42,780,419                  |
| Improvements                                | 67,260,357                 |               |           | 325,701   | 67,586,058                  |
| Equipment                                   | 2,218,969                  | 24,346        |           |           | 2,243,315                   |
| Total Depreciable Capital Assets            | 119,189,945                | 2,113,239     |           | 325,701   | 121,628,885                 |
| Accumulated Depreciation:                   |                            |               |           |           |                             |
| Infrastructure                              | (376,458)                  | (84,294)      |           |           | (460,752)                   |
| Buildings                                   | (27,123,452)               | (1,028,122)   |           |           | (28,151,574)                |
| Improvements                                | (22,206,430)               | (1,875,532)   |           |           | (24,081,962)                |
| Equipment                                   | (1,472,172)                | (149,070)     |           |           | (1,621,242)                 |
| Total Accumulated Depreciation              | (51,178,512)               | (3,137,018)   |           |           | (54,315,530)                |
| Net Depreciable Capital Assets              | 68,011,433                 | (1,023,779)   |           | 325,701   | 67,313,355                  |
| Net Sewer Utility Capital Assets            | \$82,631,043               | \$ 23,740,807 | \$ -      | \$ -      | \$106,371,850               |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 – CAPITAL ASSETS (Continued)**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:  
(Continued)

| <b>Business-type Activities (Continued)</b> | <u>Balance at<br/>July 1, 2004</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Transfers</u> | <u>Balance at<br/>June 30, 2005</u> |
|---|------------------------------------|--------------------|------------------|------------------|-------------------------------------|
| <b>Municipal Airport</b>                    |                                    |                    |                  |                  |                                     |
| <b>Nondepreciable Capital Assets:</b>       |                                    |                    |                  |                  |                                     |
| Land  | \$ 15,826                          | \$ -               | \$ -             | \$ -             | \$ 15,826                           |
| Construction in progress                    | 369,606                            |                    |                  |                  | 369,606                             |
| <b>Total Nondepreciable Capital Assets</b>  | <b>385,432</b>                     |                    |                  |                  | <b>385,432</b>                      |
| <b>Depreciable Capital Assets:</b>          |                                    |                    |                  |                  |                                     |
| Buildings                                   | 745,186                            | 194,473            |                  |                  | 939,659                             |
| Improvements                                | 3,990,081                          |                    |                  |                  | 3,990,081                           |
| Equipment                                   | 28,704                             |                    |                  |                  | 28,704                              |
| <b>Total Depreciable Capital Assets</b>     | <b>4,763,971</b>                   | <b>194,473</b>     |                  |                  | <b>4,958,444</b>                    |
| <b>Accumulated Depreciation:</b>            |                                    |                    |                  |                  |                                     |
| Buildings                                   | (227,766)                          | (33,127)           |                  |                  | (260,893)                           |
| Improvements                                | (2,376,247)                        | (172,162)          |                  |                  | (2,548,409)                         |
| Equipment                                   | (25,646)                           | (3,055)            |                  |                  | (28,701)                            |
| <b>Total Accumulated Depreciation</b>       | <b>\$ (2,629,659)</b>              | <b>(208,344)</b>   |                  |                  | <b>\$ (2,838,003)</b>               |
| <b>Net Depreciable Capital Assets</b>       | <b>2,134,312</b>                   | <b>(13,871)</b>    |                  |                  | <b>2,120,441</b>                    |
| <b>Net Airport Capital Assets</b>           | <b>\$ 2,519,744</b>                | <b>\$ (13,871)</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 2,505,873</b>                 |
| <b>Solid Waste</b>                          |                                    |                    |                  |                  |                                     |
| <b>Depreciable Capital Assets:</b>          |                                    |                    |                  |                  |                                     |
| Equipment                                   | \$ 42,871                          | \$ -               | \$ -             | \$ -             | \$ 42,871                           |
| <b>Accumulated Depreciation:</b>            |                                    |                    |                  |                  |                                     |
| Equipment                                   | (8,237)                            | (7,974)            |                  |                  | (16,211)                            |
| <b>Net Solid Waste Capital Assets</b>       | <b>\$ 34,634</b>                   | <b>\$ (7,974)</b>  | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 26,660</b>                    |
| <b>Drainage</b>                             |                                    |                    |                  |                  |                                     |
| <b>Nondepreciable Capital Assets:</b>       |                                    |                    |                  |                  |                                     |
| Land  | \$ 5,592,175                       | \$ -               | \$ -             | \$ -             | \$ 5,592,175                        |
| Construction in progress                    | 13,332,181                         | 171,302            |                  | 19,665           | 13,523,148                          |
| <b>Total Nondepreciable Capital Assets</b>  | <b>18,924,356</b>                  | <b>171,302</b>     |                  | <b>19,665</b>    | <b>19,115,323</b>                   |
| <b>Depreciable Capital Assets:</b>          |                                    |                    |                  |                  |                                     |
| Improvements                                | 12,071,630                         | 1,176,298          |                  | (19,665)         | 13,228,263                          |
| Infrastructure                              | 7,711,161                          |                    |                  |                  | 7,711,161                           |
| Equipment                                   | 79,218                             |                    |                  |                  | 79,218                              |
| <b>Total Depreciable Capital Assets</b>     | <b>19,862,009</b>                  | <b>1,176,298</b>   |                  | <b>(19,665)</b>  | <b>21,018,642</b>                   |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 – CAPITAL ASSETS (Continued)**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:  
(Continued)

| <b>Business-type Activities (Continued)</b> | <u>Balance at<br/>July 1, 2004</u> | <u>Additions</u>     | <u>Deletions</u> | <u>Transfers</u>   | <u>Balance at<br/>June 30, 2005</u> |
|---|------------------------------------|----------------------|------------------|--------------------|-------------------------------------|
| Accumulated Depreciation                    |                                    |                      |                  |                    |                                     |
| Improvements                                | \$ (2,001,701)                     | \$ (344,776)         | \$ -             | \$ -               | \$ (2,346,477)                      |
| Infrastructure                              | (674,849)                          | (96,267)             |                  |                    | (771,116)                           |
| Equipment                                   | (22,574)                           | (4,345)              |                  |                    | (26,919)                            |
| Total Accumulated Depreciation              | <u>(2,699,124)</u>                 | <u>(445,388)</u>     |                  |                    | <u>(3,144,512)</u>                  |
| Net Depreciable Capital Assets              | <u>17,162,885</u>                  | <u>730,910</u>       |                  | <u>(19,665)</u>    | <u>17,874,130</u>                   |
| Net Drainage Capital Assets                 | <u>\$ 36,087,241</u>               | <u>\$ 902,212</u>    | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ 36,989,453</u>                |
| <b>Total Business-type Activities</b>       |                                    |                      |                  |                    |                                     |
| Nondepreciable Capital Assets:              |                                    |                      |                  |                    |                                     |
| Land  | \$ 6,719,814                       | \$ 14,939            | \$ -             | \$ -               | \$ 6,734,753                        |
| Construction in progress                    | <u>109,849,296</u>                 | <u>30,974,658</u>    |                  | <u>(9,426,215)</u> | <u>131,397,739</u>                  |
| Total Nondepreciable Capital Assets         | <u>116,569,110</u>                 | <u>30,989,597</u>    |                  | <u>(9,426,215)</u> | <u>138,132,492</u>                  |
| Depreciable Capital Assets:                 |                                    |                      |                  |                    |                                     |
| Infrastructure                              | \$ 20,448,101                      | \$ 3,312,148         | \$ -             | \$2,915,529        | \$ 26,675,778                       |
| Buildings                                   | 64,529,619                         | 3,512,489            |                  |                    | 68,042,108                          |
| Improvements                                | 162,499,978                        | 1,176,298            |                  | 8,628,753          | 172,305,029                         |
| Equipment                                   | <u>9,395,237</u>                   | <u>1,148,970</u>     |                  | <u>(2,118,067)</u> | <u>8,426,140</u>                    |
| Total Depreciable Capital Assets            | <u>256,872,935</u>                 | <u>9,149,905</u>     |                  | <u>9,426,215</u>   | <u>275,449,055</u>                  |
| Accumulated Depreciation:                   |                                    |                      |                  |                    |                                     |
| Infrastructure                              | (1,448,121)                        | (302,874)            |                  |                    | (1,750,995)                         |
| Buildings                                   | (42,303,428)                       | (1,731,263)          |                  |                    | (44,034,691)                        |
| Improvements                                | (54,433,555)                       | (4,594,502)          |                  | (791,113)          | (59,819,170)                        |
| Equipment                                   | <u>(6,106,091)</u>                 | <u>(721,274)</u>     |                  | <u>791,113</u>     | <u>(6,036,252)</u>                  |
| Total Accumulated Depreciation              | <u>(104,291,195)</u>               | <u>(7,349,913)</u>   |                  |                    | <u>(111,641,108)</u>                |
| Net Depreciable Capital Assets              | <u>152,581,740</u>                 | <u>1,799,992</u>     |                  | <u>9,426,215</u>   | <u>163,807,947</u>                  |
| Net Business-type Capital Assets            | <u>\$ 269,150,850</u>              | <u>\$ 32,789,589</u> | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ 301,940,439</u>               |



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 – CAPITAL ASSETS (Continued)**

**B. Depreciation Allocations**

Depreciation expense was 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:**

|  |    |            |
|--|----|------------|
| City council                                       | \$ | 933        |
| City administration                                |    | 242,669    |
| Police   |    | 592,462    |
| Fire   |    | 48,410     |
| Development and engineering                        |    | 1,071,294  |
| Public works                                       |    | 5,934,271  |
| Parks and recreation                               |    | 1,254,524  |
| Unallocated  |    | 860,079    |
| Total Depreciation Expense-Governmental Activities | \$ | 10,004,642 |

**Business-type Activities:**

|   |    |           |
|---|----|-----------|
| Water utility                                       |    | 3,410,893 |
| Sewer utility                                       |    | 3,137,018 |
| Municipal airport                                   |    | 208,344   |
| Solid waste   |    | 7,974     |
| Municipal transit                                   |    | 140,296   |
| Drainage  |    | 445,388   |
| Total Depreciation Expense-Business-type Activities | \$ | 7,349,913 |

**C. Roads Covered by the Modified Approach**

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy is to maintain these roads at an overall condition index level averaging 65%, instead of providing depreciation. During the fiscal year 2005, the City expended \$13,943,191 to preserve its roads. The City estimates that it will be required to expend approximately \$2,653,860 in the fiscal year 2006 to maintain its roads at this condition level.

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2005.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

A. Current Interfund Balances (Continued)

| <u>Receivable Fund</u>                   | <u>Payable Fund</u>  | <u>Amount</u>     |
|--|--|-------------------|
| Major Governmental Fund:<br>General Fund | Nonmajor Governmental Funds:<br>Business Improvement District Fund | \$ 22,596         |
|  | Community Development Block<br>Grant Fund                          | 109,117           |
|  | South County Fire Authority Fund                                   | 629,073           |
|  | Tracy Gateway Area   | 1,646             |
|  | Major Proprietary Fund:<br>Airport Fund                            | 1,396             |
|  |  | <u>\$ 763,828</u> |

B. Long-Term Interfund Advances

At June 30, 2005, the funds below had made advances which were not expected to be repaid within the next fiscal year.

| <u>Fund Receiving Advance</u>                                       | <u>Fund Making Advance</u>                      | <u>Amount</u>        |
|---|---|----------------------|
| Major Proprietary Fund:<br>Municipal Airport Fund                   | Major Proprietary Fund:<br>Water Utility Fund   | \$ 695,000           |
|   | Major Governmental Fund:<br>General Fund        | 244,057              |
| Major Governmental Fund:<br>North East Industrial<br>Plan Area Fund | Major Proprietary Fund:<br>Water Utility Fund   | 10,412,000           |
| Nonmajor Governmental Fund:<br>Community Access CTU                 | Nonmajor Governmental Fund:<br>General Projects | 123,500              |
|   |   | <u>\$ 11,474,557</u> |

**Northeast Industrial Plan Area** advance is being repaid over five years, early repayment of principal is permitted, with an interest rate equal to funds invested in Local Agency Investment Fund (LAIF).

**Municipal Airport** advance will be repaid in annual installments of \$20,000 or upon the sale and approved transfer of sales proceeds from the disposition/sale of New Jerusalem Airport, whichever occurs first. The land of the airport serves as security for the advance, which carries an interest rate of 3%.

**Community Access CTU** advance is being paid over 5 years, early repayment of principal is permitted, with an interest rate equal to funds invested in LAIF.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

C. Interfund Transfers

| Fund   | Transfers-in        | Transfers-out       |
|--|---------------------|---------------------|
| <b>Major Governmental Funds:</b>               |                     |                     |
| General Fund                                   | \$ -                | \$ 5,091,045        |
| Community Development Agency Debt Service Fund |                     | 3,563,329           |
| <b>Nonmajor Governmental Funds:</b>            |                     |                     |
| Economic Uncertainty Fund                      | 3,904,045           |                     |
| Assessment District 87-3 Improvement Fund      |                     | 650,000             |
| Residential Specific Plan Projects Fund        | 650,000             |                     |
| Community Development Agency Housing Fund      | 1,343,329           |                     |
| Parks COP Fund                                 | 288,000             |                     |
| Regional Mall Improvement Fund                 | 899,000             |                     |
| Community Development Agency Construction Fund | 2,220,000           |                     |
| <b>Totals</b>                                  | <b>\$ 9,304,374</b> | <b>\$ 9,304,374</b> |

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

**NOTE 7 – LONG-TERM DEBT**

A. Compensated Absences

City employees accumulated earned but unused vacation and sick pay benefits which can be converted to cash at termination of employment. The City estimates the amounts that might be liquidated with expendable currently available financial resources in the fund that will liquidate the liability, if any, and the remaining liability is reported as long-term debt on the Statement of Net Assets. Expenditures are reported in the governmental fund statements that liquidate the current liability. However, in the Statement of Activities the expense is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2005, total \$1,401,515 for governmental activities and \$195,085 for business-type activities.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

**B. Tax Allocation Bonds**

**Community Development Agency Tax Allocation Bonds**

In 1994, the Agency issued Tax Allocation Bonds in the amount of \$20,605,000 to finance redevelopment projects. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest payable semi-annually each March 1 and September 1. During the fiscal year, the Agency issued \$55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund \$17,290,000 of outstanding 1994 Tax Allocation. The economic gain or loss on the refinancing of the debt was not calculated due to the Agency issuing additional debt in-excess of the amount be defeased. As a result, the \$17,290,000 of outstanding Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed. As of June 30, 2005, the amount of defeased debt outstanding amounted to \$0-.

In March 2001, the Agency issued the Tax Allocation Bonds, Series A, in the amount of \$15,000,000 to fund infrastructure improvements and redevelopment activities of benefit to the Project Area. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each March 1 and September 1. During the fiscal year, the Agency issued \$55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund \$15,000,000 of outstanding 2001 Tax Allocation Bonds, Series A. The economic loss on the refinancing of the debt was not calculated due to the Agency issuing additional debt in-excess of the amount being defeased. As a result, the \$15,000,000 of outstanding Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed. As of June 30, 2005, the amount of defeased debt outstanding amounted to \$0-.

During the fiscal year, the Agency issued Tax Allocation Bonds in the amount of \$55,720,000, with interest rates ranging from 2.00% to 6.15% per annum, to provide funds for certain projects of the Agency and to defease the 1994 and 2001 Tax Allocation Bonds. The bonds mature semiannually on each March 1, through 2034. The outstanding balance of the bonds at June 30, 2005 was \$55,050,000. Annual debt service requirements are as follows:

| Fiscal Year(s)<br>Ending June 30, | Principal            | Interest             | Total                 |
|-----------------------------------|----------------------|----------------------|-----------------------|
| 2006                              | \$ 980,000           | \$ 2,730,418         | \$ 3,710,418          |
| 2007                              | 1,005,000            | 2,707,668            | 3,712,668             |
| 2008                              | 1,035,000            | 2,681,718            | 3,716,718             |
| 2009                              | 1,065,000            | 2,646,418            | 3,711,418             |
| 2010                              | 1,105,000            | 2,609,219            | 3,714,219             |
| 2011-2015                         | 6,245,000            | 12,309,873           | 18,554,873            |
| 2016-2020                         | 7,795,000            | 10,770,132           | 18,565,132            |
| 2021-2025                         | 9,940,000            | 8,626,935            | 18,566,935            |
| 2026-2030                         | 12,845,000           | 5,719,363            | 18,564,363            |
| 2031-2034                         | 13,035,000           | 1,827,766            | 14,862,766            |
|                                   | <u>\$ 55,050,000</u> | <u>\$ 52,629,510</u> | <u>\$ 107,679,510</u> |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

C. Certificates of Participation

The 1995 Community Parkland Certificates of Participation were issued to refund the 1988 Community Park and Civic Center Land Acquisition Project Certificates of Participation. The City leases the Community Park and Civic Center properties under a non-cancelable lease extending to March 1, 2018. Under the lease, the City makes semi-annual payments which are sufficient to pay the principal and interest on the 1995 Refunding Certificates of Participation. Ownership of the properties reverts to the City at the end of the lease. The cost of the properties and the balance of the debt evidenced by the 1995 Refunding Certificates of Participation have been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at its conclusion, and is payable semi-annually each March 1 and September 1. The outstanding balance of the certificates at June 30, 2005 was \$2,395,000. Annual debt service requirements are as follows:

| <u>Fiscal Year(s)</u><br><u>Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---|---------------------|---------------------|---------------------|
| 2006  | \$ 125,000          | \$ 157,616          | \$ 282,616          |
| 2007  | 130,000             | 149,616             | 279,616             |
| 2008  | 135,000             | 141,232             | 276,232             |
| 2009  | 145,000             | 132,456             | 277,456             |
| 2010  | 155,000             | 123,031             | 278,031             |
| 2011-2015                                       | 965,000             | 445,200             | 1,410,200           |
| 2016-2018                                       | 740,000             | 100,369             | 840,369             |
|   | <u>\$ 2,395,000</u> | <u>\$ 1,249,520</u> | <u>\$ 3,644,520</u> |

On March 23, 1998, the City issued \$12,805,000 of Certificates of Participation (COPs) to defease \$10,175,000 of outstanding 1994 Certificates of Participation, and finance additional I-205 infrastructure projects and various other city-wide capital projects. Proceeds from the COPs were placed in an irrevocable trust to provide for all future debt service payment on the defeased Ops. The defeased COPs were fully repaid as of June 30, 2003. The 1998 COPs bear interest at 3.5% - 5.125% and are due October 1, 2027. Principal payments are due annually on October 1. Interest payments are due semi-annually on April 1 and October 1. The outstanding balance of the certificates at June 30, 2005 was \$11,040,000. Annual debt service requirements are as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

C. Certificates of Participation (Continued)

| Fiscal Year(s)<br>Ending June 30, | Principal            | Interest            | Total                |
|-----------------------------------|----------------------|---------------------|----------------------|
| 2006                              | \$ 285,000           | \$ 544,112          | \$ 829,112           |
| 2007                              | 295,000              | 289,613             | 584,613              |
| 2008                              | 305,000              | 518,660             | 823,660              |
| 2009                              | 320,000              | 504,750             | 824,750              |
| 2010                              | 335,000              | 489,845             | 824,845              |
| 2011-2015                         | 1,895,000            | 2,190,258           | 4,085,258            |
| 2016-2020                         | 2,385,000            | 1,655,022           | 4,040,022            |
| 2021-2025                         | 3,025,000            | 964,651             | 3,989,651            |
| 2026-2028                         | 2,195,000            | 172,329             | 2,367,329            |
|                                   | <u>\$ 11,040,000</u> | <u>\$ 7,329,240</u> | <u>\$ 18,369,240</u> |

D. Revenue Bonds

1993 Water Revenue Bonds

The 1993 Water Revenue Bonds were issued to defease the 1988 Water Certificates of Participation issued to finance the expansion of the Water Treatment Plan. The City's water system revenues are pledged for the repayment of the Bonds. Principal and interest are payable semi-annually each February 1 and August 1. The defeased bonds were called on July 1, 1996. The outstanding balance of the bonds at June 30, 2005 was \$945,000. Annual debt service requirements are as follows:

| Fiscal Year(s)<br>Ending June 30, | Principal         | Interest         | Total               |
|-----------------------------------|-------------------|------------------|---------------------|
| 2006                              | \$ 300,000        | \$ 45,848        | \$ 345,848          |
| 2007                              | 315,000           | 31,448           | 346,448             |
| 2008                              | 330,000           | 16,170           | 346,170             |
|                                   | <u>\$ 945,000</u> | <u>\$ 93,466</u> | <u>\$ 1,038,466</u> |

2003 Wastewater Revenue Refunding Bonds

The City issued Wastewater Revenue Bonds in May, 2003 to provide funds to refund the balance of the 1993 Wastewater Certificates of Participation. The refunding resulted in an overall savings of \$419,472 and an economic gain of \$291,760. The Wastewater Revenue Bonds are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Enterprise. Principal payments commence on December 1, 2003, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2003, and are payable semi-annually on June 1 and December 1, thereafter. The outstanding balance of the bonds at June 30, 2005 was \$2,790,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

**D. Revenue Bonds (Continued)**

**2003 Wastewater Revenue Refunding Bonds (Continued)**

| Fiscal Year(s)<br>Ending June 30, | Principal           | Interest          | Total               |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2006                              | \$ 280,000          | \$ 71,332         | \$ 351,332          |
| 2007                              | 290,000             | 65,632            | 355,632             |
| 2008                              | 295,000             | 59,782            | 354,782             |
| 2009                              | 300,000             | 53,457            | 353,457             |
| 2010                              | 310,000             | 46,207            | 356,207             |
| 2011-2014                         | 1,315,000           | 89,085            | 1,404,085           |
|                                   | <u>\$ 2,790,000</u> | <u>\$ 385,495</u> | <u>\$ 3,175,495</u> |

**2004 Wastewater Revenue Refunding Bonds**

The City issued Wastewater Revenue Bonds in March 2004. The Wastewater Revenue Bonds are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Enterprise. Principal payments commence on December 1, 2007, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2004, and are payable semi-annually on December 1 and June 1, thereafter. The outstanding balance of the bonds at June 30, 2005 was \$30,995,000. Annual debt service requirements are as follows:

| Fiscal Year(s)<br>Ending June 30, | Principal            | Interest             | Total                |
|-----------------------------------|----------------------|----------------------|----------------------|
| 2006                              | \$ -                 | \$ 1,342,922         | \$ 1,342,922         |
| 2007                              |                      | 1,342,922            | 1,342,922            |
| 2008                              | 575,000              | 1,337,172            | 1,912,172            |
| 2009                              | 585,000              | 1,324,110            | 1,909,110            |
| 2010                              | 600,000              | 1,308,997            | 1,908,997            |
| 2011-2015                         | 3,260,000            | 6,257,886            | 9,517,886            |
| 2016-2020                         | 3,885,000            | 5,585,313            | 9,470,313            |
| 2021-2025                         | 4,795,000            | 4,651,750            | 9,446,750            |
| 2026-2030                         | 6,065,000            | 3,401,383            | 9,466,383            |
| 2031-2035                         | 7,635,000            | 1,794,669            | 9,429,669            |
| 2036-2037                         | 3,595,000            | 172,781              | 3,767,781            |
|                                   | <u>\$ 30,995,000</u> | <u>\$ 28,519,905</u> | <u>\$ 59,514,905</u> |

**E. Notes and Loans Payable**

U.S. Economic Development Administration (EDA) note – The revenues of the City's water utility fund serve as collateral for this Note. The City is required to maintain rates for service sufficient to generate net revenues equal to 1.10 times the principal and interest due the succeeding year. Principal and interest are payable annually each July 1. The outstanding balance of the note at June 30, 2005 was \$2,211,877. Annual debt service requirements are as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

**E. Notes and Loans Payable (Continued)**

| Fiscal Year(s)<br>Ending June 30, | Principal           | Interest          | Total               |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2006                              | \$ -                | \$ -              | \$ -                |
| 2007                              | 138,962             | 110,594           | 249,556             |
| 2008                              | 145,910             | 103,646           | 249,556             |
| 2009                              | 153,206             | 96,350            | 249,556             |
| 2010                              | 160,866             | 88,690            | 249,556             |
| 2011-2015                         | 933,330             | 267,783           | 1,201,113           |
| 2016-2017                         | 679,603             | 35,085            | 714,688             |
|                                   | <u>\$ 2,211,877</u> | <u>\$ 702,148</u> | <u>\$ 2,914,025</u> |

1992 State of California Department of Transportation Division of Aeronautics Loans – The 1992 loan helped fund the construction of the Tracy Municipal Airport. In January 1995, the City received an additional loan of \$150,000 for the construction of the ten unit hangar at the airport. In November 1998, the City received an additional loan of \$250,000 for the paving of runways and fence construction. Principal and interest on each loan is payable annually each April 2 and January 12. The outstanding balance of the loans at June 30, 2005 was \$184,966. Annual debt service requirements are as follows:

| Fiscal Year(s)<br>Ending June 30, | Principal         | Interest         | Total             |
|-----------------------------------|-------------------|------------------|-------------------|
| 2006                              | \$ 13,408         | \$ 9,225         | \$ 22,633         |
| 2007                              | 14,273            | 8,556            | 22,829            |
| 2008                              | 15,138            | 7,844            | 22,982            |
| 2009                              | 16,003            | 7,089            | 23,092            |
| 2010                              | 16,869            | 6,291            | 23,160            |
| 2011-2015                         | 97,320            | 17,974           | 115,294           |
| 2016                              | 11,955            | 596              | 12,551            |
|                                   | <u>\$ 184,966</u> | <u>\$ 57,575</u> | <u>\$ 242,541</u> |

West Side Irrigation District Note – The City has a \$2,500,000 note agreement with an interest rate of 5% from the West Side Irrigation District. Principal is payable annually starting September 1, 2004. Interest is payable monthly starting April 1, 2004. The outstanding balance of the note at June 30, 2005 was \$2,000,000.

| Fiscal Year(s)<br>Ending June 30, | Principal           | Interest          | Total               |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2006                              | \$ 500,000          | \$ 87,498         | \$ 587,498          |
| 2007                              | 1,500,000           | 40,626            | 1,540,626           |
|                                   | <u>\$ 2,000,000</u> | <u>\$ 128,124</u> | <u>\$ 2,128,124</u> |



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

**E. Notes and Loans Payable (Continued)**

Banta Community Irrigation District Note – The City received a \$5,000,000 note agreement with an interest rate of 5% from the Banta Community Irrigation District. Principal is payable annually each June starting June 2006, except June 2008. Interest is payable monthly. The outstanding balance of the note at June 30, 2005 was \$5,000,000.

| Fiscal Year(s)<br>Ending June 30, | Principal           | Interest          | Total               |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2006                              | \$ 500,000          | \$ 229,247        | \$ 729,247          |
| 2007                              | 1,125,000           | 193,801           | 1,318,801           |
| 2008                              |                     | 169,212           | 169,212             |
| 2009                              | 3,375,000           | 122,962           | 3,497,962           |
|                                   | <u>\$ 5,000,000</u> | <u>\$ 715,222</u> | <u>\$ 5,715,222</u> |

**F. Installment Purchase Obligations**

The City is purchasing a fire truck on the installment basis. The fire truck obligation is paid from Central Services and Equipment Acquisition Internal Service Fund revenues. The balance of the obligation at June 30, 2005 was \$265,345. Future installments payable are:

| Fiscal Year(s)<br>Ending June 30, | Principal         | Interest         | Total             |
|-----------------------------------|-------------------|------------------|-------------------|
| 2006                              | \$ 62,672         | \$ 10,083        | \$ 72,755         |
| 2007                              | 65,053            | 7,702            | 72,755            |
| 2008                              | 67,526            | 5,229            | 72,755            |
| 2009                              | 70,094            | 2,663            | 72,757            |
|                                   | <u>\$ 265,345</u> | <u>\$ 25,677</u> | <u>\$ 291,022</u> |

**G. Changes in Long-Term Liabilities**

|                                    | Balance at<br>July 1, 2004 | Additions           | Reductions          | Balance at<br>June 30, 2005 | Due Within<br>One Year |
|------------------------------------|----------------------------|---------------------|---------------------|-----------------------------|------------------------|
| <b>Governmental Activities:</b>    |                            |                     |                     |                             |                        |
| Bonds payable:                     |                            |                     |                     |                             |                        |
| 2003 Tax Allocation Bonds          | \$ 55,720,000              | \$ -                | \$ 670,000          | \$ 55,050,000               | \$ 980,000             |
| Certificates of Participation      |                            |                     |                     |                             |                        |
| 1995 Certificates of Participation | 2,510,000                  |                     | 115,000             | 2,395,000                   | 125,000                |
| 1998 Certificates of Participation | 11,315,000                 |                     | 275,000             | 11,040,000                  | 285,000                |
| Capital leases                     | 325,723                    |                     | 60,378              | 265,345                     | 62,672                 |
| Developer deposits                 | 4,000,000                  |                     | 4,000,000           |                             |                        |
| Compensated absences               | 2,127,434                  | 1,861,473           | 1,794,669           | 2,194,238                   | 792,723                |
| Governmental activity              |                            |                     |                     |                             |                        |
| Long-term liabilities              | <u>\$ 75,998,157</u>       | <u>\$ 1,861,473</u> | <u>\$ 6,915,047</u> | <u>\$ 70,944,583</u>        | <u>\$ 2,245,395</u>    |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 7 – LONG-TERM DEBT (Continued)**

G. Changes in Long-Term Liabilities (Continued)

|   | Balance at<br>July 1, 2004 | Additions         | Reductions          | Balance at<br>June 30, 2005 | Due Within<br>One Year |
|---|----------------------------|-------------------|---------------------|-----------------------------|------------------------|
| <b>Business-type activities:</b>                      |                            |                   |                     |                             |                        |
| Bonds payable:  |                            |                   |                     |                             |                        |
| 1993 Water Revenue Bonds                              | \$ 1,235,000               | \$ -              | \$ 290,000          | \$ 945,000                  | \$ 300,000             |
| 2003 Wastewater Revenue Refunding Bonds               | 3,070,000                  |                   | 280,000             | 2,790,000                   | 280,000                |
| 2004 Wastewater Revenue Bonds                         | 30,995,000                 |                   |                     | 30,995,000                  |                        |
| Notes Payable:  |                            |                   |                     |                             |                        |
| U.S. Economic Development Irrigation District Notes   | 2,460,580                  |                   | 248,703             | 2,211,877                   |                        |
| State of California Department of Transportation Loan | 7,500,000                  |                   | 500,000             | 7,000,000                   | 1,000,000              |
| Compensated absences                                  | 217,216                    |                   | 32,250              | 184,966                     | 13,408                 |
|   | <u>275,677</u>             | <u>297,472</u>    | <u>246,480</u>      | <u>326,669</u>              | <u>131,584</u>         |
| Business-type activity Long-term liabilities          | <u>\$ 45,753,473</u>       | <u>\$ 297,472</u> | <u>\$ 1,597,433</u> | <u>\$ 44,453,512</u>        | <u>\$ 1,724,992</u>    |

H. Deferred Debt Issuance Costs And Gain/Loss on Debt Refunding

Bond issuance costs and deferred gain/loss on refundings are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT**

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included as debt of the City. The outstanding balance of each of these issues as of June 30, 2005, is as follows:

| Description  | Fiscal Year   |                  | Outstanding<br>June 30, 2005 |
|--|---------------|------------------|------------------------------|
|  | Issue<br>Year | Maturity<br>Year |                              |
| 84-1 Assessment District                           | 1994          | 2006             | \$ 1,275,000                 |
| 93-1 Community Facilities District                 | 1997          | 2027             | 1,245,000                    |
| 98-1 Community Facilities District                 | 1999          | 2024             | 11,230,000                   |
| 98-3 Community Facilities District                 | 1999          | 2023             | 3,345,000                    |
| 98-4 Morrison Homes Assessment District            | 1999          | 2024             | 2,155,000                    |
| 99-1 Community Facilities District, 04 Refunding   | 2000          | 2025             | 9,635,000                    |
| 99-2 Community Facilities District                 | 2000          | 2026             | 3,790,000                    |
| 2000-02 Assessment District                        | 2000          | 2026             | 805,000                      |
| 2000-01 Community Facilities District, Series 2000 | 2001          | 2030             | 5,535,000                    |
| 2002 Revenue Bonds, Series A                       | 2002          | 2022             | 4,150,000                    |
| 98-1 Community Facilities District, Series 2001    | 2002          | 2027             | 28,530,000                   |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT (Continued)**

| Description   | Fiscal Year   |                  | Outstanding<br>June 30, 2005 |
|---|---------------|------------------|------------------------------|
|   | Issue<br>Year | Maturity<br>Year |                              |
| 2000-01 Community Facilities District, Series 2001  | 2002          | 2031             | \$ 6,515,000                 |
| 99-2 Community Facilities District, Series 2002     | 2003          | 2027             | 7,590,000                    |
| 93-1 Community Facilities District, Series 2002     | 2003          | 2032             | 2,100,000                    |
| 98-1 Community Facilities District, Series 2003     | 2003          | 2028             | 22,010,000                   |
| 2003-01 Assessment District                         | 2003          | 2027             | 975,000                      |
| 2003-I205 Residential Assessment District, Series A | 2003          | 2022             | 10,080,000                   |
| 2003B Junior Lien                                   | 2003          | 2011             | 485,000                      |
| 2003C Senior Lien                                   | 2003          | 2011             | 8,455,000                    |
| 2003D Junior Lien                                   | 2003          | 2011             | 1,990,000                    |
| 89-1 Community Facilities District, Series A        | 2004          | 2034             | 13,570,000                   |
| 89-1 Community Facilities District, Series B        | 2004          | 2034             | 1,270,000                    |
|   |               |                  | <u>\$ 146,735,000</u>        |

**NOTE 9 – CONTINGENCIES AND COMMITMENTS**

The City has a water supply and development agreement with the South San Joaquin Irrigation District (SSJID) under which it is responsible for its share of the development and construction costs of a water treatment plant and water conveyance facilities and in return is guaranteed a pro rata share of the capacity of the facilities. Construction of the plant and facilities began in fiscal year 2004 and the City is required to fund its share of the project prior to commencement. The City's share of total estimated costs of the project of \$44,983,731 was remitted to SSJID in July 2003.

The City had commitments under construction and similar contracts that approximate \$86 million at June 30, 2005.

The City has entered into an operating lease agreement for telecommunications services which expires in 2006. Total rental expense for fiscal year ended June 30, 2005 totaled \$73,502. The minimum future rental payment is \$36,754 in 2006.

The City is subject to other 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 TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2005

**NOTE 10 – CITY EMPLOYEES’ RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**

Plan Description: The City of Tracy contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and Beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS’ annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined combined rate of 7.20% for miscellaneous employees and 24.58% for fire and 25.17% for police for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2005, the City’s annual pension cost of \$2,967,198 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) .25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfounded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 16 years for safety, and 17 years for miscellaneous.

**THREE-YEAR TREND INFORMATION FOR PERS**

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage of Annual Pension Cost Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------|--|-------------------------------|
| 6/30/2003          | \$ 1,385,318               | 100%   | \$ -                          |
| 6/30/2004          | 2,194,149                  | 100%   | -                             |
| 6/30/2005          | 2,967,198                  | 100%   | -                             |

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2005

**NOTE 10 – CITY EMPLOYEES’ RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**  
 (Continued)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MISCELLANEOUS PLAN**

| Actuarial Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability (Excess Assets) | Funded Ratio | Annual Covered Payroll | UAAL* As a % of Payroll |
|--------------------------|------------------------------------|---------------------------|------------------------------------|--------------|------------------------|-------------------------|
| 6/30/2001                | \$ 28,720,765                      | \$ 34,972,076             | \$ (6,251,311)                     | 121.8%       | \$ 11,140,329          | (56.1)%                 |
| 6/30/2002                | 32,699,982                         | 34,118,697                | (1,418,715)                        | 104.3%       | 12,646,593             | (11.2)%                 |
| 6/30/2003                | 38,930,077                         | 35,444,778                | 3,485,299                          | 91.0%        | 14,226,405             | 24.5%                   |
| 6/30/2004                | N/A                                | N/A                       | N/A                                | N/A          | N/A                    | N/A                     |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SAFETY PLAN**

| Actuarial Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability (Excess Assets) | Funded Ratio | Annual Covered Payroll | UAAL* As a % of Payroll |
|--------------------------|------------------------------------|---------------------------|------------------------------------|--------------|------------------------|-------------------------|
| 6/30/2001                | \$ 35,598,982                      | \$ 37,938,811             | \$ (2,339,829)                     | 106.6%       | \$ 8,648,431           | (27.1)%                 |
| 6/30/2002                | 42,156,979                         | 36,724,749                | 5,432,230                          | 87.1%        | 9,866,865              | 55.1%                   |
| 6/30/2003                | 48,136,767                         | 38,998,362                | 9,138,405                          | 81.0%        | 10,858,042             | 84.2%                   |
| 6/30/2004                | N/A                                | N/A                       | N/A                                | N/A          | N/A                    | N/A                     |

**NOTE 11 – JOINT POWERS AGREEMENT**

During the fiscal year 2000, the City and the Tracy Rural Fire District formed the South County Fire Authority (Authority), a joint powers agreement. As part of this agreement, the employees of Tracy Rural Fire District became City employees and the City took over the management of the Authority’s fire stations. The Authority is governed by a Board composed of two members each from the City and the Authority. Financial statements for the Authority may be obtained from the City of Tracy at 325 East Tenth Street, Tracy, CA 95376.

**NOTE 12 – NET ASSETS AND FUND BALANCES**

A. Net Assets

Net assets are the excess of all the City’s assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level, proprietary funds, and fiduciary funds and are described below.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 12 – NET ASSETS AND FUND BALANCES (Continued)**

A. Net Assets (Continued)

*Invested in capital assets, net of related debt* described 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 as 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, redevelopment funds restricted for low-and-moderate income purposes, endowment fees used for perpetual care of the cemetery, and gas tax funds for street construction.

*Unrestricted* describes the portion of net assets which is not restricted as to use.

B. Fund Balances, Reserves, and Designations

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

Reserves:

Portions of fund balance have been reserved for specific purposes as follows:

**Low/Moderate Income Housing** – Funds received under low/moderate income housing have been reserved for expenditures for low-and-moderate income housing purposes.

**Prepaid items** – Expenditures that are paid in the current fiscal year for services or products to be provided in the following fiscal year.

**Debt Service** – Funds which legally may only be used for debt service are reserved within the appropriate fund.

**Advances** – Amounts which have been advanced to other funds and are not expected to be paid within the next fiscal year.

**Encumbrances** – Amounts represent the portion of fund balance set aside for open purchase orders.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 13 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218**

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

**NOTE 14 – DEFERRED COMPENSATION PLAN AND TRUST**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

**NOTE 15 – RISK MANAGEMENT**

A. Coverage

The City and 53 other entities in the Central San Joaquin area are members of a joint powers agreement called the Central San Joaquin Valley Risk Management Authority (RMA), which was established to provide for the sharing of risk among the member agencies. The RMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City.

The RMA provides general liability coverage of \$900,000 above the City's self insurance limit of \$100,000 per occurrence, and property damage insurance up to \$500,000,000 including the City's deductible of \$1,000 to \$25,000 per occurrence. General liability claims in excess of \$1,000,000 up to a maximum of \$15,000,000 are covered through RMA's participation in the Local Agency Workers' Compensation Excess Joint Powers Authority. The remaining excess is covered by the RMA through a policy with an independent insurance carrier up to \$24,000,000 for workers compensation and \$1,000,000 each accident for employers liability excess of \$1,000,000 Self Insurance Retention Level (SIR).

The RMA maintains separate records for each member for each year of participation. The records track cash paid to the RMA through deposit premium assessments, the City's self-insured retention portion of claims paid, and the City's allocation of shared risks. Three years after the close of the workers' compensation coverage year and five years after the close of the general liability coverage year, the RMA assesses the status of all members for the year, then either makes a refund to a member if it has positive balance (i.e. payout and reserve experience is less than premiums paid) or collects any deficit.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 15 – RISK MANAGEMENT (Continued)**

A. Coverage (Continued)

During the fiscal year ended June 30, 2005, the City contributed \$2,141,638 for current year coverage and received a refund of \$652,143 of prior year excess contributions.

Audited financial statements are available from the Central San Joaquin Risk Management Authority at 6371 Auburn Boulevard, Citrus Heights, CA 95621.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including provisions for claims incurred but not reported, in the Insurance Internal Service Fund. Claims and judgments are recorded when a loss is deemed probable of asserting 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 year claims experience as follows:

|  | Worker's<br>Compensation | General<br>Liability | Totals            |                   |
|--|--------------------------|----------------------|-------------------|-------------------|
|  |                          |                      | 2005              | 2004              |
| Beginning balance  | \$ 331,758               | \$ 75,000            | \$ 406,758        | \$ 406,758        |
| Increase in estimated liability<br>for prior and current fiscal<br>claims and claims incurred<br>but not reported (IBNR) | 94,076                   |                      | 94,076            | 1,766,212         |
| Claims paid  | (94,076)                 |                      | (94,076)          | (1,766,212)       |
| Ending balance   | <u>\$ 331,758</u>        | <u>\$ 75,000</u>     | <u>\$ 406,758</u> | <u>\$ 406,758</u> |

**NOTE 16 – SUBSEQUENT EVENT**

In December, 2005 the City and a local developer settled an ongoing lawsuit, whereby the City pays the developer \$500,000 which is a partial return of money the developer originally paid the City to reserve sewer capacity.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TRACY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2005**

Modified Approach to Reporting Street Pavement Costs

GASB Statement No. 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

- 1) The City must have asset management system (AMS) with certain features.
  - It must maintain an up-to-date inventory of the infrastructure assets.
  - It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
  - The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
  - The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.
  
- 2) The City must document that the roads are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

The City has elected to use the Modified Approach to report street pavement costs. The City uses Metropolitan Transportation Commission's (MTC) Pavement System to track the condition levels of each of the street sections.

The conditions of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The MTC pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for pavement with perfect conditions. The condition index is used to classify pavement in good or better condition (70-100), fair condition (50-69), and substandard condition (less than 50).

The City's preservation costs are budgeted to be \$2,653,860 in fiscal year 2006. The Pavement Condition Index (PCI) for the City's street pavement for the last three years is as follows:

| Year | PCI | Maintenance<br>Budget | Actual<br>Maintenance |
|------|-----|-----------------------|-----------------------|
| 2002 | 76  | \$ 1,505,620          | \$ 1,369,043          |
| 2003 | 77  | 1,621,170             | 1,642,556             |
| 2004 | 77  | 2,043,580             | 14,441,690            |
| 2005 | 81  | 2,303,227             | 13,943,191            |
| 2006 | 78  | 2,653,860             | N/A                   |

The City's administrative policy is to achieve a minimum rating of 65 for all street pavement. This rating allows for minor cracking and revealing of payment along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$13,943,191 for street preservation for fiscal year 2005.

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**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF TRACY**  
**COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**

|   | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget<br>Positive (Negative) |
|---|----------------------|----------------------|----------------------|--|
|   | Original             | Final                |                      |  |
| <b>Revenues:</b>  |                      |                      |                      |  |
| Taxes   | \$ 6,163,800         | \$ 6,163,800         | \$ 6,449,080         | \$ 285,280   |
| Use of money and property   | 14,500               | 14,500               | 845,690              | 831,190  |
| Intergovernmental   | 375,000              | 375,000              | 663,247              | 288,247  |
| <b>Total Revenues</b>   | <b>6,553,300</b>     | <b>6,553,300</b>     | <b>7,958,017</b>     | <b>1,404,717</b>                                     |
| <b>Expenditures:</b>  |                      |                      |                      |  |
| <b>Debt service</b>   |                      |                      |                      |  |
| Principal payment   | 670,000              | 670,000              | 670,000              |  |
| Interest and fiscal fees  | 2,150,040            | 2,150,040            | 2,753,317            | (603,277)  |
| Intergovernmental expenditures  | 1,070,000            | 1,033,000            | 1,825,229            | (792,229)  |
| <b>Total Expenditures</b>   | <b>3,890,040</b>     | <b>3,853,040</b>     | <b>5,248,546</b>     | <b>(1,395,506)</b>                                   |
| Excess of Revenues Over<br>(Under) Expenditures   | 2,663,260            | 2,700,260            | 2,709,471            | 9,211  |
| <b>Other Financing Sources (Uses):</b>  |                      |                      |                      |  |
| Transfers out   | (1,313,600)          | (3,533,600)          | (3,563,329)          | (29,729)   |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(1,313,600)</b>   | <b>(3,533,600)</b>   | <b>(3,563,329)</b>   | <b>(29,729)</b>                                      |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures<br>and Other Financing Uses | 1,349,660            | (833,340)            | (853,858)            | (20,518)   |
| Fund Balance, July 1, 2004  | 13,061,523           | 13,061,523           | 13,061,523           |  |
| Fund Balance, June 30, 2005   | <b>\$ 14,411,183</b> | <b>\$ 12,228,183</b> | <b>\$ 12,207,665</b> | <b>\$ (20,518)</b>                                   |

**CITY OF TRACY**  
**PLAN C CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**

|   | Budgeted Amounts     |                      | Actual               | Variance with       |
|---|----------------------|----------------------|----------------------|---------------------|
|   | Original             | Final                |                      | Final Budget        |
|   |                      |                      |                      | Positive (Negative) |
| <b>Revenues:</b>                                |                      |                      |                      |                     |
| Special assessments                             | \$ 6,484,200         | \$ 6,484,200         | \$ 9,854,495         | \$ 285,280          |
| Use of money and property                       |                      |                      | 1,298,241            | 1,298,241           |
| Contributions                                   |                      |                      | 7,000                | 7,000               |
| Total Revenues                                  | <u>6,484,200</u>     | <u>6,484,200</u>     | <u>11,159,736</u>    | <u>1,590,521</u>    |
| <b>Expenditures:</b>                            |                      |                      |                      |                     |
| Current:  |                      |                      |                      |                     |
| Culture and leisure                             |                      |                      | 11,112               | 11,112              |
| Debt service:                                   |                      |                      |                      |                     |
| Principal payment                               | 4,000,000            | 4,000,000            | 4,000,000            |                     |
| Capital outlay                                  | <u>6,092,900</u>     | <u>6,092,900</u>     | <u>11,041,066</u>    | <u>4,948,166</u>    |
| Total Expenditures                              | <u>10,092,900</u>    | <u>10,092,900</u>    | <u>15,052,178</u>    | <u>4,959,278</u>    |
| Excess of Revenues Over<br>(Under) Expenditures | (3,608,700)          | (3,608,700)          | (3,892,442)          | (283,742)           |
| Fund Balance, July 1, 2004                      | <u>49,561,020</u>    | <u>49,561,020</u>    | <u>49,561,020</u>    |                     |
| Fund Balance, June 30, 2005                     | <u>\$ 45,952,320</u> | <u>\$ 45,952,320</u> | <u>\$ 45,668,578</u> | <u>\$ (283,742)</u> |

**CITY OF TRACY**  
**NORTH EAST INDUSTRIAL PLAN AREA CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**

|   | <u>Budgeted Amounts</u> |                       | <u>Actual</u>         | <u>Variance with</u>       |
|---|-------------------------|-----------------------|-----------------------|----------------------------|
|   | <u>Original</u>         | <u>Final</u>          |                       | <u>Final Budget</u>        |
|   |                         |                       |                       | <u>Positive (Negative)</u> |
| <b>Revenues:</b>                                |                         |                       |                       |                            |
| Special assessments                             | \$ 2,076,000            | \$ 2,076,000          | \$ 1,090,067          | \$ (985,933)               |
| Use of money and property                       |                         |                       | 248,025               | 248,025                    |
| Contributions                                   |                         |                       | 21,400                | 21,400                     |
| Total Revenues                                  | <u>2,076,000</u>        | <u>2,076,000</u>      | <u>1,359,492</u>      | <u>(716,508)</u>           |
| <b>Expenditures:</b>                            |                         |                       |                       |                            |
| Capital outlay                                  | <u>1,562,200</u>        | <u>1,562,200</u>      | <u>144,532</u>        | <u>1,417,668</u>           |
| Total Expenditures                              | <u>1,562,200</u>        | <u>1,562,200</u>      | <u>144,532</u>        | <u>1,417,668</u>           |
| Excess of Revenues Over<br>(Under) Expenditures | 513,800                 | 513,800               | 1,214,960             | 701,160                    |
| Fund Balance, July 1, 2004                      | <u>(4,033,218)</u>      | <u>(4,033,218)</u>    | <u>(4,033,218)</u>    |                            |
| Fund Balance, June 30, 2005                     | <u>\$ (3,519,418)</u>   | <u>\$ (3,519,418)</u> | <u>\$ (2,818,258)</u> | <u>\$ 701,160</u>          |

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **ECONOMIC UNCERTAINTY FUND**

Established by the City Council and funded with a transfer from the General Fund to provide a reserve for economic uncertainties arising out of slowing economic growth; the impact of Measure A, a City-wide slow-growth initiative passed in November 2000; and uncertainties arising out of terrorist actions taking place in various parts of the world.

#### **PARKING DISTRICT FUND**

Established to account for the revenues that were received from the formation of a voluntary parking district that the City plans to develop.

#### **BUSINESS IMPROVEMENT DISTRICT FUND**

Established to accumulate revenues from business licenses for subsequent transfer to the General Fund in order to provide donations to the Main Street Tracy Program.

#### **ASSET FORFEITURE FUND**

Established to account for the revenues that occur from asset seizures. They are specifically restricted for the purchase of law enforcement equipment and supplies.

#### **TRANSPORTATION DEVELOPMENT FUND**

Established to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The tax first goes to the Transportation Development Fund.

#### **PROPOSITION K TRANSPORTATION FUND**

Established to account for the City's share of the half cent transportation sales tax of San Joaquin County. It is used for street maintenance and repairs.

#### **STATE GAS TAX STREET FUND**

Established to account for the City's share of State-Imposed motor vehicle gas taxes, which are legally restricted to acquisition, construction, improvement, and maintenance of the City's streets/

#### **TEA GRANT FUND**

Established to account for the revenues from transportation efficiency act grant projects.

#### **COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Established to account for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants.

#### **LANDSCAPING DISTRICT FUND**

Established to account for transactions of the City's landscaping benefit assessment districts.

## **NONMAJOR GOVERNMENTAL FUNDS (Continued)**

### **RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND**

Used to account for Department of Housing and Urban Development Fund (HUD) trust monies which are used for low interest loans to qualified borrowers for inner city rehabilitation projects in accordance with HUD agreements.

### **SOUTH COUNTY FIRE AUTHORITY FUND**

This fund was established to account for revenues and liabilities of the Authority, which is a Joint Powers Agreement between the City and the Tracy Rural Fire District. The Authority is responsible for fire prevention and suppression in parts of the City and in surrounding unincorporated areas.

### **TRAFFIC CONGESTION RELIEF FUND**

Established to account for revenues received from the State of California under AB2928. AB2928 is to fund local streets and roads maintenance, rehabilitation, and reconstruction projects according to the State's Traffic Congestion Relief Plan.

### **COMMUNITY ACCESS CTV FUND**

Used to account for fees collected from City cable TV customers to cover expenses for videotaping and broadcasting the City Council meetings.

### **COMMUNITY DEVELOPMENT AGENCY HOUSING FUND**

This fund was established to account for the portion of property tax increment revenues received by the Community Development Agency, and set aside for low and moderate income housing. Under California law, 20% of all such property tax increments must be set-aside in a separate fund and used only for this purpose.

## **DEBT SERVICE FUNDS**

### **PARKS COP FUND**

Established to accumulate funds for payment of certificates of participating (COP) principal and interest. This COP provided the resources to purchase the Tracy Community Park as well as other public facilities sites.

### **REGIONAL MALL IMPROVEMENT FUND**

Established to accumulate funds for the payment of debt service on the COP issued for public infrastructure in the new Regional Mall area. Funds are transferred from the General Fund into this fund for this debt service.

## **CAPITAL PROJECTS FUNDS**

### **RESIDENTIAL SPECIFIC PLAN PROJECTS FUND**

Established to account for capital projects financed by fees levied on developers in the City's 1987 Residential Specific Plan area.

### **GENERAL PROJECTS FUND**

Established to account for capital projects financed through the transfer of General Fund monies.

## **NONMAJOR GOVERNMENTAL FUNDS (Continued)**

### **INFILL PROJECTS FUND**

Established to account for capital projects financed through capital development fees levied upon developers in the City's infill area.

### **I-205 AREA IMPROVEMENTS FUND**

Established to account for monies received from the sale of bonds for the purpose of construction of various community facilities within a specific area in the City.

### **COMMUNITY DEVELOPMENT AGENCY CONSTRUCTION FUND**

Established to account for construction projects related to the redevelopment project area. These projects are financed by tax increment monies from the City and the County of San Joaquin.

### **URBAN MANAGEMENT PLAN FACILITIES FUND**

Established to account for expenditures for the planning, design, and construction of capital facilities required for new development beyond the current infill, Residential Specific Plan (RSP), and I-205 development.

### **CAPITAL PROJECTS DEPOSIT FUND**

Established to account for monies received from developers, contractors, and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development.

### **ASSESSMENT DISTRICT 87-3 IMPROVEMENT FUND**

Established to account for construction projects within the Assessment District 87-3.

### **SOUTH MACARTHUR PLAN AREA FUND**

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

### **INDUSTRIAL SPECIFIC PLAN SOUTH FUND**

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

### **PRESIDIO PLAN AREA FUND**

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

### **TRACY GATEWAY AREA FUND**

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2005**

|   | Special Revenue Funds   |                     |                                     |                     |
|---|-------------------------|---------------------|-------------------------------------|---------------------|
|   | Economic<br>Uncertainty | Parking<br>District | Business<br>Improvement<br>District | Asset<br>Forfeiture |
| <b>Assets</b>                           |                         |                     |                                     |                     |
| Cash and investments                    | \$ 10,010,762           | \$ 94,928           | \$ -                                | \$ 23,807           |
| Cash and investments with fiscal agents |                         |                     |                                     |                     |
| Accounts receivable                     |                         |                     | 39,775                              |                     |
| Interest receivable                     | 59,117                  | 1,014               |                                     | 203                 |
| Loans receivable                        |                         |                     |                                     |                     |
| Prepaid items                           |                         |                     |                                     |                     |
| Advances to other funds                 |                         |                     |                                     |                     |
| Total Assets                            | <u>\$ 10,069,879</u>    | <u>\$ 95,942</u>    | <u>\$ 39,775</u>                    | <u>\$ 24,010</u>    |
| <b>Liabilities and Fund Balances</b>    |                         |                     |                                     |                     |
| Liabilities:                            |                         |                     |                                     |                     |
| Accounts payable                        | \$ -                    | \$ 415              | \$ -                                | \$ -                |
| Due to other funds                      |                         |                     | 22,596                              |                     |
| Compensated absences                    |                         |                     | 1,022                               |                     |
| Deposits payable                        |                         |                     |                                     |                     |
| Deferred revenue                        |                         |                     | 38,950                              |                     |
| Advances from other funds               |                         |                     |                                     |                     |
| Total Liabilities                       |                         | <u>415</u>          | <u>62,568</u>                       |                     |
| Fund Balances:                          |                         |                     |                                     |                     |
| Reserved:                               |                         |                     |                                     |                     |
| Prepaid items                           |                         |                     |                                     |                     |
| Encumbrances                            |                         |                     |                                     |                     |
| Low/ moderate income housing            |                         |                     |                                     |                     |
| Debt service                            |                         |                     |                                     |                     |
| Advances                                |                         |                     |                                     |                     |
| Unreserved:                             |                         |                     |                                     |                     |
| Undesignated                            | <u>10,069,879</u>       | <u>95,527</u>       | <u>(22,793)</u>                     | <u>24,010</u>       |
| Total Fund Balances                     | <u>10,069,879</u>       | <u>95,527</u>       | <u>(22,793)</u>                     | <u>24,010</u>       |
| Total Liabilities and Fund Balances     | <u>\$ 10,069,879</u>    | <u>\$ 95,942</u>    | <u>\$ 39,775</u>                    | <u>\$ 24,010</u>    |

Special Revenue Funds

| Transportation Development Fund | Proposition K Transportation Tax | State Gas Tax Street | TEA Grant        | Community Development Block Grant | Landscaping District        | Residential and Commercial Rehabilitation Loan |
|---------------------------------|----------------------------------|----------------------|------------------|-----------------------------------|-----------------------------|--|
| \$ 11,046                       | \$ 2,125,204                     | \$ 2,817,371         | \$ 10,998        | \$ -                              | \$ 1,072,983                | \$ 617,355                                     |
| 1,525                           | 556,696<br>15,320                | 124,044<br>21,848    | 1,068            | 87,645                            | 3,543                       | 162,351  |
| <u>\$ 12,571</u>                | <u>\$ 2,697,220</u>              | <u>\$ 2,963,263</u>  | <u>\$ 12,066</u> | <u>\$ 87,645</u>                  | <u>\$ 1,076,526</u>         | <u>\$ 779,706</u>                              |
| \$ -                            | \$ 331,537                       | \$ 170,327           | \$ -             | \$ 29,687<br>109,117              | \$ 97,999<br>9,273<br>4,000 | \$ 5,678                                       |
|                                 |                                  |                      |                  | 16,640                            |                             | 162,351  |
|                                 | <u>331,537</u>                   | <u>170,327</u>       |                  | <u>155,444</u>                    | <u>111,272</u>              | <u>168,029</u>                                 |
|                                 | 13,078                           | 666,176              |                  | 31,489                            | 2,990                       |  |
| 12,571                          | 2,352,605                        | 2,126,760            | 12,066           | (99,288)                          | 962,264                     | 611,677  |
| 12,571                          | 2,365,683                        | 2,792,936            | 12,066           | (67,799)                          | 965,254                     | 611,677  |
| <u>\$ 12,571</u>                | <u>\$ 2,697,220</u>              | <u>\$ 2,963,263</u>  | <u>\$ 12,066</u> | <u>\$ 87,645</u>                  | <u>\$ 1,076,526</u>         | <u>\$ 779,706</u>                              |

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2005**  
(Continued)

|  | Special Revenue Funds             |                                 |                            |   |
|--|-----------------------------------|---------------------------------|----------------------------|---|
|  | South County<br>Fire<br>Authority | Traffic<br>Congestion<br>Relief | Community<br>Access<br>CTV | Community<br>Development<br>Agency<br>Housing |
| <b>Assets</b>                              |                                   |                                 |                            |   |
| Cash and investments                       | \$ -                              | \$ 4,934                        | \$ 14,283                  | \$ 5,181,746                                  |
| Cash and investments with fiscal agents    |                                   |                                 |                            |   |
| Accounts receivable                        | 1,613,361                         |                                 | 30,496                     |   |
| Interest receivable                        | 1,750                             | 111                             | 1,305                      | 36,885  |
| Loans receivable                           |                                   |                                 |                            | 3,090,425                                     |
| Prepaid items                              |                                   |                                 |                            |   |
| Advances to other funds                    |                                   |                                 |                            |   |
| <b>Total Assets</b>                        | <b>\$ 1,615,111</b>               | <b>\$ 5,045</b>                 | <b>\$ 46,084</b>           | <b>\$ 8,309,056</b>                           |
| <b>Liabilities and Fund Balances</b>       |                                   |                                 |                            |   |
| <b>Liabilities:</b>                        |                                   |                                 |                            |   |
| Accounts payable                           | \$ -                              | \$ -                            | \$ 23,817                  | \$ 2,362                                      |
| Due to other funds                         | 629,073                           |                                 |                            |   |
| Compensated absences                       |                                   |                                 | 1,728                      |   |
| Deposits payable                           |                                   |                                 |                            |   |
| Deferred revenue                           | 36,670                            | 12,323                          |                            | 3,090,425                                     |
| Advances from other funds                  |                                   |                                 | 123,500                    |   |
| <b>Total Liabilities</b>                   | <b>665,743</b>                    | <b>12,323</b>                   | <b>149,045</b>             | <b>3,092,787</b>                              |
| <b>Fund Balances:</b>                      |                                   |                                 |                            |   |
| <b>Reserved:</b>                           |                                   |                                 |                            |   |
| Prepaid items                              |                                   |                                 |                            |   |
| Encumbrances                               |                                   |                                 | 1,679                      | 64,308  |
| Low/ moderate income housing               |                                   |                                 |                            | 5,151,961                                     |
| Debt service                               |                                   |                                 |                            |   |
| Advances                                   |                                   |                                 |                            |   |
| <b>Unreserved:</b>                         |                                   |                                 |                            |   |
| Undesignated                               | 949,368                           | (7,278)                         | (104,640)                  |   |
| <b>Total Fund Balances</b>                 | <b>949,368</b>                    | <b>(7,278)</b>                  | <b>(102,961)</b>           | <b>5,216,269</b>                              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 1,615,111</b>               | <b>\$ 5,045</b>                 | <b>\$ 46,084</b>           | <b>\$ 8,309,056</b>                           |

| Debt Service Funds |                           | Capital Projects Funds             |                     |                     |                         |                      | Community Development Agency Construction |
|--------------------|---------------------------|------------------------------------|---------------------|---------------------|-------------------------|----------------------|---|
| Parks COP          | Regional Mall Improvement | Residential Specific Plan Projects | General Projects    | Infill Projects     | I-205 Area Improvements |                      |   |
| \$ 299,625         | \$ 1,264,636              | \$ 13,832,177                      | \$ 9,111,988        | \$ 4,481,519        | \$ 2,795,469            | \$ 1,889,703         |   |
| 287,849            | 865,703                   |                                    |                     |                     | 588                     | 16,731,290           |   |
|                    |                           | 2,500                              | 136,759             |                     |                         |                      |   |
| 198                | 11,167                    | 128,653                            | 94,615              | 39,940              | 63,376                  | 13,744               |   |
|                    |                           |                                    |                     |                     |                         | 550                  |   |
|                    |                           |                                    | 123,500             |                     |                         |                      |   |
| <u>\$ 587,672</u>  | <u>\$ 2,141,506</u>       | <u>\$ 13,963,330</u>               | <u>\$ 9,466,862</u> | <u>\$ 4,521,459</u> | <u>\$ 2,859,433</u>     | <u>\$ 18,635,287</u> |   |
| \$ -               | \$ -                      | \$ 274,954                         | \$ 82,974           | \$ -                | \$ 515,144              | \$ 286,679           |   |
|                    |                           |                                    |                     |                     |                         | 9,281                |   |
|                    |                           |                                    | 775,642             |                     | 1,110,327               |                      |   |
|                    |                           | 274,954                            | 858,616             |                     | 1,625,471               | 295,960              |   |
|                    |                           |                                    |                     |                     |                         | 550                  |   |
|                    |                           | 768,476                            | 2,396,814           | 109,634             | 276,198                 | 1,259,995            |   |
| 587,672            | 2,141,506                 |                                    | 123,500             |                     |                         |                      |   |
|                    |                           | 12,919,900                         | 6,087,932           | 4,411,825           | 957,764                 | 17,078,782           |   |
| <u>587,672</u>     | <u>2,141,506</u>          | <u>13,688,376</u>                  | <u>8,608,246</u>    | <u>4,521,459</u>    | <u>1,233,962</u>        | <u>18,339,327</u>    |   |
| <u>\$ 587,672</u>  | <u>\$ 2,141,506</u>       | <u>\$ 13,963,330</u>               | <u>\$ 9,466,862</u> | <u>\$ 4,521,459</u> | <u>\$ 2,859,433</u>     | <u>\$ 18,635,287</u> |   |

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2005**  
(Continued)

|  | Capital Projects Funds                    |                                |   |                                    |
|--|---|--------------------------------|---|------------------------------------|
|  | Urban<br>Management<br>Plan<br>Facilities | Capital<br>Projects<br>Deposit | Assessment<br>District<br>87-3<br>Improvement | South<br>MacArthur<br>Plan<br>Area |
| <b>Assets</b>                              |   |                                |   |                                    |
| Cash and investments                       | \$ 5,815,724                              | \$ 525,265                     | \$ 12,158                                     | \$ 3,748,215                       |
| Cash and investments with fiscal agents    |   |                                |   | 4,321,756                          |
| Accounts receivable                        | 23,552                                    |                                |   |                                    |
| Interest receivable                        | 48,874                                    | 4,473                          | 5,090   | 53,005                             |
| Loans receivable                           |   |                                |   |                                    |
| Prepaid items                              |   |                                |   |                                    |
| Advances to other funds                    |   |                                |   |                                    |
| <b>Total Assets</b>                        | <b>\$ 5,888,150</b>                       | <b>\$ 529,738</b>              | <b>\$ 17,248</b>                              | <b>\$ 8,122,976</b>                |
| <b>Liabilities and Fund Balances</b>       |   |                                |   |                                    |
| <b>Liabilities:</b>                        |   |                                |   |                                    |
| Accounts payable                           | \$ 19,296                                 | \$ 3,780                       | \$ -  | \$ 60,134                          |
| Due to other funds                         |   |                                |   |                                    |
| Compensated absences                       |   |                                |   |                                    |
| Deposits payable                           | 232,827                                   |                                |   |                                    |
| Deferred revenue                           |   |                                |   |                                    |
| Advances from other funds                  |   |                                |   |                                    |
| <b>Total Liabilities</b>                   | <b>252,123</b>                            | <b>3,780</b>                   |   | <b>60,134</b>                      |
| <b>Fund Balances:</b>                      |   |                                |   |                                    |
| <b>Reserved:</b>                           |   |                                |   |                                    |
| Prepaid items                              |   |                                |   |                                    |
| Encumbrances                               | 598,627                                   | 68,378                         |   | 416,855                            |
| Low/ moderate income housing               |   |                                |   |                                    |
| Debt service                               |   |                                |   |                                    |
| Advances                                   |   |                                |   |                                    |
| <b>Unreserved:</b>                         |   |                                |   |                                    |
| Undesignated                               | 5,037,400                                 | 457,580                        | 17,248  | 7,645,987                          |
| <b>Total Fund Balances</b>                 | <b>5,636,027</b>                          | <b>525,958</b>                 | <b>17,248</b>                                 | <b>8,062,842</b>                   |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 5,888,150</b>                       | <b>\$ 529,738</b>              | <b>\$ 17,248</b>                              | <b>\$ 8,122,976</b>                |



Capital Projects Funds

| <u>Industrial<br/>Specific<br/>Plan<br/>South</u> | <u>Presidio<br/>Plan<br/>Area</u> | <u>Tracy<br/>Gateway<br/>Area</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-----------------------------------|-----------------------------------|---|
| \$ 3,280,522                                      | \$ 3,829,301                      | \$ -                              | \$ 72,871,719                           |
|   | 2,946,343                         |                                   | 25,153,529                              |
|   |                                   | 1,646                             | 2,617,542                               |
| 37,908  | 52,315                            |                                   | 695,979                                 |
|   |                                   |                                   | 3,252,776                               |
|   |                                   |                                   | 550                                     |
|   |                                   |                                   | 123,500                                 |
| <u>\$ 3,318,430</u>                               | <u>\$ 6,827,959</u>               | <u>\$ 1,646</u>                   | <u>\$ 104,715,595</u>                   |
| \$ -  | \$ -                              | \$ -                              | \$ 1,904,783                            |
|   |                                   | 1,646                             | 762,432                                 |
|   |                                   |                                   | 21,304                                  |
|   | 37,000                            |                                   | 2,159,796                               |
|   |                                   |                                   | 3,357,359                               |
|   |                                   |                                   | 123,500                                 |
|   | <u>37,000</u>                     | <u>1,646</u>                      | <u>8,329,174</u>                        |
|   |                                   |                                   | 550                                     |
| 40,074  | 39,956                            |                                   | 6,754,727                               |
|   |                                   |                                   | 5,151,961                               |
|   |                                   |                                   | 2,729,178                               |
|   |                                   |                                   | 123,500                                 |
| <u>3,278,356</u>                                  | <u>6,751,003</u>                  |                                   | <u>81,626,505</u>                       |
| <u>3,318,430</u>                                  | <u>6,790,959</u>                  |                                   | <u>96,386,421</u>                       |
| <u>\$ 3,318,430</u>                               | <u>\$ 6,827,959</u>               | <u>\$ 1,646</u>                   | <u>\$ 104,715,595</u>                   |

**CITY OF TRACY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2005**

|   | Special Revenue Funds   |                     |                                     |                     |
|---|-------------------------|---------------------|-------------------------------------|---------------------|
|   | Economic<br>Uncertainty | Parking<br>District | Business<br>Improvement<br>District | Asset<br>Forfeiture |
| <b>REVENUES:</b>  |                         |                     |                                     |                     |
| Taxes   | \$ -                    | \$ -                | \$ -                                | \$ -                |
| Licenses, permits, and fees   |                         |                     |                                     |                     |
| Use of money and property   | 212,817                 | 2,987               | (124)                               | 223                 |
| Intergovernmental   |                         |                     |                                     | 9,663               |
| Special assessments   |                         |                     | 37,375                              |                     |
| Other revenues  |                         |                     | 76,791                              |                     |
| Total Revenues  | <u>212,817</u>          | <u>2,987</u>        | <u>114,042</u>                      | <u>9,886</u>        |
| <b>EXPENDITURES:</b>  |                         |                     |                                     |                     |
| Current:  |                         |                     |                                     |                     |
| General government  |                         |                     |                                     |                     |
| Administration  |                         |                     |                                     |                     |
| Non-departmental  |                         |                     |                                     |                     |
| Public safety   |                         |                     |                                     |                     |
| Police  |                         |                     |                                     | 6,563               |
| Fire  |                         |                     |                                     |                     |
| Public works  |                         |                     |                                     |                     |
| Development and engineering   |                         | 16,311              | 108,121                             |                     |
| Public works  |                         |                     |                                     |                     |
| Capital outlay  |                         |                     |                                     |                     |
| Debt service:   |                         |                     |                                     |                     |
| Principal payments  |                         |                     |                                     |                     |
| Interest and fiscal charges   |                         |                     |                                     |                     |
| Total Expenditures  |                         | <u>16,311</u>       | <u>108,121</u>                      | <u>6,563</u>        |
| Excess of revenues over (under) expenditures  | <u>212,817</u>          | <u>(13,324)</u>     | <u>5,921</u>                        | <u>3,323</u>        |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                         |                     |                                     |                     |
| Transfers in  | 3,904,045               |                     |                                     |                     |
| Transfers out   |                         |                     |                                     |                     |
| Total Other Financing Sources (Uses)  | <u>3,904,045</u>        |                     |                                     |                     |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures and<br>Other Financing Uses | 4,116,862               | (13,324)            | 5,921                               | 3,323               |
| Fund Balances, July 1, 2004   | <u>5,953,017</u>        | <u>108,851</u>      | <u>(28,714)</u>                     | <u>20,687</u>       |
| Fund Balances, June 30, 2005  | <u>\$ 10,069,879</u>    | <u>\$ 95,527</u>    | <u>\$ (22,793)</u>                  | <u>\$ 24,010</u>    |

Special Revenue Funds

| Transportation<br>Development | Proposition K<br>Transportation<br>Tax | State<br>Gas<br>Tax | TEA<br>Grant     | Community<br>Development<br>Block Grant | Landscaping<br>District | Residential<br>and Commercial<br>Rehabilitation<br>Loan |
|-------------------------------|--|---------------------|------------------|---|-------------------------|---|
| \$ -                          | \$ -                                   | \$ -                | \$ -             | \$ -                                    | \$ -                    | \$ -  |
| 6,131                         | 59,877                                 | 75,580              |                  |   | 14,852                  | 38,828  |
| 1,360,134                     | 1,105,546                              | 1,406,034           |                  | 269,534                                 | 1,929,165               |   |
|                               | 64,504                                 |                     | 3,847            |   |                         |   |
| <u>1,366,265</u>              | <u>1,229,927</u>                       | <u>1,481,614</u>    | <u>3,847</u>     | <u>269,534</u>                          | <u>1,944,017</u>        | <u>38,828</u>   |
|                               |  |                     |                  | 188,537                                 | 1,353,566               |   |
| 1,472,760                     | 662,040                                | 237,824<br>759,729  |                  | 80,997                                  | 48,235                  |   |
| <u>1,472,760</u>              | <u>662,040</u>                         | <u>997,553</u>      |                  | <u>269,534</u>                          | <u>1,401,801</u>        |   |
| <u>(106,495)</u>              | <u>567,887</u>                         | <u>484,061</u>      | <u>3,847</u>     |   | <u>542,216</u>          | <u>38,828</u>   |
|                               |  |                     |                  |   |                         |   |
|                               |  |                     |                  |   |                         |   |
| (106,495)                     | 567,887                                | 484,061             | 3,847            |   | 542,216                 | 38,828  |
| 119,066                       | 1,797,796                              | 2,308,875           | 8,219            | (67,799)                                | 423,038                 | 572,849   |
| <u>\$ 12,571</u>              | <u>\$ 2,365,683</u>                    | <u>\$ 2,792,936</u> | <u>\$ 12,066</u> | <u>\$ (67,799)</u>                      | <u>\$ 965,254</u>       | <u>\$ 611,677</u>                                       |

(Continued)

**CITY OF TRACY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2005  
(Continued)**

|   | Special Revenue Funds             |                                 |                            |   |
|---|-----------------------------------|---------------------------------|----------------------------|---|
|   | South County<br>Fire<br>Authority | Traffic<br>Congestion<br>Relief | Community<br>Access<br>CTV | Community<br>Development<br>Agency<br>Housing |
| <b>REVENUES:</b>  |                                   |                                 |                            |   |
| Taxes   | \$ -                              | \$ -                            | \$ -                       | \$ -  |
| Licenses, permits, and fees   |                                   |                                 | 122,507                    |   |
| Use of money and property   | 6,274                             | (4,174)                         | 5,043                      | 148,874                                       |
| Intergovernmental   | 3,869,023                         |                                 |                            |   |
| Special assessments   |                                   |                                 |                            |   |
| Other revenues  |                                   |                                 |                            |   |
| Total Revenues  | <u>3,875,297</u>                  | <u>(4,174)</u>                  | <u>127,550</u>             | <u>148,874</u>                                |
| <b>EXPENDITURES:</b>  |                                   |                                 |                            |   |
| Current:  |                                   |                                 |                            |   |
| General government  |                                   |                                 |                            |   |
| Administration  |                                   |                                 |                            |   |
| Non-departmental  |                                   |                                 |                            |   |
| Public safety   |                                   |                                 |                            |   |
| Police  |                                   |                                 |                            |   |
| Fire  | 4,275,276                         |                                 |                            |   |
| Public works  |                                   |                                 |                            |   |
| Development and engineering   |                                   |                                 | 59,624                     | 267,323                                       |
| Public works  |                                   |                                 |                            |   |
| Capital outlay  |                                   |                                 | 281,639                    | 21,502  |
| Debt service:   |                                   |                                 |                            |   |
| Principal payments  |                                   |                                 |                            |   |
| Interest and fiscal charges   |                                   |                                 |                            |   |
| Total Expenditures  | <u>4,275,276</u>                  |                                 | <u>341,263</u>             | <u>288,825</u>                                |
| Excess of revenues over (under) expenditures  | <u>(399,979)</u>                  | <u>(4,174)</u>                  | <u>(213,713)</u>           | <u>(139,951)</u>                              |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                                   |                                 |                            |   |
| Transfers in  |                                   |                                 |                            | 1,343,329                                     |
| Transfers out   |                                   |                                 |                            |   |
| Total Other Financing Sources (Uses)  |                                   |                                 |                            | <u>1,343,329</u>                              |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures and<br>Other Financing Uses | (399,979)                         | (4,174)                         | (213,713)                  | 1,203,378                                     |
| Fund Balances, July 1, 2004   | <u>1,349,347</u>                  | <u>(3,104)</u>                  | <u>110,752</u>             | <u>4,012,891</u>                              |
| Fund Balances, June 30, 2005  | <u>\$ 949,368</u>                 | <u>\$ (7,278)</u>               | <u>\$ (102,961)</u>        | <u>\$ 5,216,269</u>                           |

| Debt Service Funds |                           |                                    | Capital Projects Funds |                     |                         |   |
|--------------------|---------------------------|------------------------------------|------------------------|---------------------|-------------------------|---|
| Parks COP          | Regional Mall Improvement | Residential Specific Plan Projects | General Projects       | Infill Projects     | I-205 Area Improvements | Community Development Agency Construction |
| \$ -               | \$ -                      | \$ -                               | \$ -                   | \$ -                | \$ -                    | \$ -                                      |
| 5,039              | 80,828                    | 137,990                            | 257,632                | 117,107             | 93,211                  | 92,495                                    |
|                    |                           | 1,934,322                          | 2,329,577              | 995,377             | 979,813                 |   |
|                    |                           | 1,117,892                          | 43,410                 |                     | 186,535                 |   |
| 5,039              | 80,828                    | 3,190,204                          | 2,630,619              | 1,112,484           | 1,259,559               | 92,495                                    |
|                    |                           |                                    |                        |                     |                         | 281,368                                   |
|                    |                           | 1,105,624                          | 3,778,725              | 240,927             | 5,736,756               | 6,332,411                                 |
| 115,000            | 275,000                   |                                    |                        |                     |                         |   |
| 169,246            | 561,170                   |                                    |                        |                     |                         |   |
| 284,246            | 836,170                   | 1,105,624                          | 3,778,725              | 240,927             | 5,736,756               | 6,613,779                                 |
| (279,207)          | (755,342)                 | 2,084,580                          | (1,148,106)            | 871,557             | (4,477,197)             | (6,521,284)                               |
| 288,000            | 899,000                   | 650,000                            |                        |                     |                         | 2,220,000                                 |
| 288,000            | 899,000                   | 650,000                            |                        |                     |                         | 2,220,000                                 |
| 8,793              | 143,658                   | 2,734,580                          | (1,148,106)            | 871,557             | (4,477,197)             | (4,301,284)                               |
| 578,879            | 1,997,848                 | 10,953,796                         | 9,756,352              | 3,649,902           | 5,711,159               | 22,640,611                                |
| <u>\$ 587,672</u>  | <u>\$ 2,141,506</u>       | <u>\$ 13,688,376</u>               | <u>\$ 8,608,246</u>    | <u>\$ 4,521,459</u> | <u>\$ 1,233,962</u>     | <u>\$ 18,339,327</u>                      |

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2005**  
**(Continued)**

|   | Capital Project Funds                     |                                 |   |                                 |
|---|---|---------------------------------|---|---------------------------------|
|   | Urban<br>Management<br>Plan<br>Facilities | Capital<br>Projects<br>Deposits | Assessment<br>District<br>87-3<br>Improvement | South<br>MacArthur<br>Plan Area |
| <b>REVENUES:</b>  |   |                                 |   |                                 |
| Taxes   | \$ -                                      | \$ -                            | \$ -  | \$ -                            |
| Licenses, permits, and fees   |   |                                 |   |                                 |
| Use of money and property   | 180,380                                   | 11,769                          | 10,907  | 293,229                         |
| Intergovernmental   |   |                                 |   |                                 |
| Special assessments   | 762,017                                   |                                 |   | 1,765,836                       |
| Other revenues  | 704,829                                   | 1,796,148                       |   |                                 |
| <b>Total Revenues</b>   | <u>1,647,226</u>                          | <u>1,807,917</u>                | <u>10,907</u>                                 | <u>2,059,065</u>                |
| <b>EXPENDITURES:</b>  |   |                                 |   |                                 |
| Current:  |   |                                 |   |                                 |
| General government  |   |                                 |   |                                 |
| Administration  |   |                                 |   |                                 |
| Non-departmental  |   |                                 |   |                                 |
| Public safety   |   |                                 |   |                                 |
| Police  |   |                                 |   |                                 |
| Fire  |   |                                 |   |                                 |
| Public works  |   |                                 |   |                                 |
| Development and engineering   |   |                                 |   |                                 |
| Public works  |   |                                 |   |                                 |
| Capital outlay  | 603,922                                   | 1,531,544                       |   | 4,004,715                       |
| Debt service:   |   |                                 |   |                                 |
| Principal payments  |   |                                 |   |                                 |
| Interest and fiscal charges   |   |                                 |   |                                 |
| <b>Total Expenditures</b>   | <u>603,922</u>                            | <u>1,531,544</u>                |   | <u>4,004,715</u>                |
| Excess of revenues over (under) expenditures  | <u>1,043,304</u>                          | <u>276,373</u>                  | <u>10,907</u>                                 | <u>(1,945,650)</u>              |
| <b>OTHER FINANCING SOURCES (USES):</b>  |   |                                 |   |                                 |
| Transfers in  |   |                                 |   |                                 |
| Transfers out   |   |                                 | (650,000)                                     |                                 |
| <b>Total Other Financing Sources (Uses)</b>   |   |                                 | <u>(650,000)</u>                              |                                 |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures and<br>Other Financing Uses | 1,043,304                                 | 276,373                         | (639,093)                                     | (1,945,650)                     |
| Fund Balances, July 1, 2004   | <u>4,592,723</u>                          | <u>249,585</u>                  | <u>656,341</u>                                | <u>10,008,492</u>               |
| Fund Balances, June 30, 2005  | <u>\$ 5,636,027</u>                       | <u>\$ 525,958</u>               | <u>\$ 17,248</u>                              | <u>\$ 8,062,842</u>             |

Capital Projects Funds

| Industrial<br>Specific<br>Plan<br>South | Presidio<br>Plan<br>Area | Tracy<br>Gateway<br>Area | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--------------------------|--------------------------|--|
| \$ -                                    | \$ -                     | \$ -                     | \$ -                                       |
| 132,172                                 | 214,369                  |                          | 122,507                                    |
| 625,512                                 | 302,953                  |                          | 2,194,316                                  |
|   |                          | 1,646                    | 10,349,511                                 |
|   |                          |                          | 9,332,370                                  |
|   |                          |                          | 3,995,602                                  |
| <u>757,684</u>                          | <u>517,322</u>           | <u>1,646</u>             | <u>25,994,306</u>                          |
|   |                          |                          | 6,563                                      |
|   |                          |                          | 4,275,276                                  |
|   |                          |                          | 2,274,850                                  |
| 1,082,640                               | 1,828,040                | 1,646                    | 2,372,624                                  |
|   |                          |                          | 27,439,052                                 |
|   |                          |                          | 390,000                                    |
|   |                          |                          | 730,416                                    |
| <u>1,082,640</u>                        | <u>1,828,040</u>         | <u>1,646</u>             | <u>37,488,781</u>                          |
| <u>(324,956)</u>                        | <u>(1,310,718)</u>       |                          | <u>(11,494,475)</u>                        |
|   |                          |                          | 9,304,374                                  |
|   |                          |                          | (650,000)                                  |
|   |                          |                          | 8,654,374                                  |
| (324,956)                               | (1,310,718)              |                          | (2,840,101)                                |
| <u>3,643,386</u>                        | <u>8,101,677</u>         |                          | <u>99,226,522</u>                          |
| <u>\$ 3,318,430</u>                     | <u>\$ 6,790,959</u>      | <u>\$ -</u>              | <u>\$ 96,386,421</u>                       |

**CITY OF TRACY**  
**BUDGETED NONMAJOR FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**

|   | Parking District |                  |                                    | Business Improvement District |                    |                                    |
|---|------------------|------------------|------------------------------------|-------------------------------|--------------------|------------------------------------|
|   | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) | Final<br>Budget               | Actual             | Variance<br>Positive<br>(Negative) |
| <b>Revenues:</b>  |                  |                  |                                    |                               |                    |                                    |
| Taxes   | \$ -             | \$ -             | \$ -                               | \$ -                          | \$ -               | \$ -                               |
| Licenses, permits, and fees   |                  |                  |                                    |                               |                    |                                    |
| Use of money and property   |                  | 2,987            | 2,987                              |                               | (124)              | (124)                              |
| Intergovernmental   |                  |                  |                                    |                               |                    |                                    |
| Special assessments   | 36,500           |                  | (36,500)                           | 36,500                        | 37,375             | 875                                |
| Other revenues  |                  |                  |                                    | 70,000                        | 76,791             | 6,791                              |
| <b>Total Revenues</b>   | <u>36,500</u>    | <u>2,987</u>     | <u>(33,513)</u>                    | <u>106,500</u>                | <u>114,042</u>     | <u>7,542</u>                       |
| <b>Expenditures:</b>  |                  |                  |                                    |                               |                    |                                    |
| Current:  |                  |                  |                                    |                               |                    |                                    |
| General government  |                  |                  |                                    |                               |                    |                                    |
| Administration  |                  |                  |                                    |                               |                    |                                    |
| Non-departmental  |                  |                  |                                    |                               |                    |                                    |
| Public safety   |                  |                  |                                    |                               |                    |                                    |
| Police  |                  |                  |                                    |                               |                    |                                    |
| Fire  |                  |                  |                                    |                               |                    |                                    |
| Public works  |                  |                  |                                    |                               |                    |                                    |
| Development and engineering   | 35,280           | 16,311           | 18,969                             | 110,470                       | 108,121            | 2,349                              |
| Public works  |                  |                  |                                    |                               |                    |                                    |
| Capital outlay  |                  |                  |                                    |                               |                    |                                    |
| Debt service:   |                  |                  |                                    |                               |                    |                                    |
| Principal payments  |                  |                  |                                    |                               |                    |                                    |
| Interest and fiscal charges   |                  |                  |                                    |                               |                    |                                    |
| <b>Total Expenditures</b>   | <u>35,280</u>    | <u>16,311</u>    | <u>18,969</u>                      | <u>110,470</u>                | <u>108,121</u>     | <u>2,349</u>                       |
| Excess of revenues over (under) expenditures  | <u>1,220</u>     | <u>(13,324)</u>  | <u>(14,544)</u>                    | <u>(3,970)</u>                | <u>5,921</u>       | <u>9,891</u>                       |
| <b>Other Financing Sources</b>  |                  |                  |                                    |                               |                    |                                    |
| <b>(Uses):</b>  |                  |                  |                                    |                               |                    |                                    |
| Transfers in  |                  |                  |                                    |                               |                    |                                    |
| Transfers out   |                  |                  |                                    |                               |                    |                                    |
| <b>Total Other Financing Sources</b>  |                  |                  |                                    |                               |                    |                                    |
| <b>(Uses)</b>   |                  |                  |                                    |                               |                    |                                    |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ 1,220</u>  | <u>(13,324)</u>  | <u>\$ (14,544)</u>                 | <u>\$ (3,970)</u>             | <u>5,921</u>       | <u>\$ 9,891</u>                    |
| Fund Balances, July 1, 2004   |                  | <u>108,851</u>   |                                    |                               | <u>(28,714)</u>    |                                    |
| Fund Balances, June 30, 2005  |                  | <u>\$ 95,527</u> |                                    |                               | <u>\$ (22,793)</u> |                                    |



| Asset Forfeiture  |                  |                              | Transportation Development |                  |                              | Proposition K Transportation Tax |                     |                              |
|-------------------|------------------|------------------------------|----------------------------|------------------|------------------------------|----------------------------------|---------------------|------------------------------|
| Final Budget      | Actual           | Variance Positive (Negative) | Final Budget               | Actual           | Variance Positive (Negative) | Final Budget                     | Actual              | Variance Positive (Negative) |
| \$ -              | \$ -             | \$ -                         | \$ -                       | \$ -             | \$ -                         | \$ -                             | \$ -                | \$ -                         |
|                   | 223              | 223                          |                            | 6,131            | 6,131                        |                                  | 59,877              | 59,877                       |
| 1,000             | 9,663            | 8,663                        | 1,577,000                  | 1,360,134        | (216,866)                    | 1,550,676                        | 1,105,546           | (445,130)                    |
|                   |                  |                              |                            |                  |                              |                                  | 64,504              | 64,504                       |
| 1,000             | 9,886            | 8,886                        | 1,577,000                  | 1,366,265        | (210,735)                    | 1,550,676                        | 1,229,927           | (320,749)                    |
| 20,000            | 6,563            | 13,437                       |                            |                  |                              |                                  |                     |                              |
|                   |                  |                              | 1,479,200                  | 1,472,760        | 6,440                        | 1,604,076                        | 662,040             | 942,036                      |
| 20,000            | 6,563            | 13,437                       | 1,479,200                  | 1,472,760        | 6,440                        | 1,604,076                        | 662,040             | 942,036                      |
| (19,000)          | 3,323            | 22,323                       | 97,800                     | (106,495)        | (204,295)                    | (53,400)                         | 567,887             | 621,287                      |
| <u>\$(19,000)</u> | 3,323            | <u>\$ 22,323</u>             | <u>\$ 97,800</u>           | (106,495)        | <u>\$ (204,295)</u>          | <u>\$ (53,400)</u>               | 567,887             | <u>\$ 621,287</u>            |
|                   | <u>20,687</u>    |                              |                            | <u>119,066</u>   |                              |                                  | <u>1,797,796</u>    |                              |
|                   | <u>\$ 24,010</u> |                              |                            | <u>\$ 12,571</u> |                              |                                  | <u>\$ 2,365,683</u> |                              |

(Continued)

**CITY OF TRACY**  
**BUDGETED NONMAJOR FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**  
**(Continued)**

|   | State Gas Tax Street |                     |                                    | TEA Grant        |                  |                                    |
|---|----------------------|---------------------|------------------------------------|------------------|------------------|------------------------------------|
|   | Final<br>Budget      | Actual              | Variance<br>Positive<br>(Negative) | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
| <b>Revenues:</b>  |                      |                     |                                    |                  |                  |                                    |
| Taxes   | \$ -                 | \$ -                | \$ -                               | \$ -             | \$ -             | \$ -                               |
| Licenses, permits, and fees   |                      |                     |                                    |                  |                  |                                    |
| Use of money and property   |                      | 75,580              | 75,580                             |                  |                  |                                    |
| Intergovernmental   | 1,467,500            | 1,406,034           | (61,466)                           | 1,000,000        |                  | (1,000,000)                        |
| Special assessments   |                      |                     |                                    |                  |                  |                                    |
| Other revenues  |                      |                     |                                    |                  | 3,847            | 3,847                              |
| Total Revenues  | <u>1,467,500</u>     | <u>1,481,614</u>    | <u>14,114</u>                      | <u>1,000,000</u> | <u>3,847</u>     | <u>(996,153)</u>                   |
| <b>Expenditures:</b>  |                      |                     |                                    |                  |                  |                                    |
| Current:  |                      |                     |                                    |                  |                  |                                    |
| General government  |                      |                     |                                    |                  |                  |                                    |
| Administration  |                      |                     |                                    |                  |                  |                                    |
| Non-departmental  |                      |                     |                                    |                  |                  |                                    |
| Public safety   |                      |                     |                                    |                  |                  |                                    |
| Police  |                      |                     |                                    |                  |                  |                                    |
| Fire  |                      |                     |                                    |                  |                  |                                    |
| Public works  |                      |                     |                                    |                  |                  |                                    |
| Development and engineering   |                      |                     |                                    |                  |                  |                                    |
| Public works  | 245,000              | 237,824             | 7,176                              |                  |                  |                                    |
| Capital outlay  | 1,581,000            | 759,729             | 821,271                            | 1,000,000        |                  | 1,000,000                          |
| Debt service:   |                      |                     |                                    |                  |                  |                                    |
| Principal payments  |                      |                     |                                    |                  |                  |                                    |
| Interest and fiscal charges   |                      |                     |                                    |                  |                  |                                    |
| Total Expenditures  | <u>1,826,000</u>     | <u>997,553</u>      | <u>828,447</u>                     | <u>1,000,000</u> |                  | <u>1,000,000</u>                   |
| Excess of revenues over (under) expenditures  | <u>(358,500)</u>     | <u>484,061</u>      | <u>842,561</u>                     |                  | <u>3,847</u>     | <u>3,847</u>                       |
| <b>Other Financing Sources</b>  |                      |                     |                                    |                  |                  |                                    |
| (Uses):   |                      |                     |                                    |                  |                  |                                    |
| Transfers in  |                      |                     |                                    |                  |                  |                                    |
| Transfers out   |                      |                     |                                    |                  |                  |                                    |
| Total Other Financing Sources (Uses)  |                      |                     |                                    |                  |                  |                                    |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ (358,500)</u>  | <u>484,061</u>      | <u>\$ 842,561</u>                  | <u>\$ -</u>      | <u>3,847</u>     | <u>\$ 3,847</u>                    |
| Fund Balances, July 1, 2004   |                      | <u>2,308,875</u>    |                                    |                  | <u>8,219</u>     |                                    |
| Fund Balances, June 30, 2005  |                      | <u>\$ 2,792,936</u> |                                    |                  | <u>\$ 12,066</u> |                                    |

| Community Development Block Grant |                  |                              | Landscaping District |                   |                              | South County Fire Authority |                   |                              |
|-----------------------------------|------------------|------------------------------|----------------------|-------------------|------------------------------|-----------------------------|-------------------|------------------------------|
| Final Budget                      | Actual           | Variance Positive (Negative) | Final Budget         | Actual            | Variance Positive (Negative) | Final Budget                | Actual            | Variance Positive (Negative) |
| \$ -                              | \$ -             | \$ -                         | \$ -                 | \$ -              | \$ -                         | \$ -                        | \$ -              | \$ -                         |
| 609,247                           | 269,534          | (339,713)                    | 1,000                | 14,852            | 13,852                       | 3,695,150                   | 6,274             | 6,274                        |
|                                   |                  |                              | 1,916,000            | 1,929,165         | 13,165                       |                             | 3,869,023         | 173,873                      |
| <u>609,247</u>                    | <u>269,534</u>   | <u>(339,713)</u>             | <u>1,917,000</u>     | <u>1,944,017</u>  | <u>27,017</u>                | <u>3,695,150</u>            | <u>3,875,297</u>  | <u>180,147</u>               |
|                                   |                  |                              |                      |                   |                              | 4,317,700                   | 4,275,276         | 42,424                       |
| 236,390                           | 188,537          | 47,853                       | 1,594,330            | 1,353,566         | 240,764                      |                             |                   |                              |
| 372,847                           | 80,997           | 291,850                      | 196,370              | 48,235            | 148,135                      |                             |                   |                              |
| <u>609,237</u>                    | <u>269,534</u>   | <u>339,703</u>               | <u>1,790,700</u>     | <u>1,401,801</u>  | <u>388,899</u>               | <u>4,317,700</u>            | <u>4,275,276</u>  | <u>42,424</u>                |
| 10                                |                  | (10)                         | 126,300              | 542,216           | 415,916                      | (622,550)                   | (399,979)         | 222,571                      |
|                                   |                  |                              |                      |                   |                              | 600,000                     |                   | (600,000)                    |
|                                   |                  |                              |                      |                   |                              | 600,000                     |                   | (600,000)                    |
| <u>\$ 10</u>                      |                  | <u>\$ (10)</u>               | <u>\$ 126,300</u>    | 542,216           | <u>\$ 415,916</u>            | <u>\$ (22,550)</u>          | (399,979)         | <u>\$ (377,429)</u>          |
|                                   | <u>67,799</u>    |                              |                      | <u>423,038</u>    |                              |                             | <u>1,349,347</u>  |                              |
|                                   | <u>\$ 67,799</u> |                              |                      | <u>\$ 965,254</u> |                              |                             | <u>\$ 949,368</u> |                              |

(Continued)

**CITY OF TRACY**  
**BUDGETED NONMAJOR FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2005**  
**(Continued)**

|   | Community Access CTV |                     |                                    | Community Development Agency Housing |                     |                                    |
|---|----------------------|---------------------|------------------------------------|--------------------------------------|---------------------|------------------------------------|
|   | Final<br>Budget      | Actual              | Variance<br>Positive<br>(Negative) | Final<br>Budget                      | Actual              | Variance<br>Positive<br>(Negative) |
| <b>Revenues:</b>  |                      |                     |                                    |                                      |                     |                                    |
| Taxes   | \$ -                 | \$ -                | \$ -                               | \$ -                                 | \$ -                | \$ -                               |
| Licenses, permits, and fees   | 129,700              | 122,507             | (7,193)                            |                                      |                     |                                    |
| Use of money and property   |                      | 5,043               | 5,043                              |                                      |                     |                                    |
| Intergovernmental   |                      |                     |                                    | 60,000                               | 148,874             | 88,874                             |
| Special assessments   |                      |                     |                                    |                                      |                     |                                    |
| Other revenues  |                      |                     |                                    |                                      |                     |                                    |
| <b>Total Revenues</b>   | <u>129,700</u>       | <u>127,550</u>      | <u>(2,150)</u>                     | <u>60,000</u>                        | <u>148,874</u>      | <u>88,874</u>                      |
| <b>Expenditures:</b>  |                      |                     |                                    |                                      |                     |                                    |
| Current:  |                      |                     |                                    |                                      |                     |                                    |
| General government  |                      |                     |                                    |                                      |                     |                                    |
| Administration  |                      |                     |                                    |                                      |                     |                                    |
| Non-departmental  |                      |                     |                                    |                                      |                     |                                    |
| Public safety   |                      |                     |                                    |                                      |                     |                                    |
| Police  |                      |                     |                                    |                                      |                     |                                    |
| Fire  |                      |                     |                                    |                                      |                     |                                    |
| Public works  |                      |                     |                                    |                                      |                     |                                    |
| Development and engineering   | 74,780               | 59,624              | 15,156                             | 307,230                              | 267,323             | 39,907                             |
| Public works  |                      |                     |                                    |                                      |                     |                                    |
| Capital outlay  | 123,500              | 281,639             | (158,139)                          | 650,000                              | 21,502              | 628,498                            |
| Debt service:   |                      |                     |                                    |                                      |                     |                                    |
| Principal payments  |                      |                     |                                    |                                      |                     |                                    |
| Interest and fiscal charges   |                      |                     |                                    |                                      |                     |                                    |
| <b>Total Expenditures</b>   | <u>198,280</u>       | <u>341,263</u>      | <u>(142,983)</u>                   | <u>957,230</u>                       | <u>288,825</u>      | <u>668,405</u>                     |
| Excess of revenues over (under) expenditures  | <u>(68,580)</u>      | <u>(213,713)</u>    | <u>(145,133)</u>                   | <u>(897,230)</u>                     | <u>(139,951)</u>    | <u>757,279</u>                     |
| <b>Other Financing Sources</b>  |                      |                     |                                    |                                      |                     |                                    |
| <b>(Uses):</b>  |                      |                     |                                    |                                      |                     |                                    |
| Transfers in  | 123,500              |                     | (123,500)                          | 1,313,600                            | 1,343,329           | 29,729                             |
| Transfers out   |                      |                     |                                    |                                      |                     |                                    |
| <b>Total Other Financing Sources (Uses)</b>   | <u>123,500</u>       |                     | <u>(123,500)</u>                   | <u>1,313,600</u>                     | <u>1,343,329</u>    | <u>29,729</u>                      |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ 54,920</u>     | <u>(213,713)</u>    | <u>\$ (268,633)</u>                | <u>\$ 416,370</u>                    | <u>1,203,378</u>    | <u>\$ 787,008</u>                  |
| Fund Balances, July 1, 2004   |                      | <u>110,752</u>      |                                    |                                      | <u>4,012,891</u>    |                                    |
| Fund Balances, June 30, 2005  |                      | <u>\$ (102,961)</u> |                                    |                                      | <u>\$ 5,216,269</u> |                                    |

| Parks Certificates of Participation |              |                              | Regional Mall Improvement |               |                              |
|-------------------------------------|--------------|------------------------------|---------------------------|---------------|------------------------------|
| Final Budget                        | Actual       | Variance Positive (Negative) | Final Budget              | Actual        | Variance Positive (Negative) |
| \$ -                                | \$ -         | \$ -                         | \$ -                      | \$ -          | \$ -                         |
|                                     | 5,039        | 5,039                        |                           | 80,828        | 80,828                       |
|                                     | <u>5,039</u> | <u>5,039</u>                 |                           | <u>80,828</u> | <u>80,828</u>                |

|                  |                   |                 |                  |                    |                   |
|------------------|-------------------|-----------------|------------------|--------------------|-------------------|
| 115,000          | 115,000           |                 | 275,000          | 275,000            |                   |
| 172,000          | 169,246           | 2,754           | 621,000          | 561,170            | 59,830            |
| <u>287,000</u>   | <u>284,246</u>    | <u>2,754</u>    | <u>896,000</u>   | <u>836,170</u>     | <u>59,830</u>     |
| <u>(287,000)</u> | <u>(279,207)</u>  | <u>7,793</u>    | <u>(896,000)</u> | <u>(755,342)</u>   | <u>140,658</u>    |
| 288,000          | 288,000           |                 | 899,000          | 899,000            |                   |
| <u>288,000</u>   | <u>288,000</u>    |                 | <u>899,000</u>   | <u>899,000</u>     |                   |
| <u>\$ 1,000</u>  | 8,793             | <u>\$ 7,793</u> | <u>\$ 3,000</u>  | 143,658            | <u>\$ 140,658</u> |
|                  | <u>578,879</u>    |                 |                  | <u>1,997,848</u>   |                   |
|                  | <u>\$ 587,672</u> |                 |                  | <u>\$2,141,506</u> |                   |

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## **INTERNAL SERVICE FUNDS**

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

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be 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:

### **CENTRAL GARAGE FUND**

Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

### **CENTRAL SERVICES FUND**

Established to account for monies received from various funds for postage, telephone, and copying charges.

### **EQUIPMENT ACQUISITION FUND**

Established to account for the replacement of equipment utilized by City departments.

### **BUILDING MAINTENANCE FUND**

Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

### **INSURANCE FUND**

Established to finance and account for the City's risk management and insurance programs.

**CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2005**

|                                  | <u>Central<br/>Garage</u> | <u>Central<br/>Services</u> | <u>Equipment<br/>Acquisition</u> |
|----------------------------------|---------------------------|-----------------------------|----------------------------------|
| <b>ASSETS</b>                    |                           |                             |                                  |
| Current assets:                  |                           |                             |                                  |
| Cash and investments             | \$ 366,458                | \$ 805,008                  | \$ 4,398,860                     |
| Accounts receivable - net        | 221,062                   |                             |                                  |
| Interest receivable              | 4,054                     | 5,573                       | 40,399                           |
|                                  | <u>591,574</u>            | <u>810,581</u>              | <u>4,439,259</u>                 |
| Total current assets             |                           |                             |                                  |
| Noncurrent Assets:               |                           |                             |                                  |
| Loans receivable                 |                           |                             | <u>4,266</u>                     |
| Capital Assets:                  |                           |                             |                                  |
| Depreciable:                     |                           |                             |                                  |
| Buildings                        | 251,486                   |                             |                                  |
| Improvements                     | 545,513                   | 9,239                       |                                  |
| Equipment                        | 81,896                    | 92,919                      | 11,195,166                       |
|                                  | <u>878,895</u>            | <u>102,158</u>              | <u>11,195,166</u>                |
| Total depreciable capital assets | 878,895                   | 102,158                     | 11,195,166                       |
| Less accumulated depreciation    | <u>(449,157)</u>          | <u>(47,087)</u>             | <u>(6,912,559)</u>               |
| Net depreciable capital assets   | <u>429,738</u>            | <u>55,071</u>               | <u>4,282,607</u>                 |
| Total capital assets, net        | <u>429,738</u>            | <u>55,071</u>               | <u>4,282,607</u>                 |
| Total Assets                     | <u>\$ 1,021,312</u>       | <u>\$ 865,652</u>           | <u>\$ 8,726,132</u>              |



| <u>Building<br/>Maintenance</u> | <u>Insurance</u>    | <u>Totals</u>        |
|---------------------------------|---------------------|----------------------|
| \$ 267,379                      | \$ 6,631,766        | \$ 12,469,471        |
| <u>1,638</u>                    | <u>62,087</u>       | <u>221,062</u>       |
| <u>269,017</u>                  | <u>6,693,853</u>    | <u>12,804,284</u>    |
|                                 |                     | <u>4,266</u>         |
|                                 |                     | 251,486              |
| <u>28,157</u>                   |                     | <u>554,752</u>       |
|                                 |                     | <u>11,398,138</u>    |
| 28,157                          |                     | 12,204,376           |
| <u>(18,091)</u>                 |                     | <u>(7,426,894)</u>   |
| <u>10,066</u>                   |                     | <u>4,777,482</u>     |
| <u>10,066</u>                   |                     | <u>4,777,482</u>     |
| <u>\$ 279,083</u>               | <u>\$ 6,693,853</u> | <u>\$ 17,586,032</u> |

(Continued)

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2005**

|   | Central<br>Garage | Central<br>Services | Equipment<br>Acquisition |
|---|-------------------|---------------------|--------------------------|
| <b>LIABILITIES</b>                                |                   |                     |                          |
| Current Liabilities:                              |                   |                     |                          |
| Accounts payable                                  | \$ 26,460         | \$ 9,645            | \$ 62,381                |
| Claims and judgments payable                      |                   |                     |                          |
| Accrued interest payable                          |                   |                     | 7,753                    |
|   | 26,460            | 9,645               | 70,134                   |
| Total current liabilities                         |                   |                     |                          |
| Noncurrent Liabilities:                           |                   |                     |                          |
| Capital lease payable                             |                   |                     | 265,345                  |
| Compensated absences                              | 11,782            | 18,500              |                          |
|   | 11,782            | 18,500              | 265,345                  |
| Total noncurrent liabilities                      |                   |                     |                          |
|   | 38,242            | 28,145              | 335,479                  |
| Total Liabilities                                 |                   |                     |                          |
| <b>NET ASSETS</b>                                 |                   |                     |                          |
| Investment in capital assets, net of related debt | 429,738           | 55,071              | 4,017,262                |
| Unrestricted                                      | 553,332           | 782,436             | 4,373,391                |
|   | 553,332           | 782,436             | 4,373,391                |
| Total Net Assets                                  | \$ 983,070        | \$ 837,507          | \$ 8,390,653             |

| <u>Building<br/>Maintenance</u> | <u>Insurance</u>    | <u>Totals</u>        |
|---------------------------------|---------------------|----------------------|
| \$ 8,201                        | \$ 5,133            | \$ 111,820           |
|                                 | 406,758             | 406,758              |
|                                 |                     | <u>7,753</u>         |
| <u>8,201</u>                    | <u>411,891</u>      | <u>526,331</u>       |
|                                 |                     | 265,345              |
| <u>11,824</u>                   |                     | <u>42,106</u>        |
| <u>11,824</u>                   |                     | <u>307,451</u>       |
| <u>20,025</u>                   | <u>411,891</u>      | <u>833,782</u>       |
| 10,066                          |                     | 4,512,137            |
| <u>248,992</u>                  | <u>6,281,962</u>    | <u>12,240,113</u>    |
| <u>\$ 259,058</u>               | <u>\$ 6,281,962</u> | <u>\$ 16,752,250</u> |

**CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2005**

|                                    | Central<br>Garage | Central<br>Services | Equipment<br>Acquisition |
|------------------------------------|-------------------|---------------------|--------------------------|
| Revenues:                          |                   |                     |                          |
| Charges for services               | \$ 1,013,546      | \$ 1,306,076        | \$ 1,479,700             |
| Total Operating Revenues           | <u>1,013,546</u>  | <u>1,306,076</u>    | <u>1,479,700</u>         |
| Expenses:                          |                   |                     |                          |
| Maintenance and operation          | 987,475           | 85,157              | 760,127                  |
| Administration                     |                   | 912,446             |                          |
| Insurance costs and claims         |                   |                     |                          |
| Depreciation                       | <u>48,573</u>     | <u>7,942</u>        | <u>799,637</u>           |
| Total Expenses                     | <u>1,036,048</u>  | <u>1,005,545</u>    | <u>1,559,764</u>         |
| Operating Income (Loss)            | (22,502)          | 300,531             | (80,064)                 |
| Non-Operating Revenues (Expenses)  |                   |                     |                          |
| Interest income                    | 13,369            | 21,818              | 134,960                  |
| Interest expense                   |                   |                     | (10,848)                 |
| Loss on sale of capital assets     |                   |                     | (96,063)                 |
| Other non-operating revenues       |                   |                     |                          |
| Income (Loss) Before Contributions | (9,133)           | 322,349             | (52,015)                 |
| Contributions                      |                   |                     | <u>925,398</u>           |
| Change in Net Assets               | (9,133)           | 322,349             | 873,383                  |
| Net Assets, July1, 2004            | <u>992,203</u>    | <u>515,158</u>      | <u>7,517,270</u>         |
| Net Assets, June 30, 2005          | <u>\$ 983,070</u> | <u>\$ 837,507</u>   | <u>\$ 8,390,653</u>      |

| <u>Building<br/>Maintenance</u> | <u>Insurance</u>    | <u>Totals</u>        |
|---------------------------------|---------------------|----------------------|
| <u>\$ 998,600</u>               | <u>\$ 2,439,213</u> | <u>\$ 7,237,135</u>  |
| <u>998,600</u>                  | <u>2,439,213</u>    | <u>7,237,135</u>     |
| 799,920                         |                     | 2,632,679            |
| 71,470                          | 308,223             | 1,292,139            |
|                                 | 2,255,816           | 2,255,816            |
| <u>3,927</u>                    |                     | <u>860,079</u>       |
| <u>875,317</u>                  | <u>2,564,039</u>    | <u>7,040,713</u>     |
| 123,283                         | (124,826)           | 196,422              |
| 5,788                           | 170,206             | 346,141              |
|                                 |                     | (10,848)             |
|                                 |                     | (96,063)             |
|                                 | <u>12,366</u>       | <u>12,366</u>        |
| <u>129,071</u>                  | <u>57,746</u>       | <u>448,018</u>       |
|                                 |                     | <u>925,398</u>       |
| <u>129,071</u>                  | <u>57,746</u>       | <u>1,373,416</u>     |
| <u>129,987</u>                  | <u>6,224,216</u>    | <u>15,378,834</u>    |
| <u>\$ 259,058</u>               | <u>\$ 6,281,962</u> | <u>\$ 16,752,250</u> |

**CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2005**

|   | Central<br>Garage | Central<br>Services | Equipment<br>Acquisition |
|---|-------------------|---------------------|--------------------------|
| Cash Flows from Operating Activities:   |                   |                     |                          |
| Receipts from customers/interfund charges   | \$ 957,222        | \$ 1,306,076        | \$ 1,479,700             |
| Payments to suppliers and users   | (646,788)         | (413,628)           | (710,790)                |
| Payments to employees   | (317,947)         | (577,464)           |                          |
| Net Cash Provided (Used) by Operating Activities  | <u>(7,513)</u>    | <u>314,984</u>      | <u>768,910</u>           |
| Cash flows from Non-Capital Financing Activities:   |                   |                     |                          |
| Principal received on loans receivable  |                   |                     | 19,842                   |
| Other non-operating revenues  |                   |                     |                          |
| Net Cash Provided (Used) by Non-Capital Financing Activities  |                   |                     | <u>19,842</u>            |
| Cash Flows from Capital and Related Financing Activities:   |                   |                     |                          |
| Principal paid on long-term debt  |                   |                     | (60,378)                 |
| Interest paid   |                   |                     | (11,346)                 |
| Acquisitions of capital assets  |                   |                     | (128,689)                |
| Net Cash Used by Capital and Related Financing Activities   |                   |                     | <u>(200,413)</u>         |
| Cash Flows from Investing Activities:   |                   |                     |                          |
| Interest received   | 13,161            | 18,931              | 124,796                  |
| Net Cash Provided (Used) by Investing Activities  | <u>13,161</u>     | <u>18,931</u>       | <u>124,796</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 5,648             | 333,915             | 713,135                  |
| Cash and Cash Equivalents, July 1, 2004   | <u>360,810</u>    | <u>471,093</u>      | <u>3,685,725</u>         |
| Cash and Cash Equivalents, June 30, 2005  | <u>\$ 366,458</u> | <u>\$ 805,008</u>   | <u>\$ 4,398,860</u>      |
| Noncash Transactions  |                   |                     |                          |
| Loss on capital asset disposition   | \$ -              | \$ -                | \$ 96,063                |
| Capital contributions   | -                 | -                   | 925,398                  |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:        |                   |                     |                          |
| Operating Income (Loss)   | \$ (22,502)       | \$ 300,531          | \$ (80,064)              |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                   |                     |                          |
| Depreciation  | 48,573            | 7,942               | 799,637                  |
| Increase (Decrease) in Operating Assets:  |                   |                     |                          |
| Accounts receivable   | (56,324)          |                     |                          |
| Prepaid items   |                   |                     |                          |
| Increase (Decrease) in Operating Liabilities:   |                   |                     |                          |
| Accounts Payable  | 19,560            | 7,774               | 49,337                   |
| Compensated absences  | 3,180             | (1,263)             |                          |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (7,513)</u> | <u>\$ 314,984</u>   | <u>\$ 768,910</u>        |

| <u>Building<br/>Maintenance</u> | <u>Insurance</u>    | <u>Totals</u>        |
|---------------------------------|---------------------|----------------------|
| \$ 998,600                      | \$ 2,439,213        | \$ 7,180,811         |
| (261,030)                       | (2,438,717)         | (4,470,953)          |
| <u>(606,480)</u>                | <u>(145,951)</u>    | <u>(1,647,842)</u>   |
| 131,090                         | (145,455)           | 1,062,016            |
|                                 |                     | 19,842               |
|                                 | 12,366              | 12,366               |
|                                 | 12,366              | 32,208               |
|                                 |                     | (60,378)             |
|                                 |                     | (11,346)             |
|                                 |                     | <u>(128,689)</u>     |
|                                 |                     | (200,413)            |
| 5,827                           | 170,650             | 333,365              |
| 5,827                           | 170,650             | 333,365              |
| 136,917                         | 37,561              | 1,227,176            |
| 130,462                         | 6,594,205           | 11,242,295           |
| <u>\$ 267,379</u>               | <u>\$ 6,631,766</u> | <u>\$ 12,469,471</u> |
| \$ -                            | \$ -                | \$ 96,063            |
| -                               | -                   | 925,398              |
| \$ 123,283                      | \$ (124,826)        | \$ 196,422           |
| 3,927                           |                     | 860,079              |
|                                 |                     | (56,324)             |
|                                 | 750                 | 750                  |
| 4,156                           | (21,379)            | 59,448               |
| <u>(276)</u>                    |                     | <u>1,641</u>         |
| <u>\$ 131,090</u>               | <u>\$ (145,455)</u> | <u>\$ 1,062,016</u>  |

## **AGENCY FUNDS**

GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities, and non-public organizations. These funds include the following:

### **87-3 ASSESSMENT FUND**

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

### **84-1 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

### **89-1 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 89-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **91-1 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 91-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **94-1 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 94-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **93-1 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 93-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **98-1 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 98-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **98-3 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 98-3 Community Facilities District Property owners until they are remitted to the bond trustee.

### **98-4 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.



## **AGENCY FUNDS (Continued)**

### **99-1 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **99-2 COMMUNITY FACILITIES DISTRICT FUND**

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

### **2000-01 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2000-01 Assessment District property owners until they are remitted to the bond trustee.

### **2000-02 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2000-02 Assessment District property owners until they are remitted to the bond trustee.

### **1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 93-2, 95-1, 96-1, 97-1, and 97-2 Assessment District property owners until they are remitted to the bond trustee.

### **2000-03 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2000-03 Assessment District property owners until they are remitted to the bond trustee.

### **2003-01 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2003-01 Assessment District property owners until they are remitted to the bond trustee.

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2005**

|  | <u>Balance<br/>July 1, 2004</u> | <u>Additions</u>        | <u>Deductions</u>       | <u>Balance<br/>June 30, 2005</u> |
|--|---------------------------------|-------------------------|-------------------------|----------------------------------|
| <b><u>87-3 Assessment District</u></b>                 |                                 |                         |                         |                                  |
| <u>Assets:</u>   |                                 |                         |                         |                                  |
| Cash and investments                                   | \$ 897,469                      | \$ -                    | \$ 12,782               | \$ 884,687                       |
| Cash and investments<br>with fiscal agents, restricted | 4,103,442                       | 1,806,606               | 2,040,420               | 3,869,628                        |
| Due from other funds                                   | 48,302                          | 20,840                  |                         | 69,142                           |
| Interest receivable                                    | 1,063                           |                         | 1,063                   |                                  |
| <b>Total assets</b>                                    | <b><u>5,050,276</u></b>         | <b><u>1,827,446</u></b> | <b><u>2,054,265</u></b> | <b><u>4,823,457</u></b>          |
| <u>Liabilities</u>                                     |                                 |                         |                         |                                  |
| Due to assessment district<br>bondholders              | \$ 5,050,276                    | \$ 1,827,446            | \$ 2,054,265            | \$ 4,823,457                     |
| <b>Total liabilities</b>                               | <b><u>5,050,276</u></b>         | <b><u>1,827,446</u></b> | <b><u>2,054,265</u></b> | <b><u>4,823,457</u></b>          |
| <br><b><u>84-1 Assessment District</u></b>             |                                 |                         |                         |                                  |
| <u>Assets:</u>   |                                 |                         |                         |                                  |
| Cash and investments                                   | \$ 2,587,527                    | \$ 708,443              | \$ 1,867,681            | \$ 1,428,289                     |
| Cash and investments<br>with fiscal agents, restricted | 2,090,053                       | 848,449                 | 1,696,609               | 1,241,893                        |
| Interest receivable                                    | 1,122                           |                         | 1,122                   |                                  |
| <b>Total assets</b>                                    | <b><u>4,678,702</u></b>         | <b><u>1,556,892</u></b> | <b><u>3,565,412</u></b> | <b><u>2,670,182</u></b>          |
| <u>Liabilities</u>                                     |                                 |                         |                         |                                  |
| Accounts payable                                       | \$ 271,464                      | \$ -                    | \$ 271,464              | \$ -                             |
| Due to assessment district<br>bondholders              | 4,407,238                       | 1,556,892               | 3,293,948               | 2,670,182                        |
| <b>Total liabilities</b>                               | <b><u>4,678,702</u></b>         | <b><u>1,556,892</u></b> | <b><u>3,565,412</u></b> | <b><u>2,670,182</u></b>          |

The notes to the basic financial statements are an integral part of this statement

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2005**

|  | Balance<br>July 1, 2004 | Additions           | Deductions          | Balance<br>June 30, 2005 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| <b><u>89-1 Community Facilities District</u></b>       |                         |                     |                     |                          |
| <u>Assets:</u>   |                         |                     |                     |                          |
| Cash and investments                                   | \$ 631,012              | \$ -                | \$ 36,430           | \$ 594,582               |
| Cash and investments<br>with fiscal agents, restricted | 2,401,274               | 1,149,169           | 1,338,144           | 2,212,299                |
| Accounts receivable                                    |                         |                     |                     |                          |
| Interest receivable                                    | 364                     |                     | 364                 |                          |
| <b>Total assets</b>                                    | <b>\$ 3,032,650</b>     | <b>\$ 1,149,169</b> | <b>\$ 1,374,938</b> | <b>\$ 2,806,881</b>      |
| <u>Liabilities</u>                                     |                         |                     |                     |                          |
| Accounts payable                                       | \$ 260,256              | \$ -                | \$ 260,256          | \$ -                     |
| Due to assessment district<br>bondholders              | 2,772,394               | 1,149,169           | 1,114,682           | 2,806,881                |
| <b>Total liabilities</b>                               | <b>\$ 3,032,650</b>     | <b>\$ 1,149,169</b> | <b>\$ 1,374,938</b> | <b>\$ 2,806,881</b>      |
| <br><b><u>91-1 Community Facilities District</u></b>   |                         |                     |                     |                          |
| <u>Assets:</u>   |                         |                     |                     |                          |
| Cash and investments                                   | \$ 117,607              | \$ -                | \$ 117,607          | \$ -                     |
| <b>Total assets</b>                                    | <b>\$ 117,607</b>       | <b>\$ -</b>         | <b>\$ 117,607</b>   | <b>\$ -</b>              |
| <u>Liabilities</u>                                     |                         |                     |                     |                          |
| Due to assessment district<br>bondholders              | \$ 117,607              | \$ -                | \$ 117,607          | \$ -                     |
| <b>Total liabilities</b>                               | <b>\$ 117,607</b>       | <b>\$ -</b>         | <b>\$ 117,607</b>   | <b>\$ -</b>              |

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)  
For the Fiscal Year Ended June 30, 2005**

|  | Balance<br>July 1, 2004 | Additions           | Deductions          | Balance<br>June 30, 2005 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| <b><u>94-1 Assessment District</u></b>                 |                         |                     |                     |                          |
| <b><u>Assets:</u></b>                                  |                         |                     |                     |                          |
| Cash and investments                                   | \$ 329,510              | \$ -                | \$ 11,717           | \$ 317,793               |
| Cash and investments<br>with fiscal agents, restricted | 692,618                 | 315,224             | 376,096             | 631,746                  |
| Interest receivable                                    | 390                     |                     | 390                 |                          |
| Total assets   | <u>\$ 1,022,518</u>     | <u>\$ 315,224</u>   | <u>\$ 388,203</u>   | <u>\$ 949,539</u>        |
| <b><u>Liabilities</u></b>                              |                         |                     |                     |                          |
| Due to assessment district<br>bondholders              | \$ 1,022,518            | \$ 315,224          | \$ 388,203          | \$ 949,539               |
| Total liabilities                                      | <u>\$ 1,022,518</u>     | <u>\$ 315,224</u>   | <u>\$ 388,203</u>   | <u>\$ 949,539</u>        |
| <b><u>93-1 Community Facilities District</u></b>       |                         |                     |                     |                          |
| <b><u>Assets:</u></b>                                  |                         |                     |                     |                          |
| Cash and investments                                   | \$ 1,882,355            | \$ 6,858            | \$ -                | \$ 1,889,213             |
| Cash and investments<br>with fiscal agents, restricted | 560,963                 | 443,867             | 395,180             | 609,650                  |
| Interest receivable                                    | 267                     |                     | 267                 |                          |
| Total assets   | <u>\$ 2,443,585</u>     | <u>\$ 450,725</u>   | <u>\$ 395,447</u>   | <u>\$ 2,498,863</u>      |
| <b><u>Liabilities</u></b>                              |                         |                     |                     |                          |
| Due to assessment district<br>bondholders              | 2,443,585               | 450,725             | 395,447             | \$ 2,498,863             |
| Total liabilities                                      | <u>\$ 2,443,585</u>     | <u>\$ 450,725</u>   | <u>\$ 395,447</u>   | <u>\$ 2,498,863</u>      |
| <b><u>98-1 Community Facilities District</u></b>       |                         |                     |                     |                          |
| <b><u>Assets:</u></b>                                  |                         |                     |                     |                          |
| Cash and investments                                   | \$ 1,143,076            | \$ -                | \$ 28,640           | \$ 1,114,436             |
| Cash and investments<br>with fiscal agents, restricted | 8,844,859               | 1,376,042           | 1,759,609           | 8,461,292                |
| Interest receivable                                    | 155,880                 |                     | 155,880             |                          |
| Total assets   | <u>\$ 10,143,815</u>    | <u>\$ 1,376,042</u> | <u>\$ 1,944,129</u> | <u>\$ 9,575,728</u>      |
| <b><u>Liabilities</u></b>                              |                         |                     |                     |                          |
| Accounts payable                                       | \$ 752,869              | \$ -                | \$ 752,869          | \$ -                     |
| Due to assessment district<br>bondholders              | 9,390,946               | 1,376,042           | 1,191,260           | 9,575,728                |
| Total liabilities                                      | <u>\$ 10,143,815</u>    | <u>\$ 1,376,042</u> | <u>\$ 1,944,129</u> | <u>\$ 9,575,728</u>      |

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2005**

|  | Balance<br>July 1, 2004  | Additions                | Deductions               | Balance<br>June 30, 2005 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| <b><u>98-3 Community Facilities District</u></b>       |                          |                          |                          |                          |
| <u>Assets:</u>   |                          |                          |                          |                          |
| Cash and investments<br>with fiscal agents, restricted | \$ 632,652               | \$ 284,998               | \$ 513,260               | \$ 404,390               |
| Interest receivable                                    | 339                      |                          | 339                      |                          |
| <b>Total assets</b>                                    | <b><u>\$ 632,991</u></b> | <b><u>\$ 284,998</u></b> | <b><u>\$ 513,599</u></b> | <b><u>\$ 404,390</u></b> |
| <u>Liabilities</u>                                     |                          |                          |                          |                          |
| Accounts payable                                       | \$ 58,783                | \$ -                     | \$ 58,783                | \$ -                     |
| Due to other funds                                     | 42,509                   | 17,265                   |                          | 59,744                   |
| Due to assessment district<br>bondholders              | 531,699                  | 267,733                  | 454,816                  | 344,616                  |
| <b>Total liabilities</b>                               | <b><u>\$ 632,991</u></b> | <b><u>\$ 284,998</u></b> | <b><u>\$ 513,599</u></b> | <b><u>\$ 404,390</u></b> |
| <br><b><u>98-4 Assessment District</u></b>             |                          |                          |                          |                          |
| <u>Assets:</u>   |                          |                          |                          |                          |
| Cash and investments                                   | \$ 145,098               | \$ -                     | \$ 38,888                | \$ 106,210               |
| Cash and investments<br>with fiscal agents, restricted | 323,110                  | 139,569                  | 185,005                  | 277,674                  |
| Interest receivable                                    | 140                      |                          | 140                      |                          |
| <b>Total assets</b>                                    | <b><u>\$ 468,348</u></b> | <b><u>\$ 139,569</u></b> | <b><u>\$ 224,033</u></b> | <b><u>\$ 383,884</u></b> |
| <u>Liabilities</u>                                     |                          |                          |                          |                          |
| Accounts payable                                       | \$ 30,402                | \$ -                     | \$ 30,402                | \$ -                     |
| Due to assessment district<br>bondholders              | 437,946                  | 139,569                  | 193,631                  | 383,884                  |
| <b>Total liabilities</b>                               | <b><u>\$ 468,348</u></b> | <b><u>\$ 139,569</u></b> | <b><u>\$ 224,033</u></b> | <b><u>\$ 383,884</u></b> |

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)  
For the Fiscal Year Ended June 30, 2005**

|  | <u>Balance<br/>July 1, 2004</u> | <u>Additions</u>            | <u>Deductions</u>           | <u>Balance<br/>June 30, 2005</u> |
|--|---------------------------------|-----------------------------|-----------------------------|----------------------------------|
| <b><u>99-1 Community Facilities District</u></b>       |                                 |                             |                             |                                  |
| <u>Assets:</u>   |                                 |                             |                             |                                  |
| Cash and investments                                   | \$ 268,376                      | \$ -                        | \$ 251,547                  | \$ 16,829                        |
| Cash and investments<br>with fiscal agents, restricted | 1,466,472                       | 11,035,118                  | 11,006,971                  | 1,494,619                        |
| Interest receivable                                    | 157                             |                             | 157                         |                                  |
| <b>Total assets</b>                                    | <b><u>\$ 1,735,005</u></b>      | <b><u>\$ 11,035,118</u></b> | <b><u>\$ 11,258,675</u></b> | <b><u>\$ 1,511,448</u></b>       |
| <u>Liabilities</u>                                     |                                 |                             |                             |                                  |
| Accounts payable                                       | \$ 130,664                      | \$ -                        | \$ 130,664                  | \$ -                             |
| Due to assessment district<br>bondholders              | 1,604,341                       | 11,035,118                  | 11,128,011                  | 1,511,448                        |
| <b>Total liabilities</b>                               | <b><u>\$ 1,735,005</u></b>      | <b><u>\$ 11,035,118</u></b> | <b><u>\$ 11,258,675</u></b> | <b><u>\$ 1,511,448</u></b>       |
| <b><u>99-2 Community Facilities District</u></b>       |                                 |                             |                             |                                  |
| <u>Assets:</u>   |                                 |                             |                             |                                  |
| Cash and investments                                   | \$ 141,529                      | \$ 4,673                    | \$ -                        | \$ 146,202                       |
| Cash and investments<br>with fiscal agents, restricted | 1,601,474                       | 1,117,183                   | 1,207,989                   | 1,510,668                        |
| Interest receivable                                    | 271                             |                             | 271                         |                                  |
| <b>Total assets</b>                                    | <b><u>\$ 1,743,274</u></b>      | <b><u>\$ 1,121,856</u></b>  | <b><u>\$ 1,208,260</u></b>  | <b><u>\$ 1,656,870</u></b>       |
| <u>Liabilities</u>                                     |                                 |                             |                             |                                  |
| Accounts payable                                       | \$ 130,664                      | \$ -                        | \$ 130,664                  | \$ -                             |
| Due to assessment district<br>bondholders              | 1,612,610                       | 1,121,856                   | 1,077,596                   | 1,656,870                        |
| <b>Total liabilities</b>                               | <b><u>\$ 1,743,274</u></b>      | <b><u>\$ 1,121,856</u></b>  | <b><u>\$ 1,208,260</u></b>  | <b><u>\$ 1,656,870</u></b>       |

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2005**

|  | Balance<br>July 1, 2004    | Additions                  | Deductions                 | Balance<br>June 30, 2005   |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <b><u>2000-01 Assessment District</u></b>              |                            |                            |                            |                            |
| <b><u>Assets:</u></b>                                  |                            |                            |                            |                            |
| Cash and investments                                   | \$ 265,610                 | \$ -                       | \$ 3,056                   | \$ 262,554                 |
| Cash and investments<br>with fiscal agents, restricted | 1,809,066                  | 1,180,685                  | 1,390,222                  | 1,599,529                  |
| Interest receivable                                    | 15                         |                            | 15                         |                            |
| <b>Total assets</b>                                    | <b><u>\$ 2,074,691</u></b> | <b><u>\$ 1,180,685</u></b> | <b><u>\$ 1,393,293</u></b> | <b><u>\$ 1,862,083</u></b> |
| <b><u>Liabilities</u></b>                              |                            |                            |                            |                            |
| Accounts payable                                       | \$ 139,820                 | \$ -                       | \$ 139,820                 | \$ -                       |
| Due to assessment district<br>bondholders              | 1,934,871                  | 1,180,685                  | 1,253,473                  | 1,862,083                  |
| <b>Total liabilities</b>                               | <b><u>\$ 2,074,691</u></b> | <b><u>\$ 1,180,685</u></b> | <b><u>\$ 1,393,293</u></b> | <b><u>\$ 1,862,083</u></b> |
| <b><u>2000-02 Assessment District</u></b>              |                            |                            |                            |                            |
| <b><u>Assets:</u></b>                                  |                            |                            |                            |                            |
| Cash and investments<br>with fiscal agents, restricted | \$ 135,032                 | \$ 48,342                  | \$ 72,125                  | \$ 111,249                 |
| Accounts receivable                                    |                            |                            |                            |                            |
| Interest receivable                                    | 35                         |                            | 35                         |                            |
| <b>Total assets</b>                                    | <b><u>\$ 135,067</u></b>   | <b><u>\$ 48,342</u></b>    | <b><u>\$ 72,160</u></b>    | <b><u>\$ 111,249</u></b>   |
| <b><u>Liabilities</u></b>                              |                            |                            |                            |                            |
| Accounts payable                                       | \$ 11,464                  | \$ -                       | \$ 11,464                  | \$ -                       |
| Due to other funds                                     | 5,793                      | 1,090                      |                            | 6,883                      |
| Due to assessment district<br>bondholders              | 117,810                    | 47,252                     | 60,696                     | 104,366                    |
| <b>Total liabilities</b>                               | <b><u>\$ 135,067</u></b>   | <b><u>\$ 48,342</u></b>    | <b><u>\$ 72,160</u></b>    | <b><u>\$ 111,249</u></b>   |

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)  
For the Fiscal Year Ended June 30, 2005**

|   | Balance<br>July 1, 2004 | Additions         | Deductions        | Balance<br>June 30, 2005 |
|---|-------------------------|-------------------|-------------------|--------------------------|
| <b><u>1999 I205 Residential Reassessment District</u></b> |                         |                   |                   |                          |
| <u>Assets:</u>  |                         |                   |                   |                          |
| Cash and investments                                      | \$ 677,648              | \$ -              | \$ 17,129         | \$ 660,519               |
| Cash and investments<br>with fiscal agents, restricted    | 1,454,688               | 848,723           | 951,831           | 1,351,580                |
| Interest receivable                                       | 52                      |                   | 52                |                          |
| Total assets  | <u>\$ 2,132,388</u>     | <u>\$ 848,723</u> | <u>\$ 969,012</u> | <u>\$ 2,012,099</u>      |
| <u>Liabilities</u>  |                         |                   |                   |                          |
| Accounts payable  | \$ 166,421              | \$ -              | \$ 166,421        | \$ -                     |
| Due to assessment district<br>bondholders                 | 1,965,967               | 848,723           | 802,591           | 2,012,099                |
| Total liabilities   | <u>\$ 2,132,388</u>     | <u>\$ 848,723</u> | <u>\$ 969,012</u> | <u>\$ 2,012,099</u>      |
| <b><u>2000-03 Assessment District</u></b>                 |                         |                   |                   |                          |
| <u>Assets:</u>  |                         |                   |                   |                          |
| Cash and investments                                      | \$ 29,885               | \$ -              | \$ -              | 29,885                   |
| Total assets  | <u>\$ 29,885</u>        | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 29,885</u>         |
| <u>Liabilities</u>  |                         |                   |                   |                          |
| Due to assessment district<br>bondholders                 | \$ 29,885               | \$ -              | \$ -              | 29,885                   |
| Total liabilities   | <u>\$ 29,885</u>        | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 29,885</u>         |
| <b><u>2003-01 Assessment District</u></b>                 |                         |                   |                   |                          |
| <u>Assets:</u>  |                         |                   |                   |                          |
| Cash and investments                                      | \$ 1,231                | \$ -              | \$ 1,231          | \$ -                     |
| Cash and investments<br>with fiscal agents, restricted    | 104,797                 | 68,957            | 61,177            | 112,577                  |
| Interest receivable                                       | 29                      |                   | 29                |                          |
| Total assets  | <u>\$ 106,057</u>       | <u>\$ 68,957</u>  | <u>\$ 62,437</u>  | <u>\$ 112,577</u>        |
| <u>Liabilities</u>  |                         |                   |                   |                          |
| Accounts payable  | \$ 4,935                | \$ -              | \$ 4,935          | \$ -                     |
| Due to other funds  |                         | 2,485             |                   | 2,485                    |
| Due to assessment district<br>bondholders                 | 101,122                 | 66,472            | 57,502            | 110,092                  |
| Total liabilities   | <u>\$ 106,057</u>       | <u>\$ 68,957</u>  | <u>\$ 62,437</u>  | <u>\$ 112,577</u>        |



**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2005**

|  | Balance<br>July 1, 2004 | Additions            | Deductions           | Balance<br>June 30, 2005 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <b><u>Cultural Arts</u></b>                            |                         |                      |                      |                          |
| <b><u>Assets:</u></b>                                  |                         |                      |                      |                          |
| Cash and investments                                   | \$ -                    | \$ 13,786            | \$ -                 | \$ 13,786                |
| Total assets   | <u>-</u>                | <u>13,786</u>        | <u>-</u>             | <u>13,786</u>            |
| <b><u>Liabilities</u></b>                              |                         |                      |                      |                          |
| Deposits   | \$ -                    | \$ 13,786            | \$ -                 | \$ 13,786                |
| Total liabilities                                      | <u>\$ -</u>             | <u>\$ 13,786</u>     | <u>\$ -</u>          | <u>\$ 13,786</u>         |
| <br><b><u>Totals - All Agency Funds</u></b>            |                         |                      |                      |                          |
| <b><u>Assets:</u></b>                                  |                         |                      |                      |                          |
| Cash and investments                                   | \$ 9,117,933            | \$ 733,760           | \$ 2,386,708         | \$ 7,464,985             |
| Cash and investments<br>with fiscal agents, restricted | 26,220,500              | 20,662,932           | 22,994,638           | 23,888,794               |
| Due from other funds                                   | 48,302                  | 20,840               |                      | 69,142                   |
| Interest receivable                                    | 160,124                 |                      | 160,124              |                          |
| Total assets   | <u>\$ 35,546,859</u>    | <u>\$ 21,417,532</u> | <u>\$ 25,541,470</u> | <u>\$ 31,422,921</u>     |
| <b><u>Liabilities</u></b>                              |                         |                      |                      |                          |
| Accounts payable                                       | \$ 1,957,742            | \$ -                 | \$ 1,957,742         | \$ -                     |
| Due to other funds                                     | 48,302                  | 20,840               |                      | 69,142                   |
| Deposits payable                                       |                         | 13,786               |                      | 13,786                   |
| Due to assessment district<br>bondholders              | <u>33,540,815</u>       | <u>21,382,906</u>    | <u>23,583,728</u>    | <u>31,339,993</u>        |
| Total liabilities                                      | <u>\$ 35,546,859</u>    | <u>\$ 21,417,532</u> | <u>\$ 25,541,470</u> | <u>\$ 31,422,921</u>     |

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**CITY OF TRACY**  
**STATISTICAL SECTION**

This section contains comprehensive statistical data which relates to physical, economic, social, and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

In this section, readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies, and collections, general obligation bonded debt, sewer revenue debt service, demographics, and pension plan funding. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation, principal taxpayers, notary and security bond coverages, and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not subject to independent audit.

**City of Tracy**  
**Net Assets by Component**  
**Last Six Fiscal Years**  
 (Accrual Basis of Accounting)

|  | 2005                  | 2004                  | 2003                  | 2002                  | 2001                  | 2000                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental Activities</b>                     |                       |                       |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 398,791,940        | \$ 300,104,671        | \$ 306,381,439        | \$ 224,599,197        | \$ 184,692,933        | \$ 156,058,158        |
| Restricted   | 62,020,645            | 143,947,934           | 146,312,500           | 131,155,836           | 101,823,975           | 88,651,290            |
| Unrestricted                                       | 79,527,365            | 40,145,834            | 25,545,573            | 18,682,050            | 9,794,197             | 123,043               |
| <b>Total governmental activities net assets</b>    | <b>\$ 540,339,950</b> | <b>\$ 484,198,439</b> | <b>\$ 478,239,512</b> | <b>\$ 374,437,083</b> | <b>\$ 296,311,105</b> | <b>\$ 244,832,491</b> |
| <b>Business-type activities</b>                    |                       |                       |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 270,462,724        | \$ 223,791,823        | \$ 175,878,479        | \$ 164,528,434        | \$ 146,889,588        | \$ 139,319,144        |
| Restricted   | 31,248,915            | 766,164               | 1,513,003             | 765,805               | 781,778               | 763,020               |
| Unrestricted                                       | 5,240,238             | 73,175,372            | 50,342,229            | 44,924,790            | 38,183,910            | 34,926,354            |
| <b>Total business-type activities</b>              | <b>\$ 306,951,877</b> | <b>\$ 297,733,359</b> | <b>\$ 227,733,711</b> | <b>\$ 210,219,029</b> | <b>\$ 185,855,276</b> | <b>\$ 175,008,518</b> |
| <b>Government-wide</b>                             |                       |                       |                       |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 669,254,664        | \$ 523,896,494        | \$ 482,259,918        | \$ 389,127,631        | \$ 331,582,521        | \$ 295,377,302        |
| Restricted   | 93,269,560            | 144,714,098           | 147,825,503           | 131,921,641           | 102,605,753           | 89,414,310            |
| Unrestricted                                       | 84,767,603            | 113,321,206           | 75,887,802            | 63,606,840            | 47,978,107            | 35,049,397            |
| <b>Total Government-wide</b>                       | <b>\$ 847,291,827</b> | <b>\$ 781,931,798</b> | <b>\$ 705,973,223</b> | <b>\$ 584,656,112</b> | <b>\$ 482,166,381</b> | <b>\$ 419,841,009</b> |

**Source:**

*Finance and Administrative Services Department, City of Tracy*

**City of Tracy  
Revenues By Source  
All Governmental Fund Types  
Last Ten Fiscal Years**

| Fiscal Year | Taxes      | Licenses Permits and Fees | Fines and Penalties | Use of Money & Property | Inter-Governmental | Charges for Services | Other Revenues | Total       |
|-------------|------------|---------------------------|---------------------|-------------------------|--------------------|----------------------|----------------|-------------|
| 1996        | 11,143,606 | 5,868,231                 | 90,336              | 1,264,588               | 5,179,929          | 2,944,908            | 3,399,088      | 29,890,686  |
| 1997        | 11,806,417 | 7,046,572                 | 97,371              | 922,277                 | 7,085,418          | 2,863,307            | 1,994,982      | 31,816,344  |
| 1998        | 13,175,794 | 12,578,921                | 95,416              | 5,907,032               | 5,818,486          | 3,718,654            | 5,598,311      | 46,892,614  |
| 1999        | 14,560,688 | 21,260,831                | 193,209             | 3,687,947               | 6,400,331          | 5,118,364            | 16,907,353     | 68,128,723  |
| 2000        | 16,891,865 | 26,134,505                | 210,365             | 5,096,329               | 10,797,126         | 4,589,865            | 11,976,923     | 75,696,978  |
| 2001        | 20,715,704 | 25,271,920                | 217,420             | 11,353,379              | 12,433,780         | 6,225,307            | 8,453,326      | 84,670,836  |
| 2002        | 23,716,163 | 21,613,486                | 307,159             | 11,038,086              | 12,962,326         | 6,639,774            | 35,624,941     | 111,901,935 |
| 2003        | 26,697,507 | 24,639,337                | 347,194             | 8,980,738               | 13,247,794         | 5,886,204            | 30,272,505     | 110,071,279 |
| 2004        | 30,345,144 | 5,496,939                 | 466,547             | 2,576,115               | 17,823,052         | 6,904,668            | 44,380,468     | 107,992,933 |
| 2005        | 30,826,549 | 4,944,385                 | 302,077             | 5,361,483               | 18,536,600         | 6,529,271            | 24,652,450     | 91,152,815  |

**Note:**

In FY 2005, Licenses, Permits and Fees declined by 10% due to "Measure A", an ordinance passed by the voters of the City of Tracy that limits residential growth by 50%.

**Source:**

*Finance and Administrative Services Department, City of Tracy*

**City of Tracy  
Expenditures by Function  
All Governmental Fund Types  
Last Ten Fiscal Years**

| Fiscal Year | General Government | Public Safety | Public Works | Development & Engineering | Parks and Community services | Capital Outlay | Debt Service | Intergovernmental | Total       |
|-------------|--------------------|---------------|--------------|---------------------------|------------------------------|----------------|--------------|-------------------|-------------|
| 1996        | 2,606,418          | 8,371,875     | 5,882,892    | 1,224,971                 | 2,206,167                    | 25,257,985     | 2,812,803    |                   | 48,363,111  |
| 1997        | 3,055,928          | 8,895,503     | 8,065,210    | 1,400,698                 | 2,350,991                    | 12,817,433     | 2,582,908    |                   | 39,168,671  |
| 1998        | 3,362,404          | 9,974,791     | 6,893,161    | 1,479,130                 | 2,864,258                    | 5,038,664      | 3,230,684    |                   | 32,843,092  |
| 1999        | 3,124,749          | 11,033,538    | 6,234,596    | 1,608,512                 | 3,206,862                    | 10,812,037     | 3,211,507    |                   | 39,231,801  |
| 2000        | 3,320,129          | 14,206,657    | 5,561,710    | 5,216,954                 | 2,205,196                    | 12,551,685     | 2,876,335    | 686,426           | 46,625,092  |
| 2001        | 5,820,894          | 16,334,636    | 4,668,685    | 6,329,301                 | 2,258,420                    | 16,696,738     | 3,548,051    | 2,394,204         | 58,050,929  |
| 2002        | 5,088,650          | 18,846,797    | 5,469,167    | 7,545,393                 | 2,429,716                    | 1,659,996      | 3,756,057    | 1,325,571         | 46,121,347  |
| 2003        | 7,295,893          | 21,299,386    | 5,712,958    | 7,739,679                 | 2,484,849                    | 33,443,899     | 3,806,486    | 2,897,060         | 84,680,210  |
| 2004        | 5,238,195          | 23,213,785    | 7,524,137    | 7,197,497                 | 2,733,619                    | 124,382,901    | 6,452,908    | 4,515,762         | 181,258,804 |
| 2005        | 4,533,574          | 26,547,688    | 5,321,957    | 9,128,407                 | 2,864,114                    | 38,775,409     | 8,543,733    | 1,825,229         | 97,540,111  |

Source:

*Finance and Administrative Services Department, City of Tracy*

|           |            |           |
|-----------|------------|-----------|
| 72,632    | 15,210,271 | 5,060,000 |
| 589,121   | 11,337,417 | 3,483,733 |
| 311,468   | 26,547,688 | 8,543,733 |
| 990,464   |            |           |
| 663,593   |            |           |
| 1,068,502 |            |           |
| 837,796   |            |           |
| 4,533,574 |            |           |

**City of Tracy  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent of Levy Collected | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Value of City Property Subject to Local Tax Rate |
|-------------|----------------|-------------------------|---------------------------|------------------------------|-----------------------|--|--|
| 1996        | 3,727,029      | 3,591,058               | 96.35%                    | 44,460                       | 3,635,518             | 97.54%                                       | 2,361,854,322                                    |
| 1997        | 4,037,907      | 4,034,670               | 99.92%                    | 197,470                      | 4,232,140             | 104.81%                                      | 2,515,220,225                                    |
| 1998        | 4,176,762      | 4,176,762               | 100.00%                   | 0.00                         | 4,176,762             | 100.00%                                      | 2,652,904,299                                    |
| 1999        | 4,446,631      | 4,446,631               | 100.00%                   | 0.00                         | 4,446,631             | 100.00%                                      | 2,816,587,412                                    |
| 2000        | 4,899,025      | 4,899,025               | 100.00%                   | 0.00                         | 4,899,025             | 100.00%                                      | 3,182,025,137                                    |
| 2001        | 5,292,521      | 5,292,521               | 100.00%                   | 0.00                         | 5,292,521             | 100.00%                                      | 3,792,944,594                                    |
| 2002        | 6,135,524      | 6,135,524               | 100.00%                   | 0.00                         | 6,135,524             | 100.00%                                      | 4,532,190,780                                    |
| 2003        | 7,140,790      | 7,140,790               | 100.00%                   | 0.00                         | 7,140,790             | 100.00%                                      | 5,203,069,406                                    |
| 2004        | 8,987,072      | 8,987,072               | 100.00%                   | 0.00                         | 8,987,072             | 100.00%                                      | 6,675,942,094                                    |
| 2005        | 10,306,934     | 10,306,934              | 100.00%                   | 0.00                         | 10,306,934            | 100.00%                                      | 7,774,533,118                                    |

Note: San Joaquin County is on the Teeter Plan. The County remits 100% of all taxes assessed and keeps all penalties and interest on all delinquent taxes.

Source:

*Office of the Auditor-Controller, San Joaquin County  
Finance and Administrative Services Department, City of Tracy*

**City of Tracy  
Tax Revenues by Source  
All Governmental Fund Types  
Last Ten Fiscal Years**

| Fiscal Year | Property Current | Property Transfer | Business License | Sales      | Franchise | Transient | Total      |
|-------------|------------------|-------------------|------------------|------------|-----------|-----------|------------|
| 1996        | 5,930,679        | 104,833           | 394,504          | 3,674,351  | 857,333   | 181,906   | 11,143,606 |
| 1997        | 6,017,020        | 122,337           | 414,485          | 4,009,926  | 962,041   | 280,609   | 11,806,418 |
| 1998        | 6,490,824        | 189,535           | 420,551          | 4,757,915  | 1,040,838 | 276,132   | 13,175,795 |
| 1999        | 7,204,242        | 305,209           | 437,208          | 5,293,587  | 968,766   | 351,677   | 14,560,689 |
| 2000        | 8,303,468        | 398,837           | 459,149          | 6,080,617  | 1,071,979 | 577,815   | 16,891,865 |
| 2001        | 9,890,207        | 538,721           | 488,580          | 7,776,657  | 1,302,282 | 719,257   | 20,715,704 |
| 2002        | 11,969,110       | 404,276           | 544,735          | 8,618,122  | 1,523,995 | 655,925   | 23,716,163 |
| 2003        | 13,715,513       | 569,668           | 619,852          | 9,723,275  | 1,528,012 | 671,103   | 26,827,423 |
| 2004        | 15,920,685       | 779,435           | 559,720          | 10,982,717 | 1,639,091 | 699,339   | 30,580,987 |
| 2005        | 14,725,983       | 1,047,848         | 799,877          | 11,775,349 | 1,699,614 | 777,878   | 30,826,549 |

Source:

*Office of the Auditor-Controller, San Joaquin County  
Finance and Administrative Services Department, City of Tracy*



**City of Tracy**  
**Property Values and Construction**  
**Last Ten Fiscal Years**

| Fiscal Year | Property Values | Increase (Decrease) | Percentage of Increase (Decrease) | Building Permits  |                     |                    |                     |          |
|-------------|-----------------|---------------------|-----------------------------------|-------------------|---------------------|--------------------|---------------------|----------|
|             |                 |                     |                                   | Number of Permits | Increase (Decrease) | Value in Thousands | Increase (Decrease) |          |
| 0           | 1995            | \$ 2,227,129,889    |                                   |                   |                     |                    |                     |          |
| 1           | 1996            | 2,361,854,322       | 134,724,433                       | 6.05%             | 1,691               | 318                | 79,239              | 8,992    |
| 2           | 1997            | 2,515,220,225       | 153,365,903                       | 6.49%             | 1,663               | (28)               | 68,280              | (10,959) |
| 3           | 1998            | 2,652,904,299       | 137,684,074                       | 5.47%             | 2,153               | 490                | 131,895             | 63,615   |
| 4           | 1999            | 2,816,587,412       | 163,683,113                       | 6.17%             | 2,946               | 793                | 218,758             | 86,863   |
| 5           | 2000            | 3,182,025,137       | 365,437,725                       | 12.97%            | 3,414               | 468                | 270,442             | 51,684   |
| 6           | 2001            | 3,792,944,594       | 610,919,457                       | 19.20%            | 3,640               | 226                | 284,077             | 13,635   |
| 7           | 2002            | 4,532,190,780       | 739,246,186                       | 19.49%            | 3,170               | (470)              | 224,529             | (59,548) |
| 8           | 2003            | 5,203,069,406       | 670,878,626                       | 14.80%            | 3,720               | 550                | 290,718             | 66,189   |
| 9           | 2004            | 6,769,175,032       | 1,566,105,626                     | 30.10%            | 3,520               | (200)              | 318,425             | 27,707   |
| 10          | 2005            | 7,879,155,723       | 1,109,980,691                     | 16.40%            | 2,972               | (548)              | 250,774             | (67,651) |

**Note:**

In FY 2005, Licenses, Permits and Fees declined by 10% due to "Measure A", an ordinance passed by the voters of the City of Tracy that limits residential growth by 50%.

*Source:*

*Finance and Administrative Services Department, City of Tracy*

**City of Tracy  
Assessed and Estimated Actual Value  
of Taxable Property  
Last Ten Fiscal Years**

| Fiscal<br>Year | Gross<br>Assessed<br>Value | Exemptions    | Net<br>Assessed<br>Value | Estimated<br>Actual<br>Value | Ratio of Net<br>Assessed Value<br>to Estimated<br>Actual Value |
|----------------|----------------------------|---------------|--------------------------|------------------------------|--|
| 1995           | \$ 2,227,129,889           | \$ 97,941,927 | \$ 2,129,187,962         | \$ 2,161,575,714             | 98.50%   |
| 1996           | 2,361,854,322              | 103,599,673   | 2,258,254,649            | 2,227,129,889                | 101.40%  |
| 1997           | 2,515,220,225              | 105,363,223   | 2,409,857,002            | 2,361,854,322                | 102.03%  |
| 1998           | 2,652,904,299              | 109,425,432   | 2,543,478,867            | 2,515,220,225                | 101.12%  |
| 1999           | 2,816,587,412              | 113,982,965   | 2,702,604,447            | 2,816,587,412                | 95.95%   |
| 2000           | 3,182,025,137              | 121,258,146   | 3,060,766,991            | 3,182,025,137                | 96.19%   |
| 2001           | 3,792,944,594              | 132,513,829   | 3,660,430,765            | 3,792,944,594                | 96.51%   |
| 2002           | 4,532,190,780              | 142,991,758   | 4,389,199,022            | 4,466,079,709                | 98.28%   |
| 2003           | 5,203,069,406              | 161,044,613   | 5,042,024,793            | 5,890,772,532                | 85.59%   |
| 2004           | 6,769,175,032              | 183,784,907   | 6,585,390,125            | 6,675,942,094                | 98.64%   |
| 2005           | 7,879,155,273              | 197,097,465   | 7,682,057,808            | 7,774,533,118                | 98.81%   |

*Source: Office of the Auditor-Controller, San Joaquin County*

**City of Tracy  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

| Fiscal Year | Basic County-Wide Levy | City   | San Joaquin County | Tracy Unified School District | ERAF   | Delta Community College District | Other District | Total |
|-------------|------------------------|--------|--------------------|-------------------------------|--------|----------------------------------|----------------|-------|
| 1995        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 1996        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 1997        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 1998        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 1999        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 2000        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 2001        | 1%                     |        |                    |                               |        |                                  |                | 1.00% |
| 2002        | 1%                     | 0.1800 | 0.20000            | 0.1500                        | 0.3000 | 0.0300                           |                | 1.86% |
| 2003        | 1%                     | 0.1500 | 0.21000            | 0.1600                        | 0.2700 | 0.0400                           |                | 1.83% |
| 2004        | 1%                     | 0.1209 | 0.19630            | 0.1925                        | 0.2793 | 0.0339                           | 0.1771         | 2.00% |
| 2005        | 1%                     | 0.1206 | 0.19840            | 0.1998                        | 0.2801 | 0.0352                           | 0.1779         | 2.01% |

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

Source: Office of the Auditor-Controller, San Joaquin County

**City of Tracy**  
**Special Assessment Billings and Collections**  
**Last Ten Fiscal Years**

| Fiscal Year | Outstanding Assessments Beginning of Fiscal Year | Current Assessments Due | Current Assessments Collected | Ratio of Collections of Amount Due |
|-------------|--|-------------------------|-------------------------------|------------------------------------|
| 1995        | \$ 47,460,000                                    | \$ 5,331,920            | \$ 5,238,218                  | 93.08%                             |
| 1996        | 47,050,000                                       | 5,808,798               | 5,785,545                     | 98.24%                             |
| 1997        | 60,278,477                                       | 6,158,644               | 6,158,205                     | 99.60%                             |
| 1998        | 60,580,443                                       | 6,877,002               | 6,903,031                     | 99.99%                             |
| 1999        | 61,269,836                                       | 6,664,157               | 6,664,157                     | 100.38%                            |
| 2000        | 78,760,174                                       | 7,746,312               | 7,746,312                     | 100.00%                            |
| 2001        | 90,843,000                                       | 8,915,198               | 8,915,198                     | 100.00%                            |
| 2002        | 93,138,000                                       | 10,759,159              | 10,759,159                    | 100.00%                            |
| 2003        | 125,525,000                                      | 13,215,866              | 13,215,866                    | 100.00%                            |
| 2004        | 151,113,952                                      | 15,274,400              | 15,274,400                    | 100.00%                            |
| 2005        | 146,735,000                                      | 14,319,220              | 14,319,220                    | 100.00%                            |

*Source: Finance and Administrative Services Department, City of Tracy  
Office of the Auditor-Controller, San Joaquin County*

**City of Tracy**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

| Fiscal Year | Government Activities        |                              |                    | Business Activity       |                         |                         |                           | Total Primary Government | Per Capita | Population |
|-------------|------------------------------|------------------------------|--------------------|-------------------------|-------------------------|-------------------------|---------------------------|--------------------------|------------|------------|
|             | General Obligation Bonds (a) | Special Assessment Bonds (b) | Capital Leases (b) | Water Revenue Bonds (b) | Water Notes Payable (b) | Sewer Revenue Bonds (b) | Airport Notes Payable (b) |                          |            |            |
| 1996        | 32,667,984                   | 60,746,008                   |                    | 3,155,000               | 3,199,594               | 4,640,000               | 141,523                   | 104,691,632              | 2,331      | 44,904     |
| 1997        | 41,570,443                   | 60,580,443                   |                    | 2,945,000               | 3,109,900               | 4,465,000               | 131,546                   | 112,933,878              | 2,453      | 46,047     |
| 1998        | 42,324,836                   | 61,269,836                   |                    | 2,730,000               | 3,015,782               | 4,285,000               | 120,069                   | 113,865,592              | 2,395      | 47,544     |
| 1999        | 40,400,174                   | 78,760,174                   |                    | 2,505,000               | 2,916,958               | 4,100,000               | 357,092                   | 129,396,490              | 2,561      | 50,533     |
| 2000        | 40,413,000                   | 90,843,000                   |                    | 2,270,000               | 2,813,509               | 3,905,000               | 332,615                   | 140,909,739              | 2,478      | 56,861     |
| 2001        | 38,083,000                   | 93,138,000                   | 512,684            | 2,030,000               | 2,704,239               | 3,705,000               | 306,638                   | 140,786,199              | 2,301      | 61,180     |
| 2002        | 33,020,000                   | 125,525,000                  | 439,929            | 1,775,000               | 2,589,838               | 3,495,000               | 279,161                   | 167,403,089              | 2,547      | 65,735     |
| 2003        | 32,785,000                   | 154,555,000                  | 383,890            | 1,510,000               | 2,469,716               | 3,340,000               | 249,371                   | 195,542,348              | 2,794      | 69,990     |
| 2004        | 30,045,000                   | 151,113,000                  | 325,723            | 1,235,000               | 2,343,589               | 34,065,000              | 217,216                   | 219,561,744              | 2,964      | 74,080     |
| 2005        | 27,095,000                   | 146,735,000                  | 265,345            | 945,000                 | 9,211,877               | 33,785,000              | 184,966                   | 218,407,154              | 2,789      | 78,310     |

Note: Special Assessment Bonds have no City commitments.

Source:

(a) California Municipal Statistics

(b) Finance and Administrative Services Department, City of Tracy

**CITY OF TRACY  
COMPUTATION OF DIRECT AND  
OVERLAPPING BONDED DEBT  
JUNE 30, 2005**

2004-05 Assessed Valuation: \$6,675,942,094  
 Redevelopment Incremental Valuation: 659,084,033  
 Adjusted Assessed Valuation: \$6,016,858,061

**OVERLAPPING TAX AND ASSESSMENT DEBT:**

|  | <u>% Applicable</u> | <u>Debt 6/30/05</u>  |
|--|---------------------|----------------------|
| San Joaquin Delta Community College District         | 13.579%             | \$ 12,221,100        |
| Banta School District                                | 14.618              | 116,213              |
| City of Tracy Community Facilities District No. 87-1 | 100.                | 49,620,000           |
| City of Tracy Community Facilities District No. 89-1 | 100.                | 14,840,000           |
| City of Tracy Community Facilities District No. 93-1 | 100.                | 3,345,000            |
| City of Tracy Community Facilities District No. 98-1 | 100.                | 62,075,000           |
| City of Tracy Community Facilities District No. 98-3 | 100.                | 3,430,000            |
| City of Tracy Community Facilities District No. 99-1 | 100.                | 9,635,000            |
| City of Tracy Community Facilities District No. 99-2 | 100.                | 11,395,000           |
| City of Tracy 1915 Act Bonds                         | 100.                | <u>27,095,000</u>    |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>     |                     | <b>\$193,772,313</b> |

**DIRECT AND OVERLAPPING GENERAL FUND DEBT:**

|   |             |                          |
|---|-------------|--------------------------|
| San Joaquin County Certificates of Participation        | 14.916%     | \$20,804,837             |
| Jefferson School District Certificates of Participation | 70.498      | 3,020,839                |
| <b>City of Tracy General Fund Obligations</b>           | <b>100.</b> | <b><u>13,435,000</u></b> |
| <b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>   |             | <b>\$37,260,676</b>      |

**COMBINED TOTAL DEBT**

**\$231,032,989 (1)**

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

**Ratios to 2004-05 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt . 2.90%

**Ratios to Adjusted Assessed Valuation:**

**Combined Direct Debt (\$13,435,000)..... 0.22%**

Combined Total Debt..... 3.84%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0**

Source: California Municipal Statistics

**City of Tracy  
Computation of Legal Debt Margin  
As of June 30, 2005**

ASSESSED VALUATION:

|   |                      |
|---|----------------------|
| Assessed Value                                | \$ 7,879,155,273     |
| Add back: Exempt Real Property                | 197,097,465          |
|   | <hr/>                |
| Total Assessed Valuation                      | \$ 8,076,252,738     |
|   | <hr/> <hr/>          |
| <br>BONDED DEBT LIMIT (15% OF ASSESSED VALUE) | <br>\$ 1,211,437,911 |
| AMOUNT OF DEBT SUBJECT TO LIMIT               | -0-                  |
|   | <hr/>                |
| LEGAL DEBT MARGIN                             | \$ 1,211,437,911     |
|   | <hr/> <hr/>          |

*Source: Finance and Administrative Services Department, City of Tracy  
Office of the Auditor-Controller, San Joaquin County*

**City of Tracy  
Sewer Utility Fund  
Revenue Bond Coverage  
Last Ten Fiscal Years**

| Fiscal Year | Operation Revenue | Expense (1) | Net Revenue Available for Debt Service | Debt Service |           |              | Coverage |
|-------------|-------------------|-------------|--|--------------|-----------|--------------|----------|
|             |                   |             |  | Principal    | Interest  | Total        |          |
| 1996        | \$ 3,872,270      | 3,871,962   | 308                                    | 175,000      | 231,141   | \$ 406,141   | 0.001    |
| 1997        | \$ 4,029,913      | 3,509,548   | 520,365                                | 175,000      | 222,261   | \$ 397,261   | 0.310    |
| 1998        | \$ 4,344,217      | 3,102,026   | 1,242,191                              | 180,000      | 220,812   | \$ 400,812   | 3.099    |
| 1999        | \$ 4,793,063      | 2,266,504   | 2,526,559                              | 185,000      | 209,111   | \$ 394,111   | 6.411    |
| 2000        | \$ 4,944,907      | 2,618,316   | 2,326,591                              | 195,000      | 201,601   | \$ 396,601   | 5.866    |
| 2001        | \$ 5,146,137      | 2,999,179   | 2,146,958                              | 200,000      | 195,837   | \$ 395,837   | 5.424    |
| 2002        | \$ 5,809,342      | 3,420,444   | 2,388,898                              | 210,000      | 199,695   | \$ 409,695   | 5.831    |
| 2003        | \$ 5,593,833      | 4,392,083   | 1,201,750                              | 220,000 (2)  | 159,017   | \$ 379,017   | 3.171    |
| 2004        | \$ 7,023,266      | 4,526,278   | 2,496,988                              | 270,000      | 812,043   | \$ 1,082,043 | 2.305    |
| 2005        | \$ 7,804,983      | 4,593,489   | 3,211,494                              | 280,000      | 1,419,854 | \$ 1,699,854 | 2.702    |

(1) Excludes Depreciation and Bond Interest

(2) Excludes principal retired as a result of the issuance of the 2003 Wastewater Refunding Bonds

*Source: Finance and Administrative Services Department, City of Tracy  
Office of the Auditor-Controller, San Joaquin County*



**City of Tracy  
Demographic Statistics  
June 30, 2005**

| Fiscal Year | City Population | Percentage Increase | San Joaquin County Population | Percentage Increase | City Population % of County | Public School Enrollment K-12 | Percentage Increase |
|-------------|-----------------|---------------------|-------------------------------|---------------------|-----------------------------|-------------------------------|---------------------|
| 1940        | 4,056           | 6.1%                | 134,207                       |                     | 3.0%                        |                               |                     |
| 1950        | 8,410           | 107.3%              | 200,750                       | 49.6%               | 4.2%                        | 1,380                         |                     |
| 1960        | 11,289          | 34.2%               | 249,989                       | 24.5%               | 4.5%                        | 2,488                         | 80.3%               |
| 1970        | 14,724          | 30.4%               | 291,073                       | 16.4%               | 5.1%                        | 3,813                         | 53.3%               |
| 1980        | 18,428          | 25.2%               | 347,342                       | 19.3%               | 5.3%                        | 4,787                         | 25.5%               |
| 1992        | 37,875          | 105.5%              | 495,401                       | 42.6%               | 7.6%                        | 8,082                         | 68.8%               |
| 1993        | 40,507          | 6.9%                | 507,481                       | 2.4%                | 8.0%                        | 8,721                         | 7.9%                |
| 1994        | 42,082          | 3.9%                | 514,753                       | 1.4%                | 8.2%                        | 9,293                         | 6.6%                |
| 1995        | 44,507          | 5.8%                | 523,758                       | 1.7%                | 8.5%                        | 9,925                         | 6.8%                |
| 1996        | 44,904          | 0.9%                | 522,350                       | -3.0%               | 8.6%                        | 10,116                        | 1.9%                |
| 1997        | 46,047          | 2.5%                | 535,400                       | 2.5%                | 8.6%                        | 11,108                        | 9.8%                |
| 1998        | 47,544          | 3.3%                | 545,249                       | 1.8%                | 8.7%                        | 11,255                        | 1.3%                |
| 1999        | 50,533          | 6.3%                | 550,319                       | 9.0%                | 9.2%                        | 11,421                        | 1.5%                |
| 2000        | 56,861          | 12.5%               | 561,813                       | 2.1%                | 10.1%                       | 12,771                        | 11.0%               |
| 2001        | 61,180          | 7.6%                | 577,305                       | 2.8%                | 10.6%                       | 14,276                        | 11.8%               |
| 2002        | 65,735          | 7.4%                | 596,000                       | 3.2%                | 11.0%                       | 14,760                        | 3.4%                |
| 2003        | 69,990          | 6.5%                | 610,326                       | 2.9%                | 11.1%                       | 15,673                        | 6.2%                |
| 2004        | 74,080          | 5.8%                | 625,810                       | 2.5%                | 11.8%                       | 15,816                        | 0.9%                |
| 2005        | 78,310          | 5.7%                | 648,422                       | 3.6%                | 12.1%                       | 16,504                        | 4.0%                |

*Source:*

*Tracy Unified School District  
Finance and Administrative Services, City of Tracy  
Office of the Auditor-Controller, San Joaquin County  
Department of Finance, State of California*

**City of Tracy  
Water Utility Fund  
Revenue Bond Coverage**

| Fiscal Year | Operating Revenue | Expense (1) | Net Revenue Available for Debt Service | Debt Service |          |            | Coverage |
|-------------|-------------------|-------------|--|--------------|----------|------------|----------|
|             |                   |             |  | Principal    | Interest | Total      |          |
| 1995        | \$ 5,267,656      | 3,413,245   | 1,854,411                              | 195,000      | 153,857  | \$ 348,857 | 5.320    |
| 1996        | \$ 5,697,043      | 3,844,058   | 1,852,985                              | 200,000      | 147,617  | \$ 347,617 | 5.330    |
| 1997        | \$ 7,273,976      | 3,789,585   | 3,484,391                              | 210,000      | 137,380  | \$ 347,380 | 10.030   |
| 1998        | \$ 6,965,639      | 4,081,779   | 2,883,860                              | 215,000      | 132,848  | \$ 347,848 | 8.290    |
| 1999        | \$ 8,276,639      | 4,121,961   | 4,154,678                              | 225,000      | 124,462  | \$ 349,462 | 11.890   |
| 2000        | \$ 9,175,447      | 4,517,270   | 4,658,177                              | 235,000      | 115,463  | \$ 350,463 | 13.290   |
| 2001        | \$ 9,826,030      | 5,677,055   | 4,148,975                              | 240,000      | 105,592  | \$ 345,592 | 12.010   |
| 2002        | \$ 10,698,593     | 5,390,383   | 5,308,210                              | 255,000      | 96,076   | \$ 351,076 | 15.120   |
| 2003        | \$ 11,235,231     | 3,983,699   | 7,251,532                              | 265,000      | 79,084   | \$ 344,084 | 21.070   |
| 2004        | \$ 12,866,580     | 6,047,909   | 6,818,671                              | 275,000      | 170,376  | \$ 445,376 | 15.310   |
| 2005        | \$ 11,723,151     | 3,492,588   | 8,230,563                              | 290,000      | 59,478   | \$ 349,478 | 23.551   |

(1) Excludes Depreciation and Bond Interest.

*Source: Finance and Administrative Services Department, City of Tracy  
Office of the Auditor-Controller, San Joaquin County*

**City of Tracy**  
**Principal Employers**  
**Fiscal Year Ended June 30, 2005**  
(in alphabetical order)

| <u>Employer</u>                      | <u>Type of Business</u>      |
|--------------------------------------|------------------------------|
| Adessa Golden Gate                   | Car Auction                  |
| Ameron International WTG-NCD         | Concrete Pipes               |
| Barbosa Cabinets                     | Cabinet Builders             |
| Basalite Block                       | Concrete                     |
| Budget Electric                      | Electrical Contractors       |
| California Dept.of Resources         | Pumping                      |
| City of Tracy                        | Municipal Services           |
| Consolidated Containers              | Plastic Bottles              |
| Costco Wholesale Co.                 | Distribution                 |
| Defense Depot San Joaquin            | Government Agency            |
| Deuel Vocational Institution         | State Prison Facility        |
| Diversified Collection Service, Inc. | Collections                  |
| Inland Paperboard & Packaging        | Corrugated Containers        |
| Leprino Foods                        | Mozzarella Cheese            |
| Musco Olive Products, Inc.           | Ripe Olive Processing        |
| Orchard Supply Hardware              | Distribution Center          |
| Owens-Illinois of North America      | Glass Container Manufacturer |
| Pacific Pre-Cut Produce              | Food Processing              |
| Piedmont Lumber Co.                  | Roof Trusses                 |
| Summit Logistics (Safeway Dist.)     | Distribution Perishable      |
| Sutter Traccy Community Hospital     | Medical Care                 |
| Tracy Unified School District        | Education                    |
| Worknet San Joaquin                  | Employment Agency            |
| Yellow Freight                       | Trucking Freight             |

Source:

*Tracy Chamber of Commerce*

City Of Tracy  
TOP SALES/USE TAX CONTRIBUTORS  
June 30, 2005  
(in alphabetical order)

Albertson's Food Center  
Arco am/pm Mini Mart  
Best Buy  
Chevron Service Station  
Costco Wholesale  
County Nissan  
Dave Humphrey Enterprises  
Gottschalks Department Store  
Home Depot  
Kenko Utility Supply  
Nixon-Egli Equipment Company  
Safeway Stores  
Sears Roebuck & Company  
Shell Services Stations  
Stan Morri Ford/Mercury  
Target Store  
Tracy Chevrolet  
Tracy Chrysler/Plymouth/Dodge  
Tracy Honda  
Tracy Hundai  
Tracy Pontiac/Cadillac/GMC  
Tracy Toyota  
Tracy Truck & Auto Shop  
Tracy Volkswagen  
Wal-Mart Stores

Source:  
Tracy Chamber of Commerce

**City of Tracy**  
**Miscellaneous Statistics**  
**June 30, 2005**

|  |   |
|--|---|
| Date of Incorporation                    | July 10, 1910   |
| Form of Government                       | General Law/Council-Member  |
| Geographic Location                      | The City of Tracy is located 65 miles east of San Francisco and 70 miles southwest of Sacramento. |
| Population                               | 78,310  |
| Median Age of Population                 | 31 years old  |
| Number of Households                     | 22,821  |
| Average Household Income                 | \$62,100  |
| Racial Makeup (1998)                     | 54.5% White<br>27.7% Hispanic Origin<br>10.3% Asian<br>6.4% Black<br>1.1% Other                   |
| Area in square miles                     | 20.81 square miles  |
| Number of full time employees            | 421   |
| Public Safety:                           |   |
| Number of Sworn Officers                 | 77  |
| Number of Firefighters                   | 70  |
| Parks and Recreation:                    |   |
| Area of developed parklands              | 295 acres   |
| Number of parks by type:                 |   |
| Mini-Parks                               | 37  |
| Neighborhood Parks                       | 31  |
| Joint Use with the Tracy School District | 4   |
| Sports Complex                           | 1   |

*Source:*

*City of Tracy Finance Department*  
*City of Tracy Park and Recreation Department*  
*City of Tracy Community Development Department*



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