



City of Tracy California



Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2006

Prepared by the Finance and
Administrative Services Department

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ROCKI BENNETT - Accounting Technician

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Introduction Section



CITY OF TRACY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2006

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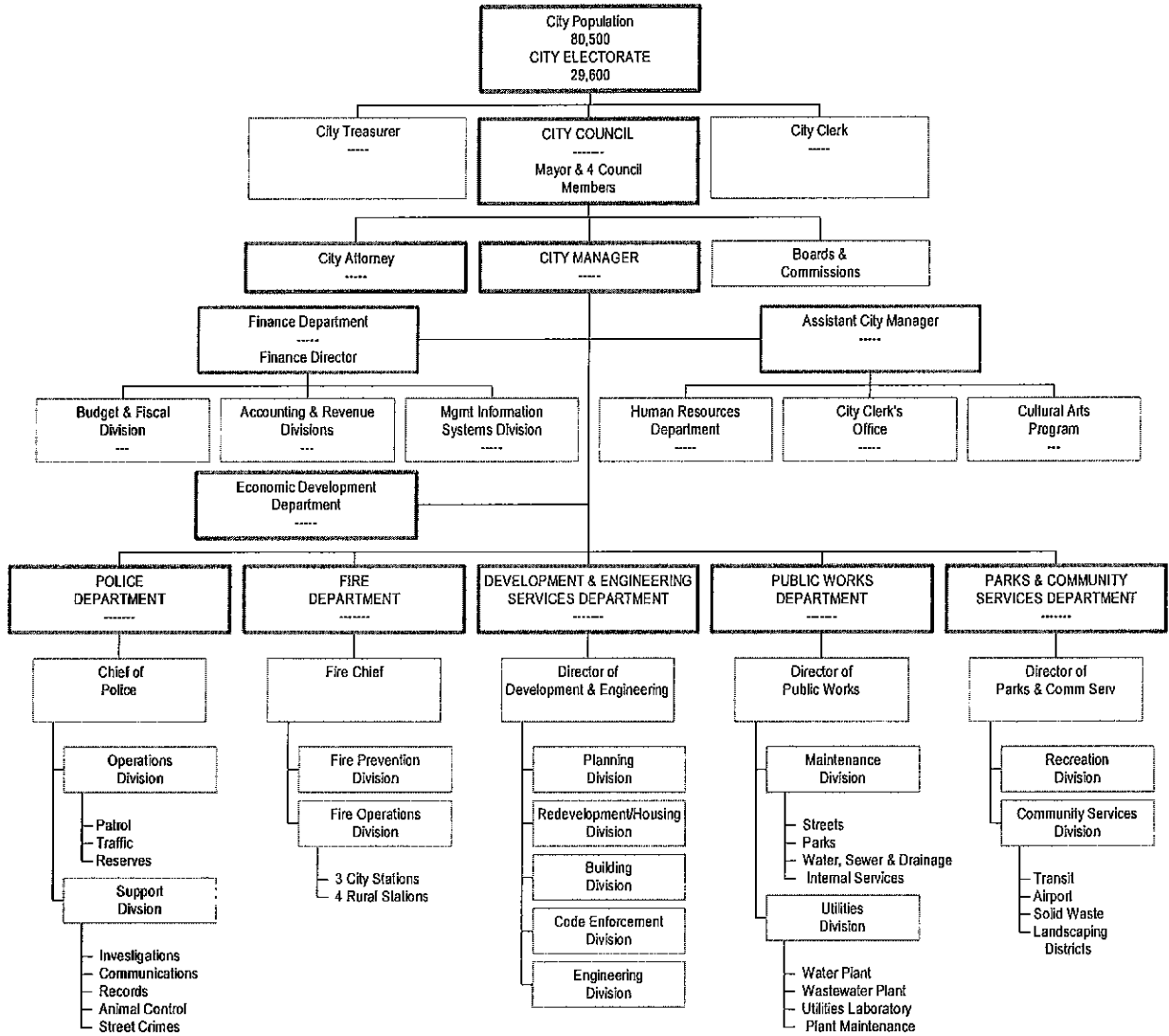
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CITY OF TRACY
Organization Chart
FY05-06



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30,2006

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

Chris Bosch - Fire Chief

David Krauss - Police Chief

Pat Wiemiller - Public Works Director

Maria Olvera - Human Resources Director

Bill Reeds - Community Development Director

Andrew Malik - Economic Development Director

Maria Hurtado - Parks and Community Services 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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Tracy

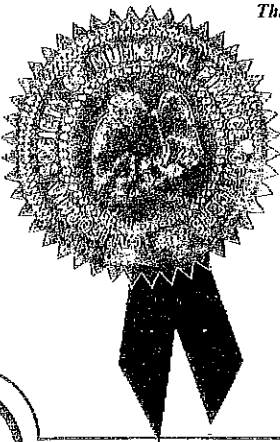
This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2006

William A. Thomas

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, 2006

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, 2006.

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 60 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 1960, the City's employment base included a few food-processing plants and small-related manufacturing operations. A state correctional facility as well as 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 80,461 and 21 square miles in 2006. Furthermore, it is anticipated that employment in Tracy will increase from 9,500 workers in 1987 to 45,000 by the year 2010.

The City operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four member Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and 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 non-partisan 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, 2006. 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

Northern California’s economy remains on a solid footing and job growth has continued in most sectors of the economy in the Bay Area. There has been broad based payroll expansion and the labor market continues to tighten. Even so, manufacturing job creation remains sparse at best with mergers, consolidation, and global competitive pressures continuing to hold down manufacturing payrolls in the Bay area, especially in computers and electronic manufacturing. Telecommunication and publishing also remain soft spots as consolidation continues to reign. A significant number of Tracy residents work in the San Jose, East Bay, and Livermore Valley areas. As such, continued economic growth in these areas is important to the economy of Tracy. With continued job stability, Tracy residents will continue to spend and shop locally for goods and services.

While Tracy residents are more likely to work in the East Bay, San Jose, and Livermore Valley areas, the Tracy economy is also influenced by what is happening on this side of the Altamont Pass – the great Central Valley of California. There has been no slowing down of the economy in this region to date. Stockton area job growth has handily beat the State employment growth rate and Modesto leads the Central Valley region. However, there are some troubling signs, as the Central Valley economy remains highly skewed toward construction and housing market activity, which is already weakening.

In Central California these days it seems as if everyone is a real estate agent, mortgage broker, homebuilder, or construction worker. In Stockton, construction now represents 8.4 percent of total non-farm payrolls, up from 6.8 percent in 2001. In Modesto, construction payrolls rose by more than 14 percent over the past year, comprising 32 percent of net new jobs. Over-dependence on one sector for economic growth rarely ends well for a regional economy, and Central California will be no exception. With signs of a turning in the residential housing cycle, the Central California economy appears the most vulnerable.

The Tracy economy, therefore, has twin influences – that of a more diverse Bay area economy where many Tracy residents are employed, and that of the Central Valley economy currently over dependent upon construction. Yet it is Tracy’s population growth that has lead to steadily increasing property tax and sales tax revenue for the City. The I-205 commercial center in and around the West Valley Mall continues to prosper and expand. The City of Tracy 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 Northeast Industrial Area is underway and infrastructure is being designed for Phase 2. 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, by 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, 2006 is \$20,499,134. In addition to the undesignated fund balance of the General Fund, the City also has an Economic Uncertainty Fund with a balance of \$16,618,812. Together, these two sources total \$37,117,946 and represent approximately 77% of General Fund operating expenses budgeted for FY 06-07. This is an excellent fiscal foundation as we approach new fiscal territory in a post-Measure A environment.

Major Initiatives

Grand Theatre Center for the Arts

A construction contract was issued and work is well underway renovating the Grand Theatre and adjoining buildings to provide a new cultural arts center for the City. This state of the art facility will be a beautiful addition to a revised downtown Tracy. The project is on target for an early Summer 2007 opening. The project has been actively managed to insure it is completed within budget (\$19 million) – always an extra challenge when dealing with the renovation of an old building.

Civic Center Expansion

The long awaited construction of a new City Hall and Council Chamber has begun. The building is nearing completion with a move in date scheduled for March 5, 2007. The building will have over 44,000 square feet of space. In addition to the building, the entire Civic Center area is being redone including new landscaping and new parking lots. Developer fees collected for this specific purpose during the past 19 years are funding 83% of the \$25.7 million construction budget.

Plant Improvements

Work also continued throughout the year on two large capital projects. In fact, one of the projects is the single most costly project in City history: the upgrade and expansion of the Wastewater Treatment Plant. This project's budget is approximately \$75 million and will make substantial improvements to the treatment of wastewater. It is scheduled for completion in late 2007. The City's other plant project, improvement to the City's Water Treatment Plant, is also well underway. This \$44 million project will also be completed in late 2007.

Fire Headquarters

Construction was completed on the rehabilitation of the old downtown fire station. Fire Station #1, as it was often called, was actually first constructed in 1917 as Tracy's City Hall. The building served as the municipal headquarters until 1947 when the City offices moved. The old City hall building housed fire equipment and a fire crew was stationed in the building until the 1989 Loma Prieta Earthquake that caused significant damage. This very special historical building received a new life with the completion of this \$3 million renovation project. In June 2006 the "new" building opened as the headquarters for the Tracy Fire Department. And since it is at the corner of Central and 9th Street in downtown Tracy, it is yet another investment in the downtown area.

General Plan Update

Many public meetings and workshops were held on components of the General Plan including an optional component regarding community character. The General Plan was finished and was adopted by the City Council in July 2006. Work can now begin on implementing the action items of the plan. This will be a major work effort during 2007.

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 and the weakening housing market, the City must prepare for this financially. As it has been 6 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 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, prevented the State from expanding this raid on local government revenues. FY 05-06 was the last year of an additional two-year takeaway of city property taxes by the State prior to Proposition 1A.

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 City must expand certain services to keep up with population growth. This is especially true of Police Services. In a 12-month period following January 2006, the City will add significantly to Police Services with such additional investment costing over \$1 million per year. 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. Currently the City is examining financing alternatives for the construction of a large sports complex and the development of an aquatics center. Both of these facilities would require significant annual operational costs. Finally, during 2006 the City entered into new long term labor contracts with its Police and Fire units which will call for annual wage increases that will help to keep the City of Tracy as an employer of choice. All of the City's labor agreements with non-public safety employees come up for renewal during 2007. 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, 2005. This was the 18th 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.

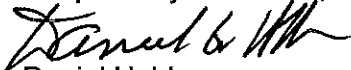
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

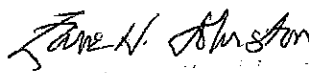
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 30, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial 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 Biscocho 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, LLP

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MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, the City adopted Governmental Accounting Standards Board Statements No. 44, Economic Condition Reporting: The Statistical Section, and No. 46, Net Assets Restricted by Enabling Legislation, an amendment to GASB Statement No. 34, effective July 1, 2005.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 2006, 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 18, The Schedule of Revenues Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, The Funds Progress of the California Public Employees Retirement System, and the Modified Approach to Reporting Street Pavement Costs on pages 85 and 86 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 and Major Debt Service and Capital Projects 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 and Major Debt Service and Capital Projects 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

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
September 15, 2006

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

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, 2006. 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 2005-06, the City's total assets (all funds) exceeded its liabilities by \$880.7 million dollars (net assets). Of this amount, 4.63% or \$40.9 million is unrestricted net assets.
- The City's total net assets increased by \$34.8 million or 3.95% in fiscal year 2005-06. This increase was due mainly to the increase in capital assets by \$73.6 million and a reduction in total debts by \$5.7 million.
- The governmental funds reported a combined fund balance of \$171.9 million at the end of the fiscal year 2006. This is an increase of only .38% from last fiscal year. Although assets went up by \$5.2 million, liabilities also increased by \$4.6 million by the end of the fiscal year.
- At the end of the fiscal year, unreserved, undesignated fund balance for the general fund was \$19.5 million, or 49% of the total general fund expenditures. During the fiscal year, the general fund also transferred \$6.5 million to the Uncertainty Fund. The Uncertainty Fund has a fund balance of over \$16.6 million as of June 30, 2006 or an increase of 60% from last year.
- Licenses, permits and fees continue to decline as a result of Measure A, an ordinance passed by the voters of the City Of Tracy in November, 2000. This fiscal year, this revenue source decreased by 25% from last year.
- As of June 30, 2006, the net assets of all proprietary funds increased by 13.4% compared to the prior year. The increase can be attributed mainly due to a prior year adjustment due to an understatement of capital assets and an overstatement of accumulated depreciation in the amount of \$42.3 million.

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 major funds, was established by GASB Statement 34 and replaces the concept of combining similar funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

Fund Financial Statements include governmental, enterprise, and 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 2005-2006. \$769 million or 82% of the city's net assets are invested in capital assets. These capital assets comprise of land, buildings, infrastructures, streets and roads, machinery and equipment and are being used to provide services to its citizens. The total net assets at year-end increased by 4% while total liabilities declined by 4%.

Table 1
City of Tracy
Schedule of Net Assets
June 30, 2006
(in Thousands)

Description	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Cash & Investments	\$ 202,323	\$ 200,102	\$ 23,028	\$ 65,850	\$ 225,351	\$ 265,952
Other Assets	7,341	5,702	16,377	14,269	23,718	19,971
Capital Assets	389,722	393,455	379,298	301,940	769,020	695,395
Total Assets	599,386	599,259	418,703	382,059	1,018,089	981,318
Long-Term Debt Outstanding	68,463	68,699	39,515	42,728	107,978	111,427
Other Liabilities	18,692	17,104	10,656	14,502	29,348	31,606
Total Liabilities	87,155	85,803	50,171	57,230	137,326	143,033
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	357,579	371,908	339,970	288,340	697,549	660,248
Restricted	139,007	62,021	3,344	31,249	142,351	93,270
Unrestricted	15,645	79,527	25,217	5,240	40,862	84,767
Total Net Assets	\$ 512,231	\$ 513,456	\$ 368,531	\$ 324,829	\$ 880,762	\$ 838,285

16% or \$142 million of the city's total net assets are restricted. These assets are subject to restrictions on how they may be used. Of the total net assets, only 4% or \$40.8 million is unrestricted and can be used to meet the City's on going obligations to its citizens and creditors.

In governmental activities, investments in capital assets decreased by almost 4% due to prior year adjustments related to the reclassification of assets that actually belonged to the enterprise funds.

The Required Supplemental Information (RSI), shows a description and tabulation of the city's reporting of street pavement costs, which is related to net assets. The City's net assets increased by \$34.8 million or 4%. The following table will show the key elements of these increases.

Table 2
City of Tracy
Schedule of Changes in Net Assets
June 30, 2006
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services	\$ 18,570	\$ 11,447	\$ 37,006	\$ 34,347	\$ 55,576	\$ 45,794
Operating contributions and grants	12,621	8,666	1,038	1,763	13,659	10,429
Capital grants and contributions	19,936	27,450	10,063	24,897	29,999	52,347
Total Program revenues	51,127	47,563	48,107	61,007	99,234	108,570
General Revenues:						
Property Taxes	24,613	17,616				
Other Taxes	17,374	21,105				
Other General Revenues	9,301	5,913	1,865	1,872	11,166	7,785
Total general revenues & transfers	51,288	44,634	1,865	1,872	11,166	7,785
Total Revenues	102,415	92,197	49,972	62,879	110,400	116,355
Expenses						
General government	7,432	6,698			7,432	6,698
Police	16,204	15,551			16,204	15,551
Fire	12,230	11,134			12,230	11,134
Development & Engineering	10,707	9,948			10,707	9,948
Public Works	14,114	11,004			14,114	11,004
Parks & Community Services	3,760	4,119			3,760	4,119
Interest on Long-term Debt	3,994	3,626			3,994	3,626
Unallocated Depreciation	505	860			505	860
Water			16,029	9,363	16,029	9,363
Sewer			10,281	8,987	10,281	8,987
Solidwaste			16,367	15,604	16,367	15,604
Storm Drainage			3,957	978	3,957	978
Airport			592	471	592	471
Transit			1,438	381	1,438	381
Total Expenses	68,946	62,940	48,664	35,784	117,610	98,724
Increase in Net Assets	33,469	29,257	1,308	27,095	(7,210)	17,631
Net Assets, 7-1-2005	513,456	484,199	324,829	297,734	838,285	781,933
Prior Period Adjustments	(34,694)		42,394		7,700	
Net Assets, 7-1-2005 (Restated)	478,762	484,199	367,223	297,734	845,985	781,933
Net Assets, 7-1-2006	\$ 512,231	\$ 513,456	\$ 368,531	\$324,829	\$ 880,762	\$ 838,285

Governmental Activities

Table 2 shows that property taxes increased by almost 25%. This increase was due to the receipt of \$5.2 million property tax from the State of California for sales tax withheld from local governments to pay for state bonds. \$2.7 million was also received from the State of California for vehicle in-lieu fees that were reduced by the state. The increase can also be attributed to increase in property taxes related to increase in property values. Overall, there was an increase of almost 28% in this revenue source. The median price of a home in the City Of Tracy is \$520,00 in 2006. Investment income took a dip in fiscal year 2005-06 due to the use of the city's cash investments in various projects. By the end of the fiscal year, the city has already spent \$14.2 million on the city hall project. Total revenues increased by 11% while expenditures increased only by 9%. The biggest decline in revenue was in capital grants and contributions. This revenue source decreased by 74% in fiscal year 2005-06. Total net assets declined by \$1.2 million due to a prior year adjustment of \$34.7 million related to the reclassification of capital assets.

Business-type Activities

The City Of Tracy maintains six different types of proprietary funds. These 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 20%, which was mainly due to a 60% decrease in capital grants and contributions. The expenses of business-type activities increased by 36% due to various expansion projects in both water and sewer plants.

The net assets managed to increase by 13% mainly due to a prior year adjustment, which reclassified capital assets from governmental activities to business-type activities in the amount of \$42 million.

Financial Analysis of the Government's Funds

The City Of Tracy's governmental funds' purpose is to provide information on short-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, 2006, the City's governmental funds presented a combined fund balance of almost \$172 million, a slight increase of \$.065 million when compared to that of the prior year. The \$34.7 million prior year adjustment for capital assets and an increase in expenditures of \$6 million both contributed to this minimal increase. Only \$120.9 million of these governmental fund balance or 70% constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining \$51 million or 30% has already been committed to liquidate contracts and purchase orders, to pay debt service and other restricted purposes.

At the end of the year, the City Of Tracy's general fund has a fund balance of \$20.5 million. Of this amount, \$19.5 million or 95% is unreserved and undesignated. The total unreserved and undesignated fund balance represents almost 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 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 \$13.8 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by 7.5% or \$1.1 million. Last fiscal year, the Community Development Agency issued \$55.7 million tax allocation bonds. The first payment of \$3.7 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 \$25.2 million for the year ended June 30, 2006, up by 381% compared to last year's unrestricted net assets. This sharp increase of almost \$20 million in unrestricted net assets can mainly be attributed to the prior year adjustment related to capital assets in the amount of \$42.3 million.

All proprietary funds with the exception of the Municipal Airport posted an operating loss.

Of the six proprietary funds of the City, only the Municipal Airport and the Sewer funds posted an income before contributions. All others reported a loss. The losses sustained by these funds were mainly due to the amount of depreciation that was charged this fiscal year. The capital assets that were reclassified to proprietary funds contributed to the depreciation charges this year.

General Fund Budgetary Highlights

- The actual revenues for the general fund exceeded the estimated amount by \$4.2 million, or almost 10%.
- The actual expenditures also reported a favorable variance. The estimated expenditures were higher than the actual by \$3.5 million.
- The net excess of revenues over expenditures for the fiscal year ended June 30, 2006 is \$7.7 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 year but no receivables were 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 year. Management has decided to keep it at around \$19 million by transferring \$6.5 million to the Economic Uncertainty Fund. Due to these annual transfers that has been made, the Economic Uncertainty Fund has a fund balance of \$16.6 million as of June 30, 2006.

The revenues of the general fund increased by only 5%. 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.

Expenditures of the general fund hardly increased. This was due to a decline in expenditures for Fire and Development and Engineering Services. Fire Department's elimination of three highly paid positions helped in cutting its costs. Reduction of consultant services due to declining construction attributed to Measure A is the reason for this department's decreased expenditures. Overall, the general fund's expenditures during the year increased only by \$44 thousand.

The most significant budgetary variance between budget and final amended budget is in the amount transferred to the Uncertainty Fund. This amount relies on the results of operations of the general fund and cannot be determined until after the end of the fiscal year when all revenues and expenditures have been recorded.

Plan C

The fund balance of Plan C funds decreased by more than 32%. This was due to a 73% decline in revenues related to development impact fees and permit revenues from developers. As of June 30, 2006, Plan C fund has a \$31 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.

This fund continues to post a negative fund balance despite a slight increase in revenues. This was due to the prior year adjustment related to capital assets in the amount of \$436 thousand. As of June 30, 2006, the negative fund balance declined only by \$.5 million compared to last year's negative balance of \$2.8 million.

Community Development Agency Debt Service

The fund balance declined in 2006 by more than 11%. This was due to a transfer out made to the infill projects fund, community development agency housing fund, and the community development construction fund in the amount of \$3.9 million. This transfer was used by the construction fund in the construction of the Grand Theatre in downtown Tracy. As of June 30, 2006, the fund balance of this fund is \$10.9 million.

Analyses of Major Proprietary Funds

Water

The net assets of the water fund increased by only \$2.9 million or 1.7% in 2006. Although the prior period adjustment for capital assets boosted the net assets at year-end, the amount of depreciation charges almost doubled. This increase in depreciation costs contributed to the funds operating loss of more than \$3 million. Operating revenues increased by 6% while operating expenses increased by 177% due to depreciation charges.

Sewer

The net assets of the sewer fund increased by \$16.3 million or 18.2% in 2005. This increase was due to a 63% increase in non-depreciable capital assets in construction in progress. It increased from \$38 million to \$62 million in 2006. This is related to the \$74 million wastewater treatment plant expansion project that is currently underway. A prior year adjustment related to the reclassification of capital assets in the amount of \$12.9 million also contributed to this increase in net assets.

Municipal Airport

The net assets of the airport fund decreased by 55% in 2006. This decrease was due to the absence of grants and subsidies received from the state and the federal government during the year and by the prior period adjustment related to capital assets in the amount of \$203 thousand.

Solid Waste

In 2006, the net assets of the solid waste fund decreased by 19%. Though revenues increased by 8%, expenses rose by 5% and continued to exceed revenue totals by \$1.2 million during the year. An increase of 15% in solid waste contracts contributed to the fund's decline in net assets.

Municipal Transit

The net assets of the municipal transit fund increased by 13% in 2006. This increase was due to grants and subsidies in the amount of \$1.3 million or 65% 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 56% in 2006. This increase was due to the prior period adjustment in the amount of \$24.3 million related to the reclassification of capital assets. This windfall also resulted in an increase of 653% in depreciation charges for fiscal year 2005-06.

Capital Asset and Debt Administration

Capital Assets. The combined investments in capital assets of governmental and business-type activities as of June 30, 2006 is \$880.7 million. This investment in capital assets includes land, buildings, machinery, equipment, park facilities and streets. The total investments in capital assets increased by 5%. The total net assets of business-type activities increased by 13% due to prior period adjustments related to capital assets.

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 final completion of the new city hall has been determined to be in March, 2007.

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.

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 flow equalization tank have been started.

The water treatment plant expansion has started. Crews are now working on the construction of flocculation/sedimentation basin, modifications of existing clear well, filter structures, ultra violet facility, chemical building, blower/electric building.

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2006
(in Thousands)

Asset Description	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 82,192	\$ 78,530	\$ 5,296	\$ 6,735	\$ 87,488	\$ 85,265
Streets and Roads	189,489	166,555			189,489	166,555
Construction in-Progress	33,120	52,985	99,273	131,398	132,393	184,383
Buildings and Improvements	60,903	57,748	276,644	240,347	337,547	298,095
Grading, Curbs & Gutters,						
Sidewalks & Driveway Approaches	23,968	22,819			23,968	22,819
Traffic Signals	14,088	12,963			14,088	12,963
Street Drainage	-	30,197				30,197
Equipment	20,834	18,696	9,067	8,426	29,901	27,122
Intangible Assets			60,116		60,116	
Infrastructure	4,956		70,094	26,676	75,050	26,676
Less: Total Accumulated Depreciation	(39,828)	(47,038)	(141,192)	(111,641)	(181,020)	(158,679)
Total Capital Assets	\$ 389,722	\$ 393,455	\$ 379,298	\$ 301,941	\$ 769,020	\$ 695,396

The City Of Tracy's capital assets in governmental activities decreased by almost 1% while the capital assets of business-type activities increased only by more than 25%. The increase in business-type activities were mainly due to the numerous capital improvement projects that the city is currently undertaking and the \$42.3 million prior period adjustment related to capital assets. 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 only 1%. The payment of the annual principal amount due during the fiscal year contributed to the reduction of the city's long-term debt. Since payment of the principal on the 2004 Wastewater Revenue bonds will not start until December, 2007, the total debt amount did not decrease significantly during the year. Please refer to Notes # 7 and 8 for a detailed discussion of the City's long-term debt. Standard and Poor's and Moody's credit rating of AAA and Aaa, respectively, was received by the City's most recent debt insured debt issuance.

Table 4
City of Tracy
Schedule of Long Term Debt
June 30, 2006
(in Thousands)

Debt Description	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
2003 Tax Allocation Bonds	\$ 54,070	\$ 55,050			\$ 54,070	\$ 55,050
1995 Certificates of Participation	2,270	2,395			2,270	2,395
1998 Certificates of Participation	10,755	11,040			10,755	11,040
Capital Leases	641	265			641	265
1993 Water Revenue Bonds			\$ 645	\$ 945	645	945
2003 Wastewater Revenue Bonds			2,510	2,790	2,510	2,790
2004 Wastewater Revenue Bonds			30,995	30,995	30,995	30,995
U. S. EDA Notes			2,073	2,212	2,073	2,212
Irrigation District Notes			6,500	7,000	6,500	7,000
State of California-Department of Transportation Loan			171	185	171	185
Compensated Absences	2,336	2,194	365	326	2,701	2,520
Total long Term Liabilities	\$ 70,072	\$ 70,944	\$ 43,259	\$ 44,453	\$ 113,331	\$ 115,397

Economic Outlook and Major Initiatives

Fiscal year 2005-06 was a transition year for the City Of Tracy. It moved 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, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 170,648,773	\$ 19,684,239	\$ 190,333,012
Cash and investments with fiscal agents	31,673,977	3,343,911	35,017,888
Accounts receivable	6,422,441	4,877,918	11,300,359
Interest receivable	1,644,790	274,409	1,919,199
Prepaid items	35,000	271,920	306,920
Due from fiduciary funds	226,657		226,657
Loans receivable	5,822,488		5,822,488
Internal balances	(10,729,610)	10,729,610	
Deferred charges, net of accumulated amortization	3,919,172	222,972	4,142,144
Capital assets, not being depreciated	304,801,352	104,569,023	409,370,375
Capital assets, being depreciated, net of accumulated depreciation	84,920,995	274,729,080	359,650,075
Total Assets	599,386,035	418,703,082	1,018,089,117
LIABILITIES			
Accounts payable	6,962,156	4,595,956	11,558,112
Deposits payable	4,976,698	1,939,769	6,916,467
Unearned revenue	3,635,503	212,678	3,848,181
Accrued interest payable	1,100,854	163,511	1,264,365
Claims payable	406,758		406,758
Noncurrent liabilities:			
Due within one year	1,609,837	3,744,273	5,354,110
Due in more than one year	68,462,990	39,515,162	107,978,152
Total Liabilities	87,154,796	50,171,349	137,326,145
NET ASSETS			
Invested in capital assets, net of related debt	357,579,157	339,970,513	697,549,670
Restricted	139,006,633	3,343,911	142,350,544
Unrestricted	15,645,449	25,217,309	40,862,758
Total Net assets	\$ 512,231,239	\$ 368,531,733	\$ 880,762,972

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, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	\$ (299,293)	\$ 200	\$ -	\$ -
City attorney	(677,064)			
City treasurer	(291,763)			
Administration	(1,143,582)	30		
Personnel	(782,867)			
Finance	(1,438,668)	370,917		
Non-departmental	(2,798,564)		112,759	
Public safety				
Police	(16,204,336)	517,126	734,213	439,575
Fire	(12,230,134)	120,020	5,515,185	
Public works				
Development and engineering	(10,706,732)	5,281,327		2,687,503
Public works	(14,114,054)	8,659,793	4,338,399	16,808,985
Culture and leisure				
Parks and community services	(3,759,606)	3,621,114	1,329,046	
Interest on long-term debt	(3,994,289)		591,429	
Unallocated depreciation	(505,558)			
Total Governmental Activities	(68,946,510)	18,570,527	12,621,031	19,936,063
Business-type Activities:				
Water	(16,028,983)	12,471,810	16,483	
Sewer	(10,281,418)	8,471,341		8,636,305
Airport	(592,069)	271,702	343,514	
Solid waste	(16,366,813)	15,147,289	20,245	
Transit	(1,438,318)	108,954	657,548	1,427,131
Drainage	(3,957,130)	535,254		
Total Business-type Activities	(48,664,731)	37,006,350	1,037,790	10,063,436
Total Government	\$ (117,611,241)	\$ 55,576,877	\$ 13,658,821	\$ 29,999,499

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, June 30, 2005

Prior Period Adjustments

Net Assets June 30, 2005, Restated

Net Assets, July 1, 2006

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

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (299,093)	\$ -	\$ (299,093)
(677,064)		(677,064)
(291,763)		(291,763)
(1,143,552)		(1,143,552)
(782,867)		(782,867)
(1,067,751)		(1,067,751)
(2,685,805)		(2,685,805)
(14,513,422)		(14,513,422)
(6,594,929)		(6,594,929)
(2,737,902)		(2,737,902)
15,693,123		15,693,123
1,190,554		1,190,554
(3,402,860)		(3,402,860)
(505,558)		(505,558)
<u>(17,818,889)</u>		<u>(17,818,889)</u>
	(3,540,690)	(3,540,690)
	6,826,228	6,826,228
	23,147	23,147
	(1,199,279)	(1,199,279)
	755,315	755,315
	<u>(3,421,876)</u>	<u>(3,421,876)</u>
	(557,155)	(557,155)
<u>(17,818,889)</u>	<u>(557,155)</u>	<u>(18,376,044)</u>
24,613,358		24,613,358
1,808,148		1,808,148
12,587,019		12,587,019
2,978,844		2,978,844
437,246		437,246
7,934,004	1,865,321	9,799,325
929,596		929,596
<u>51,288,215</u>	<u>1,865,321</u>	<u>53,153,536</u>
<u>33,469,326</u>	<u>1,308,166</u>	<u>34,777,492</u>
<u>513,456,376</u>	<u>324,828,873</u>	<u>838,285,249</u>
<u>(34,694,463)</u>	<u>42,394,694</u>	<u>7,700,231</u>
<u>478,761,913</u>	<u>367,223,567</u>	<u>845,985,480</u>
<u>\$ 512,231,239</u>	<u>\$ 368,531,733</u>	<u>\$ 880,762,972</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 2006. 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, 2006**

	General Fund	Plan C	North East Industrial Plan Area
ASSETS			
Cash and investments	\$ 22,367,710	\$ 30,873,498	\$ 8,895,266
Cash and investments with fiscal agents			
Accounts receivable	2,827,688		
Interest receivable	264,048	349,672	87,515
Prepaid items	13,320		
Loans receivable	580,082		
Due from other funds	1,716,744		
Advances to other funds	244,057		
Total Assets	<u>\$ 28,013,649</u>	<u>\$ 31,223,170</u>	<u>\$ 8,982,781</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,011,165	\$ 40,699	\$ 20,040
Due to other funds			
Deposits payable	2,867,847		
Unearned revenue	3,635,503		
Advances from other funds			11,248,612
Total Liabilities	<u>7,514,515</u>	<u>40,699</u>	<u>11,268,652</u>
Fund Balances:			
Reserved for projects			
Reserved for encumbrances	760,528	2,945,423	397,970
Reserved for prepaid items	13,320		
Reserved for debt service			
Reserved for low/moderate income housing			
Reserved for advances	244,057		
Unreserved reported in:			
General fund	19,481,229		
Special revenue funds			
Capital projects funds		28,237,048	(2,683,841)
Total Fund Balances	<u>20,499,134</u>	<u>31,182,471</u>	<u>(2,285,871)</u>
Total Liabilities and Fund Balances	<u>\$ 28,013,649</u>	<u>\$ 31,223,170</u>	<u>\$ 8,982,781</u>

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

Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 7,648,233	\$ 88,106,459	\$ 157,891,166
3,900,768	27,773,209	31,673,977
42,677	3,306,068	6,176,433
76,347	750,024	1,527,606
		13,320
	5,129,584	5,709,666
	26,190	1,742,934
	82,300	326,357
<u>\$ 11,668,025</u>	<u>\$ 125,173,834</u>	<u>\$ 205,061,459</u>
\$ 727,765	\$ 4,921,139	\$ 6,720,808
	1,241,332	1,241,332
	2,108,851	4,976,698
	5,261,630	8,897,133
	82,300	11,330,912
<u>727,765</u>	<u>13,615,252</u>	<u>33,166,883</u>
	1,569,222	1,569,222
	26,723,398	30,827,319
		13,320
10,940,260	2,874,472	13,814,732
	4,458,436	4,458,436
	82,300	326,357
		19,481,229
	27,491,391	27,491,391
	48,359,363	73,912,570
<u>10,940,260</u>	<u>111,558,582</u>	<u>171,894,576</u>
<u>\$ 11,668,025</u>	<u>\$ 125,173,834</u>	<u>\$ 205,061,459</u>

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2006

Fund balances of governmental funds \$ 171,894,576

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

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet. (These do not include Internal Service Assets)

Capital assets	\$ 415,258,525	
Less: accumulated depreciation	<u>(31,212,492)</u>	384,046,033

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.

Deferred charges	4,285,470	
Less: accumulated amortization	<u>(366,298)</u>	3,919,172

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. (Does not include Internal Service Fund) (1,086,943)

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

Compensated absences (Does not include Internal Service fund)	(2,284,139)	
Certificates of participation	(13,025,000)	
Bonds payable	<u>(54,070,000)</u>	(69,379,139)

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. 17,331,204

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue. 5,261,630

In governmental funds, other long-term assets are not available to pay for current-period expenditures:

Accounts receivable		<u>244,706</u>
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Net assets of governmental activities \$ 512,231,239

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, 2006**

	General	Plan C	North East Industrial Plan Area
REVENUES			
Taxes and assessments	\$ 32,161,855	\$ -	\$ -
Licenses, permits, and fees	3,568,889		
Fines and penalties	290,367		
Use of money and property	3,295,904	787,994	33,549
Intergovernmental	1,491,167		
Charges for services	4,876,721		
Special assessments	403,735	2,168,117	1,877,436
Contributions			279,950
Other revenues	1,212,777		
Total Revenues	47,301,415	2,956,111	2,190,935
EXPENDITURES			
Current:			
General government			
City clerk	209,496		
City council	89,797		
City attorney	677,064		
City treasurer	291,763		
Administration	926,756		
Human resources	782,867		
Finance	1,429,678		
Non-departmental	199,440		
Public safety			
Police	15,825,902		
Fire	6,596,040		
Public works			
Development and engineering	5,997,533		
Public works	3,506,552		
Culture and leisure			
Parks and community services	3,008,705		
Capital outlay	109,130	17,442,218	821,936
Debt service:			
Principal payments			
Interest and fiscal charges			400,085
Intergovernmental expenditures			
Total Expenditures	39,650,723	17,442,218	1,222,021
Excess of revenues over (under) expenditures	7,650,692	(14,486,107)	968,914
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(7,680,877)		
Total Other Financing Sources (Uses)	(7,680,877)		
Net Change in Fund Balances	(30,185)	(14,486,107)	968,914
Fund Balances, July 1, 2005	19,800,007	45,668,578	(2,818,258)
Prior Period Adjustments	729,312		(436,527)
Fund Balances, July 1, 2005, Restated	20,529,319	45,668,578	(3,254,785)
Fund Balances, June 30, 2006	\$ 20,499,134	\$ 31,182,471	\$ (2,285,871)

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

Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 7,943,581	\$ -	\$ 40,105,436
	119,577	3,688,466
		290,367
289,332	3,072,077	7,478,856
703,002	14,753,427	16,947,596
	164,291	5,041,012
	6,346,611	10,795,899
	14,016,212	14,296,162
	1,470,812	2,683,589
<u>8,935,915</u>	<u>39,943,007</u>	<u>101,327,383</u>
		209,496
		89,797
		677,064
		291,763
	64,645	991,401
		782,867
		1,429,678
	29,388	228,828
	7,706	15,833,608
	5,605,638	12,201,678
	6,107,636	12,105,169
	173,500	3,680,052
		3,008,705
	23,279,682	41,652,966
980,000	410,000	1,390,000
2,739,269	709,147	3,848,501
2,569,736		2,569,736
<u>6,289,005</u>	<u>36,387,342</u>	<u>100,991,309</u>
<u>2,646,910</u>	<u>3,555,665</u>	<u>336,074</u>
	11,595,192	11,595,192
<u>(3,914,315)</u>		<u>(11,595,192)</u>
<u>(3,914,315)</u>	<u>11,595,192</u>	
<u>(1,267,405)</u>	<u>15,150,857</u>	<u>336,074</u>
12,207,665	96,386,421	171,244,413
	21,304	314,089
<u>12,207,665</u>	<u>96,407,725</u>	<u>171,558,502</u>
<u>\$ 10,940,260</u>	<u>\$ 111,558,582</u>	<u>\$ 171,894,576</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, 2006**

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	\$	336,074
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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.

Issuance of loans, new		1,847,845
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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	\$ 34,720,644	
Depreciation expense not reported in governmental funds	<u>(4,437,094)</u>	30,283,550

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	1,390,000	
Amortization of deferred charges	<u>(141,279)</u>	1,248,721

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	13,278	
Accrued interest receivable	92,282	
Compensated absences	(89,901)	
Accounts receivable	<u>(142,377)</u>	(126,718)

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.

		<u>(120,146)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>33,469,326</u>
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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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Taxes	\$ 29,343,600	\$ 29,343,600	\$ 32,161,855	\$ 2,818,255
Licenses, permits, and fees	4,072,700	4,072,700	3,568,889	(503,811)
Fines and forfeitures	326,000	300,000	290,367	(9,633)
Use of money and property	984,000	984,000	3,295,904	2,311,904
Intergovernmental	1,676,140	1,697,093	1,491,167	(205,926)
Charges for services	5,033,970	5,298,270	4,876,721	(421,549)
Other revenues	1,016,440	1,067,406	1,212,777	145,371
Special assessments	311,500	311,500	403,735	92,235
Total revenues	<u>42,764,350</u>	<u>43,074,569</u>	<u>47,301,415</u>	<u>4,226,846</u>
EXPENDITURES				
Current:				
General government:				
City clerk	266,890	266,890	209,496	57,394
City council	82,110	92,810	89,797	3,013
City attorney	691,820	691,820	677,064	14,756
City treasurer	293,430	293,430	291,763	1,667
Administration	1,098,990	1,073,050	926,756	146,294
Human resources	823,690	823,690	782,867	40,823
Finance	1,522,933	1,540,110	1,429,678	110,432
Non-departmental	284,690	239,389	199,440	39,949
Public safety:				
Police	16,814,566	16,860,264	15,825,902	1,034,362
Fire	6,794,829	6,835,620	6,596,040	239,580
Public works:				
Development and engineering	6,797,990	6,896,700	5,997,533	899,167
Public works	3,920,099	4,086,570	3,506,552	580,018
Culture and leisure:				
Parks and community services	3,255,933	3,404,237	3,008,705	395,532
Capital outlay	214,690	69,239	109,130	(39,891)
Total expenditures	<u>42,862,660</u>	<u>43,173,819</u>	<u>39,650,723</u>	<u>3,523,096</u>
Excess of revenues over (under) expenditures	<u>(98,310)</u>	<u>(99,250)</u>	<u>7,650,692</u>	<u>7,749,942</u>
Other financing sources (uses):				
Transfers out	(1,217,000)	(1,217,000)	(7,680,877)	(6,463,877)
Transfers in	1,240,000	1,240,000		(1,240,000)
Total other financing sources (uses)	<u>23,000</u>	<u>23,000</u>	<u>(7,680,877)</u>	<u>(7,703,877)</u>
Net Change in fund balance	<u>(75,310)</u>	<u>(76,250)</u>	<u>(30,185)</u>	<u>46,065</u>
Fund balance at beginning of fiscal year	19,800,007	19,800,007	19,800,007	
Prior period adjustments			729,312	729,312
Fund balance at beginning of fiscal year, restated	19,800,007	19,800,007	20,529,319	729,312
Fund balance at end of fiscal year	<u>\$ 19,724,697</u>	<u>\$ 19,723,757</u>	<u>\$ 20,499,134</u>	<u>\$ 775,377</u>

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MAJOR PROPRIETARY FUNDS

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 2006.

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, 2006**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 13,344,508	\$ -
Cash and investments with fiscal agents	381,834	2,962,077	
Accounts receivable - net	1,193,374	972,140	411,238
Interest receivable	110,992	91,751	
Prepaid items	270,995		
Due from other funds		4,436,245	
Total current assets	1,957,195	21,806,721	411,238
Noncurrent:			
Loans receivable			
Deferred charges, net of amortization		222,972	
Advances to other funds	12,282,037		
	12,282,037	222,972	
Capital Assets:			
Nondepreciable			
Land	29,015	932,681	15,826
Construction in progress	34,956,792	62,333,345	354,650
Total nondepreciable capital assets	34,985,807	63,266,026	370,476
Depreciable			
Infrastructure	14,890,048	14,275,644	
Buildings	21,918,816	49,720,529	970,510
Improvements	99,185,169	67,952,621	4,190,098
Equipment	4,716,500	2,614,024	28,704
Intangibles	59,946,414		169,589
Total depreciable capital assets	200,656,947	134,562,818	5,358,901
Less accumulated depreciation	(59,354,705)	(58,658,689)	(3,191,791)
Net depreciable capital assets	141,302,242	75,904,129	2,167,110
Net capital assets	176,288,049	139,170,155	2,537,586
Total noncurrent assets	188,570,086	139,393,127	2,537,586
Total assets	\$ 190,527,281	\$ 161,199,848	\$ 2,948,824

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
\$ 3,970,180	\$ 56,843	\$ 2,312,708	\$ 19,684,239	\$ 12,757,607
			3,343,911	
1,707,901	549,039	44,226	4,877,918	1,302
47,093	1,041	23,523	274,409	117,184
	925		271,920	21,680
			4,436,245	
5,725,174	607,848	2,380,457	32,888,642	12,897,773
				112,822
			222,972	
			12,282,037	
			12,505,009	112,822
		4,318,335	5,295,857	
	1,158,546	469,833	99,273,166	
	1,158,546	4,788,168	104,569,023	
		40,928,084	70,093,776	
	1,549,367		74,159,222	266,462
	122,723	31,034,091	202,484,702	554,752
42,871	1,586,034	79,218	9,067,351	13,470,580
			60,116,003	
42,871	3,258,124	72,041,393	415,921,054	14,291,794
(24,186)	(1,210,961)	(18,751,642)	(141,191,974)	(8,615,480)
18,685	2,047,163	53,289,751	274,729,080	5,676,314
18,685	3,205,709	58,077,919	379,298,103	5,676,314
18,685	3,205,709	58,077,919	391,803,112	5,789,136
\$ 5,743,859	\$ 3,813,557	\$ 60,458,376	\$ 424,691,754	\$ 18,686,909

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS (Continued)
 June 30, 2006**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,603,699	\$ 544,425	\$ 40,948
Unearned revenue			
Deposits payable	124,610	4,000	24,186
Due to other funds	4,436,245		274,945
Accrued interest payable	40,186	117,621	5,704
Claims payable			
Current portion - long-term debt	3,440,000	290,000	14,273
Total current liabilities	<u>10,644,740</u>	<u>956,046</u>	<u>360,056</u>
Noncurrent Liabilities:			
Advances from other funds			1,277,482
Capital lease payable			
Notes payable	5,447,915		157,285
Revenue bonds payable	330,000	33,215,000	
Compensated absences	211,178	86,817	5,550
Total noncurrent liabilities	<u>5,989,093</u>	<u>33,301,817</u>	<u>1,440,317</u>
Total Liabilities	<u>16,633,833</u>	<u>34,257,863</u>	<u>1,800,373</u>
NET ASSETS			
Investment in capital assets, net of related debt	167,451,968	108,850,204	2,366,028
Restricted for debt service	381,834	337,681	
Restricted for projects		2,624,396	
Unrestricted	6,059,646	15,129,704	(1,217,577)
Total Net Assets	<u>\$ 173,893,448</u>	<u>\$ 126,941,985</u>	<u>\$ 1,148,451</u>

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

Solid Waste	Enterprise Funds			Governmental Activities - Internal Service Funds
	Municipal Transit	Drainage	Totals	
\$ 1,315,712	\$ 68,131 212,678	\$ 23,041 1,786,973	\$ 4,595,956 212,678 1,939,769 4,711,190 163,511 3,744,273	\$ 241,348 13,911 406,758
<u>1,315,712</u>	<u>280,809</u>	<u>1,810,014</u>	<u>15,367,377</u>	<u>662,017</u>
			1,277,482	641,339
1,663	4,501	55,253	5,605,200 33,545,000 364,962	52,349
<u>1,663</u>	<u>4,501</u>	<u>55,253</u>	<u>40,792,644</u>	<u>693,688</u>
<u>1,317,375</u>	<u>285,310</u>	<u>1,865,267</u>	<u>56,160,021</u>	<u>1,355,705</u>
18,685	3,205,709	58,077,919	339,970,513 719,515 2,624,396	5,034,975
<u>4,407,799</u>	<u>322,538</u>	<u>515,199</u>	<u>25,217,309</u>	<u>12,296,229</u>
<u>\$ 4,426,484</u>	<u>\$ 3,528,247</u>	<u>\$ 58,593,118</u>	<u>\$ 368,531,733</u>	<u>\$ 17,331,204</u>

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended June 30, 2006**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 12,474,950	\$ 8,435,981	\$ 263,760
Other operating revenues	13,343	35,360	351,456
Total Operating Revenues	<u>12,488,293</u>	<u>8,471,341</u>	<u>615,216</u>
Operating Expenses:			
Purchase of water	2,557,905		
Maintenance and operation	5,940,056	4,297,434	233,309
Administration	323,762	211,639	
Insurance costs and claims			
Depreciation	6,730,204	4,343,159	308,281
Total Operating Expenses	<u>15,551,927</u>	<u>8,852,232</u>	<u>541,590</u>
Operating Income (Loss)	<u>(3,063,634)</u>	<u>(380,891)</u>	<u>73,626</u>
Non-Operating Revenues (Expenses)			
Interest income	893,587	783,858	(2,608)
Interest expense	(477,056)	(1,429,186)	(50,479)
Grants and subsidies		7,634,005	
Gain on sale of capital assets			
Total Non-Operating Income (Loss)	<u>416,531</u>	<u>6,988,677</u>	<u>(53,087)</u>
Income (Loss) Before Contributions	(2,647,103)	6,607,786	20,539
Contributions		1,002,300	
Change in Net Assets	<u>(2,647,103)</u>	<u>7,610,086</u>	<u>20,539</u>
Net Assets, July1, 2005	170,985,652	106,360,430	1,331,644
Prior Period Adjustments	5,554,899	12,971,469	(203,732)
Net Assets, July 1, 2005, Restated	<u>176,540,551</u>	<u>119,331,899</u>	<u>1,127,912</u>
Net Assets, June 30, 2006	<u>\$ 173,893,448</u>	<u>\$ 126,941,985</u>	<u>\$ 1,148,451</u>

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

Enterprise Funds				Governmental Activities- Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
\$ 15,147,289	\$ 108,955	\$ 518,769	\$ 36,949,704	\$ 6,475,614
20,245	657,547	16,485	1,094,436	775,682
15,167,534	766,502	535,254	38,044,140	7,251,296
			2,557,905	
16,358,838	1,121,182	603,814	28,554,633	3,068,061
			535,401	454,812
				2,749,962
7,975	317,136	3,353,316	15,060,071	1,443,686
16,366,813	1,438,318	3,957,130	46,708,010	7,716,521
(1,199,279)	(671,816)	(3,421,876)	(8,663,870)	(465,225)
142,772	(3,691)	51,403	1,865,321	182,103
	124,026		(1,956,721)	(17,787)
			7,758,031	180,763
142,772	120,335	51,403	7,666,631	345,079
(1,056,507)	(551,481)	(3,370,473)	(997,239)	(120,146)
	1,303,105		2,305,405	
(1,056,507)	751,624	(3,370,473)	1,308,166	(120,146)
5,482,991	3,101,676	37,566,480	324,828,873	16,752,250
	(325,053)	24,397,111	42,394,694	699,100
5,482,991	2,776,623	61,963,591	367,223,567	17,451,350
\$ 4,426,484	\$ 3,528,247	\$ 58,593,118	\$ 368,531,733	\$ 17,331,204

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2006**

	Enterprise Funds	
	Water Utility	Sewer Utility
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 12,145,288	\$ 8,172,756
Payments to suppliers and users	(4,332,200)	(2,491,656)
Payments to employees	(2,130,444)	(1,470,689)
Net Cash Provided (Used) by Operating Activities	5,682,644	4,210,411
Cash Flows from Non-Capital Financing Activities:		
Advances to/from other funds	(1,175,037)	
Principal received on loans receivable		
Net Cash Provided (Used) by Non-Capital Financing Activities	(1,175,037)	
Cash Flows from Capital and Related Financing Activities:		
Capital grants received		7,634,005
Acquisitions of capital assets	(20,401,512)	(35,449,248)
Proceeds from capital lease		
Interest paid	(485,140)	(1,429,653)
Principal payments - long-term debt	(938,962)	(280,000)
Proceeds from sales of capital assets		
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,825,614)	(29,524,896)
Cash Flows from Investing Activities:		
Interest received	981,557	761,119
Net Cash Provided (Used) by Investing Activities	981,557	761,119
Net Increase (Decrease) in Cash and Cash Equivalents	(16,336,450)	(24,553,366)
Cash and Cash Equivalents, July 1, 2005	16,718,284	40,859,951
Cash and Cash Equivalents, June 30, 2006	\$ 381,834	\$ 16,306,585
Noncash Transactions		
Capital contributions	\$ -	\$ 1,002,300
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets		
Cash and investments	\$ -	\$ 13,344,508
Cash and investments with fiscal agents	381,834	2,962,077
Total Cash and Investments	\$ 381,834	\$ 16,306,585

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

Enterprise Funds					Governmental Activities - Internal Service Funds
Municipal Airport	Solid Waste	Municipal Transit	Drainage	Totals	
\$ 561,339	\$ 14,439,876	\$ 914,809	\$ 451,433	\$ 36,685,501	\$ 7,471,056
(139,920)	(15,778,032)	(1,003,034)	(568,120)	(24,312,962)	(4,869,870)
(59,177)	(97,459)	(109,771)	(132,260)	(3,999,800)	(1,347,928)
362,242	(1,435,615)	(197,996)	(248,947)	8,372,739	1,253,258
48,500				(1,126,537)	(112,822) 4,266
48,500				(1,126,537)	(108,556)
(385,501)		124,026 (339,721)	(44,672)	7,758,031 (56,620,654)	(1,580,364) 438,766
(9,225)				(1,924,018)	(11,629)
(13,408)				(1,232,370)	(62,772) 180,763
(408,134)		(215,695)	(44,672)	(52,019,011)	(1,035,236)
(2,608)	154,872	38	55,764	1,950,742	178,670
(2,608)	154,872	38	55,764	1,950,742	178,670
	(1,280,743)	(413,653)	(237,855)	(42,822,067)	288,136
	5,250,923	470,496	2,550,563	65,850,217	12,469,471
\$ -	\$ 3,970,180	\$ 56,843	\$ 2,312,708	\$ 23,028,150	\$ 12,757,607
\$ -	\$ -	\$ 1,303,105	\$ -	\$ 2,305,405	\$ -
\$ -	\$ 3,970,180	\$ 56,843	\$ 2,312,708	\$ 19,684,239 3,343,911	\$ 12,757,607
\$ -	\$ 3,970,180	\$ 56,843	\$ 2,312,708	\$ 23,028,150	\$ 12,757,607

(Continued)

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2006
 (Continued)**

	Enterprise Funds	
	Water Utility	Sewer Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (3,063,634)	\$ (380,891)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	6,730,204	4,343,159
(Increase) Decrease in Operating Assets:		
Accounts receivable	(75,430)	(299,085)
Prepaid items	(270,843)	
Increase (Decrease) in Operating Liabilities:		
Accounts payable	2,603,699	544,425
Due to other funds		
Compensated absences	26,223	2,303
Deposits payable	(267,575)	500
Unearned revenue		
Net Cash Provided (Used) by Operating Activities	\$ 5,682,644	\$ 4,210,411

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

Enterprise Funds					Governmental Activities - Internal Service Funds
Municipal Airport	Solid Waste	Municipal Transit	Drainage	Totals	
\$ 73,626	\$ (1,199,279)	\$ (671,816)	\$ (3,421,876)	\$ (8,663,870)	\$ (465,225)
308,281	7,975	317,136	3,353,316	15,060,071	1,443,686
(330,478)	(727,658)	(64,371) (925)	6,179	(1,490,843) (271,768)	219,760 (21,680)
28,662	481,684	9,727	(99,545)	3,568,652	66,474
273,549				273,549	
5,550	1,663	(425)	2,979	38,293	10,243
3,052			(90,000)	(354,023)	
		212,678		212,678	
<u>\$ 362,242</u>	<u>\$ (1,435,615)</u>	<u>\$ (197,996)</u>	<u>\$ (248,947)</u>	<u>\$ 8,372,739</u>	<u>\$ 1,253,258</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, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 8,368,084
Cash and investments, restricted	11,740
Cash and investments with fiscal agents, restricted	14,830,258
Interest receivable	65,858
Due from assessment district bondholders	<u>263</u>
Total Assets	<u>23,276,203</u>
LIABILITIES	
Due to other governments	13,388
Deposits payable	51,099
Due to assessment district bondholders	22,955,059
Due to other funds	226,657
Accounts payable	<u>30,000</u>
Total Liabilities	<u>23,276,203</u>
NET ASSETS	<u><u>\$ -</u></u>

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, 2006

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 44

For the fiscal year ended June 30, 2006, the City implemented GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section". This Statement is effective for the City for the fiscal period beginning after June 15, 2005. This Statement enhances and updates the statistical section that accompanies a local government's basic financial statements to reflect the significant changes that have taken place in the government. The statistical section comprises schedules presenting trend information about revenues and expenses, trend information about the government's significant revenue source, outstanding debt, economics and demographics, and operating information. Implementation of GASB Statement of GASB Statement No. 44 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2006, but required additional disclosures in the statistical section of the Comprehensive Annual Financial Report.

Governmental Accounting Standards Board Statement No. 46

For fiscal year June 30, 2006, the City implemented Governmental Accounting Standard Board Statement No. 46, "Net assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34". This Statement is effective for fiscal periods beginning after June 15, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction in one that a party external to the City – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2006, but required additional disclosure related to restricted net assets.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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.

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 Internal service funds account for charges 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 pays property enhancement and rehabilitation 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds (Continued)

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.

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, and proprietary funds financial statements are reported using the *economic resources measurement focus* and along with fiduciary funds using 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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.

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*.

Internal service funds are used to account for charges to various funds and/or departments for costs such as insurance, maintenance, and equipment acquisition.

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, 2006

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, 2006

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 (infrastructure \$50,000).

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. Depreciation is calculated using the straight line method which depreciates evenly over the assets' useful life. 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, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Compensated absences are accrued as earned by employees, and consist only of vacation leave. 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; as these liabilities represent the matured value due to retirement or resignations; 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, 2006, those costs for 27 retirees totaled \$138,029, and the total liability amount is \$842,069.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Cash, Cash Equivalents, and Investments

1. Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

2. Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

3. State Investment Pool

The City participates in the Local Agency Investment funds (LAIF) , an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

4. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash investments of the proprietary fund types are pooled with the City's pooled cash and investments.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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

A. Budgetary Information (Continued)

The City does not adopt budgets for the Economic Uncertainty, Residential and Commercial Rehabilitation loan, and Traffic Conjunction Relief Special Revenue Funds, and Capital Project funds.

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 \$2,285,871 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 \$5,094 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 \$76,251 exists in the Community Access CTV Fund. The deficit is due to the City incurring costs in excess of revenues.

C. Excess of Expenditures over Appropriations

Major Governmental Funds:

Plan "C" Capital Projects Fund	\$ 11,877,518
Community Development Agency Debt Service Fund	1,574,855

Nonmajor Governmental Funds:

South County Fire Authority Fund	143,376
Business Improvement District Fund	2,117

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 190,333,012
Cash and investments with Fiscal Agents	35,017,888
Fiduciary funds:	
Cash and investments	8,368,084
Cash and investments with Fiscal Agents	14,830,258
Cash and investments, restricted	11,740
Total cash and investments	<u>\$ 248,560,982</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$	3,460
Deposits with financial institutions		19,611,468
Investments		228,946,054
Total cash and investments	\$	248,560,982

A. Investments Authorized by the California Government Code and the City'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.

<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%

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND INVESTMENTS (Continued)

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 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

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:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	\$ 24,842,680	\$ 3,171,236	\$ 5,879,136	\$ 10,152,674	\$ 2,861,484	\$ 2,778,150	\$ -
Money Market Funds	1,503,087	1,503,087					
Federal Agency Securities	86,572,632	23,519,187	27,043,245	16,411,168	13,821,668	5,777,364	
Corporate Medium Term Notes	40,377,583	11,108,285	8,147,596	13,141,911	7,979,791		
Commercial Paper	8,527,956	8,527,956					
Negotiable Time Deposits	4,183,614	4,183,614					
Mortgage-backed Securities	3,930,623		1,340,513	1,301,739	1,288,371		
State Investment Pool	9,159,733	9,159,733					
Held by Bond Trustees:							
Money Market Funds	19,882,135	19,882,135					
Investment Contracts	28,717,503	9,612,428		11,403,872			7,701,203
State Investment Pool	1,248,508	1,248,508					
	<u>\$ 228,946,054</u>	<u>\$ 91,916,169</u>	<u>\$ 42,410,490</u>	<u>\$ 52,411,364</u>	<u>\$ 25,951,314</u>	<u>\$ 8,555,514</u>	<u>\$ 7,701,203</u>

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.	\$ 3,930,623

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Disclosures Relating to Credit Risk (Continued)

<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	\$ 24,842,680	N/A	\$ 24,842,680	\$ -	\$ -	\$ -	\$ -
Money Market Funds	1,503,087	N/A		1,503,087			
Federal agency securities	86,572,632	N/A		86,572,632			
Corporate medium term notes	40,377,583	N/A		2,749,057	15,840,922	21,787,604	
Commercial paper	8,527,956	N/A				8,527,956	
Negotiable time deposits	4,183,614	N/A				4,000,758	182,856
Mortgage-backed securities	3,930,623	N/A		3,930,623			
State investment pool	9,159,733	N/A					9,159,733
Held by bond trustee:							
Money market funds	19,882,135	N/A		19,882,135			
Investment contracts	28,717,503	N/A					28,717,503
State investment pool	1,248,508	N/A					1,248,508
Total	\$ 228,946,054		\$ 24,842,680	\$ 114,637,534	\$ 15,840,922	\$ 34,316,318	\$ 39,308,600

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	\$ 25,462,044
FNMA	Federal agency securities	29,983,939
Federal Home Loan Bank	Federal agency securities	29,376,166

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:

\$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.

\$21,859,087 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, CFPI, and Aegon investment companies. Maturity on these investments is October 1, 2007, July 1, 2006, and August 1, 2008 respectively.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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

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, 2006, \$24,135,909 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2006, 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 Amount</u>
U.S. Treasury Notes	\$ 24,842,680
Federal agency securities	86,572,632
Corporate medium term notes	40,377,583
Commercial paper	8,527,956
Mortgage-backed securities	3,930,623
Money market funds	1,057,693

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.

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, 2006.

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, 2006, principal and accrued interest totaled \$773,430.

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, 2006, principal and accrued interest totaled \$2,268,192.

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.

The City loaned 4 individuals \$78,025 from the Low and Moderate Income Housing Fund of the Redevelopment Agency. The loans have been authorized for each of the recipients as part of the housing rehabilitation program. The Redevelopment Agency is the beneficiary of the promissory notes issued, recorded, and secured by real property. The loans are for a period of 5 years and are fully amortized at a rate of 3% per annum.

The City, through the Low and Moderate Income Housing Fund of the Redevelopment Agency has entered into a loan agreement (a below market deferred loan) with City Development, Inc for an amount not to exceed \$4,404,512 to be used as a gap financing instrument for the development of a 50 unit affordable senior housing complex. The loan is a 1%, 40 years loan. As of June 30, 2006, the developer has drawn \$1,807,493 off the loan.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 – LOANS RECEIVABLE (Continued)

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, 2006, employees had \$112,822 in loans due to the City.

C. Housing Loan (Related Party)

The City of Tracy loaned \$595,000 to its new City Manger (Related Party). The proceeds from the loan were to assist in the purchase of a home within the City. The loan is a 30 year fully amortized loan with monthly payments of \$2,354 including principal and interest at the average of the prevailing LAIF rate (2.38% as of June 30, 2006). The balance of the loan as of June 30, 2006 is \$580,082.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance at June 30, 2006</u>
Governmental Activities					
Nondepreciable Capital Assets:					
Land	\$ 78,529,638	\$ 3,077,761	\$ -	584,796	\$ 82,192,195
Roads accounted for using the modified approach	166,554,973	7,679,891		15,253,738	189,488,602
Construction in progress	<u>52,984,571</u>	<u>17,077,098</u>		<u>(36,941,114)</u>	<u>33,120,555</u>
Total Nondepreciable Capital Assets	<u>298,069,182</u>	<u>27,834,750</u>		<u>(21,102,580)</u>	<u>304,801,352</u>
Depreciable Capital Assets:					
Buildings and improvements	57,748,026	5,495,245		(2,340,323)	60,902,948
Grading, curb & gutter, sidewalk, and driveway approaches	22,819,220	1,064,490		83,885	23,967,595
Traffic signals	12,963,542	790,819		333,793	14,088,154
Street drainage	30,196,728			(30,196,728)	
Equipment	18,695,844	1,877,858	(255,101)	515,734	20,834,335
Infrastructure				4,955,935	4,955,935
Total Depreciable Capital Assets	<u>142,423,360</u>	<u>9,228,412</u>	<u>(255,101)</u>	<u>(26,647,704)</u>	<u>124,748,967</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:
(Continued)

	Balance at July 1, 2005	Additions	Deletions	Prior Period Adjustments and Transfers	Balance at June 30, 2006
Governmental Activities					
(Continued)					
Accumulated Depreciation:					
Buildings and improvements	\$ (19,846,904)	\$ (22,593)	\$ -	\$ 4,113,320	\$ (15,756,177)
Grading, curbs & gutters, sidewalks and driveway approaches	(5,240,457)	(588,925)			(5,829,382)
Traffic signals	(2,353,488)	(3,072,378)			(5,425,866)
Street drainage	(9,452,626)			9,452,626	
Equipment	(10,144,173)	(2,196,884)	255,101		(12,085,956)
Infrastructure				(730,591)	(730,591)
Total Accumulated Depreciation	<u>(47,037,648)</u>	<u>(5,880,780)</u>	<u>255,101</u>	<u>12,835,355</u>	<u>(39,827,972)</u>
Net Depreciable Capital Assets	95,385,712	3,347,632		(13,812,349)	84,920,995
Net Governmental Capital Assets	<u>\$ 393,454,894</u>	<u>\$ 31,182,382</u>	<u>\$ -</u>	<u>\$ (34,914,929)</u>	<u>\$ 389,722,347</u>
Business-type Activities					
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 194,071	\$ -	\$ -	\$ (165,056)	\$ 29,015
Construction in progress	79,369,282	23,975,537		(68,388,027)	34,956,792
Total Nondepreciable Capital Assets	<u>79,563,353</u>	<u>23,975,537</u>		<u>(68,553,083)</u>	<u>34,985,807</u>
Depreciable Capital Assets:					
Intangible assets		349,343		59,597,071	59,946,414
Infrastructure	9,945,524	1,741,387		3,203,137	14,890,048
Buildings	22,770,724	266,760		(1,118,668)	21,918,816
Improvements	87,500,627	4,974		11,679,568	99,185,169
Equipment	4,636,294	80,205		1	4,716,500
Total Depreciable Capital Assets	<u>124,853,169</u>	<u>2,442,669</u>		<u>73,361,109</u>	<u>200,656,947</u>
Accumulated Depreciation:					
Infrastructure	(519,127)	(406,389)			(925,516)
Buildings	(15,515,149)	(1,201,705)			(16,716,854)
Improvements	(30,842,322)	(2,992,425)		(2,049,510)	(35,884,257)
Equipment	(3,698,393)	(236,889)			(3,935,282)
Intangibles		(1,892,796)			(1,892,796)
Total Accumulated Depreciation	<u>(50,574,991)</u>	<u>(6,730,204)</u>		<u>(2,049,510)</u>	<u>(59,354,705)</u>
Net Depreciable Capital Assets	<u>74,278,178</u>	<u>(4,287,535)</u>		<u>71,311,599</u>	<u>141,302,242</u>
Net Water Utility Capital Assets	<u>\$ 153,841,531</u>	<u>\$ 19,688,002</u>	<u>\$ -</u>	<u>\$ 2,758,416</u>	<u>\$ 176,288,049</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2006, was as follows: (Continued)

	Balance at July 1, 2005	Additions	Deletions	Prior Period Adjustments and Transfers	Balance at June 30, 2006
Business-type Activities (Continued)					
Municipal Transit					
Nondepreciable Capital Assets:					
Construction in progress	\$ 9,889	\$ 201,100	\$ -	\$ 947,557	\$ 1,158,546
Total Nondepreciable Capital Assets	9,889	201,100		947,557	1,158,546
Depreciable Capital Assets:					
Buildings	1,551,306	4,775		(6,714)	1,549,367
Equipment	1,395,738	190,296			1,586,034
Improvements				122,723	122,723
Total Depreciable Capital Assets	2,947,044	195,071		116,009	3,258,124
Accumulated depreciation:					
Buildings	(107,075)	(219,434)			(326,509)
Equipment	(644,786)	(94,284)		(141,964)	(881,034)
Improvements		(3,418)			(3,418)
Total Accumulated Depreciation	(751,861)	(317,136)		(141,964)	(1,210,961)
Net Depreciable Capital Assets	2,195,183	(122,065)		(25,955)	2,047,163
Net Transit Capital Assets	\$ 2,205,072	\$ 79,035	\$ -	\$ 921,602	\$ 3,205,709
Sewer Utility					
Nondepreciable Capital Assets:					
Land	\$ 932,681	\$ -	\$ -	\$ -	\$ 932,681
Construction in progress	38,125,814	32,411,738		(8,204,207)	62,333,345
Total Nondepreciable Capital Assets	39,058,495	32,411,738		(8,204,207)	63,266,026
Depreciable Capital Assets:					
Infrastructure	9,019,093	1,527,066	-	3,729,485	14,275,644
Buildings	42,780,419			6,940,110	49,720,529
Improvements	67,586,058			366,563	67,952,621
Equipment	2,243,315	53,778		316,931	2,614,024
Total Depreciable Capital Assets	121,628,885	1,580,844		11,353,089	134,562,818
Accumulated Depreciation:					
Infrastructure	(460,752)	(547,939)			(1,008,691)
Buildings	(28,151,574)	(1,756,235)			(29,907,809)
Improvements	(24,081,962)	(1,775,901)			(25,857,863)
Equipment	(1,621,242)	(263,084)			(1,884,326)
Total Accumulated Depreciation	(54,315,530)	(4,343,159)			(58,658,689)
Net Depreciable Capital Assets	67,313,355	2,762,315		11,353,089	75,904,129
Net Sewer Utility Capital Assets	\$ 106,371,850	\$ 29,649,423	\$ -	\$ 3,148,882	\$ 139,170,155

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:
(Continued)

	Balance at July 1, 2005	Additions	Deletions	Prior Period Adjustments and Transfers	Balance at June 30, 2006
Business-type Activities (Continued)					
Municipal Airport					
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	369,606	354,650		(369,606)	354,650
Total Nondepreciable Capital Assets	<u>385,432</u>	<u>354,650</u>		<u>(369,606)</u>	<u>370,476</u>
Depreciable Capital Assets:					
Buildings	939,659	30,851			970,510
Improvements	3,990,081			200,017	4,190,099
Equipment	28,704				28,704
Intangibles				169,589	169,589
Total Depreciable Capital Assets	<u>4,958,444</u>	<u>30,851</u>		<u>369,606</u>	<u>5,358,900</u>
Accumulated Depreciation:					
Buildings	(260,893)	(32,618)			(293,511)
Improvements	(2,548,409)	(236,326)			(2,784,735)
Equipment	(28,701)	(3)			(28,704)
Intangibles		(39,334)		(45,507)	(84,845)
Total Accumulated Depreciation	<u>(2,838,003)</u>	<u>(308,281)</u>			<u>(3,191,790)</u>
Net Depreciable Capital Assets	<u>2,120,441</u>	<u>(277,430)</u>		<u>324,099</u>	<u>2,167,110</u>
Net Airport Capital Assets	<u>\$ 2,505,873</u>	<u>\$ 77,220</u>	<u>\$ -</u>	<u>\$ (45,507)</u>	<u>\$ 2,537,586</u>
Solid Waste					
Depreciable Capital Assets:					
Equipment	\$ 42,871	\$ -	\$ -	\$ -	\$ 42,871
Accumulated Depreciation:					
Equipment	(16,211)	(7,975)			(24,186)
Net Solid Waste Capital Assets	<u>\$ 26,660</u>	<u>\$ (7,975)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,685</u>
Drainage					
Nondepreciable Capital Assets:					
Land	\$ 5,592,175	\$ -	\$ -	\$ (1,273,840)	\$ 4,318,335
Construction in progress	13,523,148	312,893		(13,366,208)	469,833
Total Nondepreciable Capital Assets	<u>19,115,323</u>	<u>312,893</u>		<u>(14,640,048)</u>	<u>4,788,166</u>
Depreciable Capital Assets:					
Improvements	13,228,263			17,805,828	31,034,091
Infrastructure	7,711,161	1,035,622		32,181,301	40,928,084
Equipment	79,218				79,218
Total Depreciable Capital Assets	<u>21,018,642</u>	<u>1,035,622</u>		<u>49,987,129</u>	<u>72,041,393</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:
(Continued)

	Balance at July 1, 2005	Additions	Deletions	Prior Period Adjustments and Transfers	Balance at June 30, 2006
Business-type Activities (Continued)					
Accumulated Depreciation:					
Improvements	\$ (2,346,477)	\$ (1,499,415)	\$ -	\$ (2,801,188)	\$ (6,647,0
Infrastructure	(771,116)	(1,849,554)		(9,452,626)	(12,073,2
Equipment	(26,919)	(4,347)			(31,2
Total Accumulated Depreciation	<u>(3,144,512)</u>	<u>(3,353,316)</u>		<u>(12,253,814)</u>	<u>(18,751,6</u>
Net Depreciable Capital Assets	<u>17,874,130</u>	<u>(2,317,694)</u>		<u>37,733,315</u>	<u>53,289,7</u>
Net Drainage Capital Assets	<u>\$ 36,989,453</u>	<u>\$ (2,004,801)</u>	<u>\$ -</u>	<u>\$ 23,093,267</u>	<u>\$ 58,077,9</u>
Total Business-type Activities					
Nondepreciable Capital Assets:					
Land	\$ 6,734,753	\$ -	\$ -	\$ (1,438,896)	\$ 5,295,8
Construction in progress	131,397,739	57,255,918		(89,380,491)	99,273,1
Total Nondepreciable Capital Assets	<u>138,132,492</u>	<u>57,255,918</u>		<u>(90,819,387)</u>	<u>104,569,0</u>
Depreciable Capital Assets:					
Infrastructure	26,675,778	4,304,075		39,113,923	70,093,7
Buildings	68,042,108	302,386		5,814,728	74,159,2
Improvements	172,305,029	4,974		30,174,699	202,484,7
Equipment	8,426,140	324,279		316,932	9,067,3
Intangibles		349,343		59,766,660	60,116,0
Total Depreciable Capital Assets	<u>275,449,055</u>	<u>5,285,057</u>		<u>135,186,942</u>	<u>415,921,0</u>
Accumulated Depreciation:					
Infrastructure	(1,750,995)	(2,803,882)		(9,452,626)	(14,007,5
Buildings	(44,034,691)	(3,209,992)			(47,244,6
Improvements	(59,819,170)	(6,507,485)		(4,850,698)	(71,177,3
Equipment	(6,036,252)	(606,582)		(141,964)	(6,784,7
Intangibles		(1,932,130)		(45,507)	(1,977,6
Total Accumulated Depreciation	<u>(111,641,108)</u>	<u>(15,060,071)</u>		<u>(14,490,795)</u>	<u>(141,191,9</u>
Net Depreciable Capital Assets	<u>163,807,947</u>	<u>(9,775,014)</u>		<u>120,696,147</u>	<u>274,729,0</u>
Net Business-type Capital Assets	<u>\$ 301,940,439</u>	<u>\$ 47,480,904</u>	<u>\$ -</u>	<u>\$ 29,876,760</u>	<u>\$ 379,298,1</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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 administration	\$ 143,191
Police	348,252
Fire	28,456
Development and engineering	629,712
Public works	3,488,195
Parks and recreation	737,416
Unallocated	<u>505,558</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 5,880,780</u>
Business-type Activities:	
Water utility	6,730,204
Sewer utility	4,343,159
Municipal airport	308,281
Solid waste	7,975
Municipal transit	317,136
Drainage	<u>3,353,316</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 15,060,071</u>

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 2006, the City expended \$14,874,752 to preserve its roads. The City estimates that it will be required to expend approximately \$4,244,964 in the fiscal year 2007 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 (i.e. one fund loaning funds to pay for current expenditures) 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, 2006.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

C. Interfund Transfers

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General Fund	\$ -	\$ 7,680,877
Community Development Agency Debt Service Fund		3,914,315
Nonmajor Governmental Funds:		
Economic Uncertainty Fund	6,493,877	
Infill Projects Fund	2,314,730	
Community Development Agency Housing Fund	1,524,585	
Parks COP Fund	290,000	
Regional Mall Improvement Fund	897,000	
Community Development Agency Construction Fund	75,000	
Totals	\$ 11,595,192	\$ 11,595,192

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 portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2006, total \$2,336,488 for governmental activities and \$364,962 for business-type activities.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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.

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.

During the 2004-05 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, 2006 was \$54,070,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 1,005,000	\$ 2,707,669	\$ 3,712,669
2008	1,035,000	2,681,719	3,716,719
2009	1,065,000	2,646,419	3,711,419
2010	1,105,000	2,609,219	3,714,219
2011	1,145,000	2,565,919	3,710,919
2012-2016	6,520,000	12,036,414	18,556,414
2017-2021	8,165,000	10,396,881	18,561,881
2022-2026	10,460,000	8,110,841	18,570,841
2027-2031	13,540,000	5,028,198	18,568,198
2032-2034	10,030,000	1,115,818	11,145,818
	<u>\$ 54,070,000</u>	<u>\$ 49,899,097</u>	<u>\$ 103,969,097</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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, 2006 was \$2,270,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	170,000	112,956	282,956
2012-2016	1,025,000	381,269	1,406,269
2017-2018	510,000	51,344	561,344
	<u>\$ 2,270,000</u>	<u>\$ 1,091,904</u>	<u>\$ 3,361,904</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, 2006 was \$10,755,000. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 295,000	\$ 531,713	\$ 826,713
2008	305,000	518,660	823,660
2009	320,000	504,750	824,750
2010	335,000	489,845	824,845
2011	350,000	473,915	823,915
2012-2016	1,975,000	2,094,913	4,069,913
2017-2021	2,505,000	1,529,884	4,034,884
2022-2026	3,170,000	805,906	3,975,906
2027-2028	1,500,000	77,644	1,577,644
	<u>\$ 10,755,000</u>	<u>\$ 7,027,230</u>	<u>\$ 17,782,230</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 Plant. 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 1993 bonds at June 30, 2006 was \$645,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 315,000	\$ 31,448	\$ 346,448
2008	330,000	16,170	346,170
	<u>\$ 645,000</u>	<u>\$ 47,618</u>	<u>\$ 692,618</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, 2006 was \$2,510,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

2003 Wastewater Revenue Refunding Bonds (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 290,000	\$ 65,633	\$ 355,633
2008	295,000	59,783	354,783
2009	300,000	53,458	353,458
2010	310,000	46,207	356,207
2011	315,000	37,608	352,608
2012-2014	1,000,000	51,479	1,051,479
	<u>\$ 2,510,000</u>	<u>\$ 314,168</u>	<u>\$ 2,824,168</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, 2006 was \$30,995,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	615,000	1,292,588	1,907,588
2012-2016	3,365,000	6,144,054	9,509,054
2017-2021	4,040,000	5,421,375	9,461,375
2022-2026	5,015,000	4,367,800	9,382,800
2027-2031	6,315,000	3,111,046	9,426,046
2032-2036	8,005,000	1,423,219	9,428,219
2037	1,840,000	43,700	1,883,700
	<u>\$ 30,955,000</u>	<u>\$ 27,116,983</u>	<u>\$ 58,071,983</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, 2006 was \$2,072,915. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ -	\$ -	\$ -
2008	145,910	103,646	249,556
2009	153,206	96,350	249,556
2010	160,866	88,690	249,556
2011	168,909	80,647	249,556
201-2016	979,997	267,783	1,247,780
2017-2018	464,027	35,085	499,112
	<u>\$ 2,072,915</u>	<u>\$ 672,201</u>	<u>\$ 2,745,116</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, 2006 was \$171,558. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	17,734	5,450	23,184
2012-2016	91,541	13,120	104,661
	<u>\$ 171,558</u>	<u>\$ 48,350</u>	<u>\$ 219,908</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, 2006 was \$1,500,000.

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 1,500,000	\$ 40,628	\$ 1,540,628
	<u>\$ 1,500,000</u>	<u>\$ 40,628</u>	<u>\$ 1,540,628</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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, 2006 was \$5,000,000.

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 1,625,000	\$ 193,801	\$ 1,818,801
2008		169,212	169,212
2009	3,375,000	122,962	3,497,962
	<u>\$ 5,000,000</u>	<u>\$ 485,975</u>	<u>\$ 5,485,975</u>

F. Installment Purchase Obligations

The City purchased equipment (fire truck) accounted for as a capital lease under an installment obligation. The cost of the equipment was \$512,684. The fire truck obligation is paid from Central Services and Equipment Acquisition Internal Service Fund revenues. The balance of the obligation at June 30, 2006 was \$202,573. Future installments payable are:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 64,953	\$ 7,802	\$ 72,755
2008	67,526	5,229	72,755
2009	70,094	2,663	72,757
	<u>\$ 202,573</u>	<u>\$ 15,694</u>	<u>\$ 218,267</u>

The City on December 20, 2005 purchased police communications equipment under a lease agreement with Sun Trust Leasing Corp. The fair value of the equipment at the time of lease was \$438,766 and the lease qualifies as a capital lease. The City's minimum annual lease payment on the equipment is \$73,103, which includes interest at 4%. The final maturity of the lease is December 20, 2012. The balance outstanding as of June 30, 2006 was \$438,766. The future minimum debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2007	\$ 55,552	\$ 17,551	\$ 73,103
2008	57,774	15,329	73,103
2009	60,085	13,018	73,103
2010	62,489	10,614	73,103
2011	64,988	8,115	73,103
2012-2013	137,878	8,327	146,205
	<u>\$ 438,766</u>	<u>\$ 72,954</u>	<u>\$ 511,720</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – LONG-TERM DEBT (Continued)

G. Changes in Long-Term Liabilities

	Balance at July 1, 2005	Additions	Reductions	Balance at June 30, 2006	Due Within One Year
Governmental Activities:					
Bonds payable:					
2003 Tax Allocation Bonds	\$ 55,050,000	\$ -	\$ 980,000	\$ 54,070,000	\$ 1,005,000
Certificates of Participation					
1995 Certificates of Participation	2,395,000		125,000	2,270,000	130,000
1998 Certificates of Participation	11,040,000		285,000	10,755,000	295,000
Capital leases	265,345	438,766	62,772	641,339	120,505
Compensated absences	2,194,238	1,809,871	1,667,621	2,336,488	59,332
	<u>\$ 70,944,583</u>	<u>\$ 2,248,637</u>	<u>\$ 3,120,393</u>	<u>\$ 70,072,827</u>	<u>\$ 1,609,837</u>
Business-type activities:					
Bonds payable:					
1993 Water Revenue Bonds	\$ 945,000	\$ -	\$ 300,000	\$ 645,000	\$ 315,000
2003 Wastewater Revenue Refunding Bonds	2,790,000		280,000	2,510,000	290,000
2004 Wastewater Revenue Bonds	30,995,000			30,995,000	
Notes Payable:					
U.S. Economic Development	2,211,877		138,962	2,072,915	
Irrigation District Notes	7,000,000		500,000	6,500,000	3,125,000
State of California Department of Transportation Loan	184,966		13,408	171,558	14,273
Compensated absences	326,669	283,295	245,002	364,962	
	<u>\$ 44,453,512</u>	<u>\$ 283,295</u>	<u>\$ 1,477,372</u>	<u>\$ 43,259,435</u>	<u>\$3,744,273</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.

I. Defeased Debt

As of June 30, 2006, all prior debt defeased has been paid in full, there are no outstanding debt balances.

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, 2006, is as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

Description	Fiscal Year		Outstanding June 30, 2006
	Issue Year	Maturity Year	
93-1 Community Facilities District	1997	2027	\$ 1,215,000
98-4 Morrison Homes Assessment District	1999	2024	2,085,000
99-1 Community Facilities District, 04 Refunding	2000	2025	9,250,000
99-2 Community Facilities District	2000	2026	3,765,000
2000-02 Assessment District	2000	2026	785,000
2002 Revenue Bonds, Series A	2002	2022	4,005,000
99-2 Community Facilities District, Series 2002	2003	2027	7,520,000
93-1 Community Facilities District, Series 2002	2003	2032	2,075,000
2003-01 Assessment District	2003	2027	950,000
2003-I205 Residential Assessment District, Series A	2003	2022	9,615,000
2003B Junior Lien	2003	2011	465,000
2003C Senior Lien	2003	2011	7,315,000
2003D Junior Lien	2003	2011	1,715,000
89-1 Community Facilities District, Series A	2004	2034	12,900,000
89-1 Community Facilities District, Series B	2004	2034	1,215,000
2005C Revenue bonds (JPA)	2005	2036	14,965,000
2005B Revenue Bonds Junior Lien (JPA)	2005	2036	3,915,000
2005A Revenue Bonds Senior Lien (JPA)	2005	2029	69,640,000
			<u>\$ 153,395,000</u>

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate \$58 million at June 30, 2006.

The City has entered into an operating lease agreement for telecommunications services which expired in 2006. Total rental expense for fiscal year ended June 30, 2006 totaled \$36,754.

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, 2006

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 10.323% for miscellaneous employees and 27.165% for fire police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2006, the City’s annual pension cost of \$5,080,228 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% 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 3.0%. 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>
6/30/2004	\$ 2,194,149	100%	\$ -
6/30/2005	2,967,198	100%	-
6/30/2006	5,080,228	100%	-

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 12 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balances, Reserves, and Designations (Continued)

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.

NOTE 13 – RESTRICTED NET ASSETS

Restricted net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2006 for government activities are as follows:

Restricted for Public Safety:	
Asset forfeiture	\$ 32,587
Fire protection	968,794
	1,001,381
Streets and roads:	
Construction and maintenance	8,029,667
Community development:	
Community development	625,560
Housing	9,491,403
	10,116,963
Special Districts:	
Parking	78,268
Landscaping	1,354,956
	1,433,224
Debt Service:	
Redevelopment	9,839,406
Water	381,834
Sewer	337,681
Other	2,874,472
	13,433,393
Projects:	
Redevelopment	8,354,733
Specific areas/locations	97,356,787
Sewer	2,624,396
	108,335,916
Total restricted net assets	\$ 142,350,544

Included in total restricted net assets at June 30, 2006 are net assets restricted by enabling legislation of \$42,119,285.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 14 – 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 15 – 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 16 – 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, 2006

NOTE 16 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

During the fiscal year ended June 30, 2006, the City contributed \$2,433,527 for current year coverage and received a refund of \$720,267 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 Compensation	General Liability	Totals	
			2006	2005
Beginning balance	\$ 331,758	\$ 75,000	\$ 406,758	\$ 406,758
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)				94,076
Claims paid				(94,076)
Ending balance	<u>\$ 331,758</u>	<u>\$ 75,000</u>	<u>\$ 406,758</u>	<u>\$ 406,758</u>

NOTE 17 – SUBSEQUENT EVENT

In July 2006 the City created a new Community Facility District No. 2006-01 (NEI Phase II). On July 20, 2006, Special Assessment District Bonds were issued in the amount of \$10,660,000.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

The following were prior period adjustments in the individual fund statements.

Major Governmental Funds

- There was an adjustment increasing fund balance in the General Fund in the amount of \$729,312 due to an over accrual of compensated leave in the fund.
- There was an adjustment decreasing fund balance in the North East Industrial Plan Area Fund by \$436,527 due to an understatement of accrued interest payable added to principal (advances). The interest rate used in prior years was incorrect.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 18 – PRIOR PERIOD ADJUSTMENTS (Continued)

Other Governmental Funds:

A prior period adjustment was made in the Community Development Agency Construction Capital Payments Fund (\$9,281), Community Access CTV Special Revenue Fund (\$1,728), Landscaping District Special Revenue Fund (\$9,273), and the Business Improvement District Special Revenue Fund (\$1,022) for an overstatement of compensated leave at the fund level.

Major Proprietary funds and Government-wide Business-type Activities:

Prior period adjustments totaling \$42,394,694 have been made in the major enterprise funds (water, sewer, airport, transit, drainage) due to an understatement of capital assets and an overstatement of accumulated depreciation. The City performed an extensive review of capital assets in 2005-06 and found various assets belonging to the enterprise funds that were recorded in the governmental funds.

Internal Service funds:

The City recorded a prior period adjustment in the Equipment Acquisition Fund due to the review of capital assets, depreciation, and miscoding. The amount of the adjustment was \$699,100.

Government-wide Governmental Activities:

A prior period adjustment of \$(34,694,463) was recorded in the Statement of Activities for Governmental Activities due to the City performing an extensive review of capital assets and depreciation. Prior year amounts included items that belonged to the enterprise funds of the City.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2006**

Pension Trend Information

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
6/30/2003	\$ 38,930,077	\$ 35,444,778	\$ 3,485,299	91.0%	\$ 14,226,405	24.5%
6/30/2004	44,062,247	38,509,566	5,552,681	87.4%	15,034,325	36.9%
6/30/2005	50,742,142	42,444,904	8,297,238	83.6%	16,505,047	50.3%

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
6/30/2003	\$ 48,136,767	\$ 38,998,362	\$ 9,138,405	81.0%	\$ 10,858,042	84.2%
6/30/2004	56,475,286	43,324,661	13,150,625	76.7%	11,903,403	110.5%
6/30/2005	62,570,569	48,928,492	13,642,077	78.2%	12,374,018	110.2%

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.

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2006**

Modified Approach to Reporting Street Pavement Costs (Continued)

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 \$4,244,964 in fiscal year 2007. The Pavement Condition Index (PCI) for the City's street pavement for the last three years is as follows:

<u>Year</u>	<u>PCI</u>	<u>Maintenance Budget</u>	<u>Actual Maintenance</u>
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	14,874,752
2007	76	4,244,964	

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 \$14,874,752 for street preservation for fiscal year 2006.

NON-MAJOR GOVERNMENTAL FUNDS

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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, 2006

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
Assets				
Cash and investments	\$ 16,508,571	\$ 77,874	\$ 8	\$ 32,274
Cash and investments with fiscal agents				
Accounts receivable			32,313	
Interest receivable	110,241	849		313
Loans receivable				
Due from other funds				
Advances to other funds				
Total Assets	<u>\$ 16,618,812</u>	<u>\$ 78,723</u>	<u>\$ 32,321</u>	<u>\$ 32,587</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 455	\$ 70	\$ -
Due to other funds			2,220	
Deposits payable				
Deferred revenue			35,125	
Advances from other funds				
Total Liabilities		<u>455</u>	<u>37,415</u>	
Fund Balances:				
Reserved:				
Projects				
Encumbrances				
Low/ moderate income housing				
Debt service				
Advances				
Unreserved:				
Undesignated	16,618,812	78,268	(5,094)	32,587
Total Fund Balances	<u>16,618,812</u>	<u>78,268</u>	<u>(5,094)</u>	<u>32,587</u>
Total Liabilities and Fund Balances	<u>\$ 16,618,812</u>	<u>\$ 78,723</u>	<u>\$ 32,321</u>	<u>\$ 32,587</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
\$ 1,146,057	\$ 3,025,075	\$ 2,806,748	\$ -	\$ 16,649	\$ 1,527,237	\$ 639,740
2,554	538,187 24,639	128,014 28,192	36,844 79	359,480 164	9,241	232 162,351
<u>\$ 1,148,611</u>	<u>\$ 3,587,901</u>	<u>\$ 2,962,954</u>	<u>\$ 36,923</u>	<u>\$ 376,293</u>	<u>\$ 1,536,478</u>	<u>\$ 802,323</u>
\$ -	\$ 2,811	\$ 32,664	\$ - 23,473	\$ 151,801 207,680 16,640	\$ 177,522 4,000	\$ 5,678 171,257
	<u>2,811</u>	<u>32,664</u>	<u>23,473</u>	<u>376,121</u>	<u>181,522</u>	<u>176,935</u>
	12,942	20,965		9,798	90,653	
<u>1,148,611</u>	<u>3,572,148</u>	<u>2,909,325</u>	<u>13,450</u>	<u>(9,626)</u>	<u>1,264,303</u>	<u>625,388</u>
<u>1,148,611</u>	<u>3,585,090</u>	<u>2,930,290</u>	<u>13,450</u>	<u>172</u>	<u>1,354,956</u>	<u>625,388</u>
<u>\$ 1,148,611</u>	<u>\$ 3,587,901</u>	<u>\$ 2,962,954</u>	<u>\$ 36,923</u>	<u>\$ 376,293</u>	<u>\$ 1,536,478</u>	<u>\$ 802,323</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006
(Continued)

	Special Revenue Funds			
	South County Fire Authority	Traffic Congestion Relief	Community Access CTV	Community Development Agency Housing
Assets				
Cash and investments	\$ 26,150	\$ 262,538	\$ -	\$ 4,485,745
Cash and investments with fiscal agents				
Accounts receivable	2,023,721	\$ 100,747	29,864	
Interest receivable		1,265	293	38,623
Loans receivable				4,967,233
Due from other funds				
Advances to other funds				
Total Assets	\$ 2,049,871	\$ 364,550	\$ 30,157	\$ 9,491,601
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 51,961	\$ 12,324	\$ 39	\$ 198
Due to other funds	957,700		24,069	
Compensated absences				
Deposits payable	41			
Deferred revenue	71,375			4,967,233
Advances from other funds			82,300	
Total Liabilities	1,081,077	12,324	106,408	4,967,431
Fund Balances:				
Reserved:				
Projects				
Encumbrances			1,550	65,734
Low/ moderate income housing				4,458,436
Debt service				
Advances				
Unreserved:				
Undesignated	968,794	352,226	(77,801)	
Total Fund Balances	968,794	352,226	(76,251)	4,524,170
Total Liabilities and Fund Balances	\$ 2,049,871	\$ 364,550	\$ 30,157	\$ 9,491,601

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		
\$ 304,769	\$ 1,388,977	\$ 14,808,852	\$ 6,780,030	\$ 7,686,326	\$ 2,746,415	\$ 1,741,001	
298,873	866,076		14,706,825			9,840,655	
		2,500	17,921				
3,250	12,527	148,856	71,070	56,255	26,187	9,674	
			26,190				
			82,300				
<u>\$ 606,892</u>	<u>\$ 2,267,580</u>	<u>\$ 14,960,208</u>	<u>\$ 21,684,336</u>	<u>\$ 7,742,581</u>	<u>\$ 2,772,602</u>	<u>\$ 11,591,330</u>	
\$ -	\$ -	\$ 114,918	\$ 2,482,571	\$ 261,763	\$ 5,120	\$ 1,233,005	
			832,265		1,092,210		
		114,918	3,314,836	261,763	1,097,330	1,233,005	
		744,341	1,569,222	3,348,773	266,631	8,354,733	
606,892	2,267,580		13,137,603				
			82,300				
		14,100,949	3,580,375	4,132,045	1,408,641	2,003,592	
606,892	2,267,580	14,845,290	18,369,500	7,480,818	1,675,272	10,358,325	
<u>\$ 606,892</u>	<u>\$ 2,267,580</u>	<u>\$ 14,960,208</u>	<u>\$ 21,684,336</u>	<u>\$ 7,742,581</u>	<u>\$ 2,772,602</u>	<u>\$ 11,591,330</u>	

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006
(Continued)

	Capital Projects Funds			
	Urban Management Plan Facilities	Capital Projects Deposit	Assessment District 87-3 Improvement	South MacArthur Plan Area
Assets				
Cash and investments	\$ 5,863,283	\$ 864,880	\$ 25,778	\$ 6,997,628
Cash and investments with fiscal agents				1,249,441
Accounts receivable	10,290			
Interest receivable	57,172	8,759	254	66,595
Loans receivable				
Due from other funds				
Advances to other funds				
Total Assets	<u>\$ 5,930,745</u>	<u>\$ 873,639</u>	<u>\$ 26,032</u>	<u>\$ 8,313,664</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 369,858	\$ 1,950	\$ -	\$ 14,391
Due to other funds				
Deposits payable	180,335			
Deferred revenue				
Advances from other funds				
Total Liabilities	<u>550,193</u>	<u>1,950</u>		<u>14,391</u>
Fund Balances:				
Reserved:				
Projects				
Encumbrances	418,719	40,522		129,249
Low/ moderate income housing				
Debt service				
Advances				
Unreserved:				
Undesignated	<u>4,961,833</u>	<u>831,167</u>	<u>26,032</u>	<u>8,170,024</u>
Total Fund Balances	<u>5,380,552</u>	<u>871,689</u>	<u>26,032</u>	<u>8,299,273</u>
Total Liabilities and Fund Balances	<u>\$ 5,930,745</u>	<u>\$ 873,639</u>	<u>\$ 26,032</u>	<u>\$ 8,313,664</u>

Capital Projects Funds

<u>Industrial Specific Plan South</u>	<u>Presidio Plan Area</u>	<u>Tracy Gateway Area</u>	<u>Total Governmental Funds</u>
\$ 2,563,660	\$ 5,780,191	\$ 3	\$ 88,106,459
	811,339		27,773,209
		26,187	3,306,068
29,342	43,398		750,024
			5,129,584
			26,190
			82,300
<u>\$ 2,593,002</u>	<u>\$ 6,634,928</u>	<u>\$ 26,190</u>	<u>\$ 125,173,834</u>
\$ 2,040	\$ -	\$ -	\$ 4,921,139
		26,190	1,241,332
			2,108,851
			5,261,630
			82,300
<u>2,040</u>		<u>26,190</u>	<u>13,615,252</u>
			1,569,222
41,229	39,956		26,723,398
			4,458,436
			2,874,472
			82,300
<u>2,549,733</u>	<u>6,594,972</u>		<u>75,850,754</u>
<u>2,590,962</u>	<u>6,634,928</u>		<u>111,558,582</u>
<u>\$ 2,593,002</u>	<u>\$ 6,634,928</u>	<u>\$ 26,190</u>	<u>\$ 125,173,834</u>

**CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006**

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	55,056	1,502	238	1,091
Intergovernmental				15,192
Special assessments		393	32,675	
Other revenues			97,881	
Charges for services				
Total Revenues	55,056	1,895	130,794	16,283
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental				
Public safety				
Police				7,706
Fire				
Public works				
Development and engineering		19,154	114,117	
Public works				
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		19,154	114,117	7,706
Excess of Revenues Over (Under) Expenditures	55,056	(17,259)	16,677	8,577
OTHER FINANCING SOURCES (USES):				
Transfers in	6,493,877			
Transfers out				
Total Other Financing Sources (Uses)	6,493,877			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,548,933	(17,259)	16,677	8,577
Fund Balances, July 1, 2005	10,069,879	95,527	(22,793)	24,010
Prior Period Adjustments			1,022	
Fund Balances, July 1, 2005, restated	10,069,879	95,527	(21,771)	24,010
Fund Balances, June 30, 2006	\$ 16,618,812	\$ 78,268	\$ (5,094)	\$ 32,587

Special Revenue Funds

Transportation Development	Proposition K Transportation Tax	State Gas Tax	TEA Grant	Community Development Block Grant	Landscaping District	Residential and Commercial Rehabilitation Loan
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,120	17,994	18,384	1,384	170	6,304	13,711
2,868,550	1,412,302	1,430,984	36,844	618,544	1,977,327	
	800	8,279				
<u>2,869,670</u>	<u>1,431,096</u>	<u>1,457,647</u>	<u>38,228</u>	<u>618,714</u>	<u>1,983,631</u>	<u>13,711</u>
1,733,630		173,500		163,772	1,502,504	
	211,689	1,146,793	36,844	386,971	100,698	
<u>1,733,630</u>	<u>211,689</u>	<u>1,320,293</u>	<u>36,844</u>	<u>550,743</u>	<u>1,603,202</u>	
<u>1,136,040</u>	<u>1,219,407</u>	<u>137,354</u>	<u>1,384</u>	<u>67,971</u>	<u>380,429</u>	<u>13,711</u>
<u>1,136,040</u>	<u>1,219,407</u>	<u>137,354</u>	<u>1,384</u>	<u>67,971</u>	<u>380,429</u>	<u>13,711</u>
12,571	2,365,683	2,792,936	12,066	(67,799)	965,254	611,677
					9,273	
<u>12,571</u>	<u>2,365,683</u>	<u>2,792,936</u>	<u>12,066</u>	<u>(67,799)</u>	<u>974,527</u>	<u>611,677</u>
<u>\$ 1,148,611</u>	<u>\$ 3,585,090</u>	<u>\$ 2,930,290</u>	<u>\$ 13,450</u>	<u>\$ 172</u>	<u>\$ 1,354,956</u>	<u>\$ 625,388</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, 2006
(Continued)

	Special Revenue Funds			
	South County Fire Authority	Traffic Congestion Relief	Community Access CTV	Community Development Agency Housing
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees			119,577	
Use of money and property	2,192	7,686	(1,002)	41,582
Intergovernmental	5,458,147	351,818		
Special assessments				
Other revenues	874			1,000
Charges for services	163,851		440	
Total Revenues	5,625,064	359,504	119,015	42,582
EXPENDITURES:				
Current:				
General government				
Administration			64,645	
Non-departmental			29,388	
Public safety				
Police				
Fire	5,605,638			
Public works				
Development and engineering				2,259,266
Public works				
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	5,605,638		94,033	2,259,266
Excess of Revenues Over (Under) Expenditures	19,426	359,504	24,982	(2,216,684)
OTHER FINANCING SOURCES (USES):				
Transfers in				1,524,585
Transfers out				
Total Other Financing Sources (Uses)				1,524,585
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	19,426	359,504	24,982	(692,099)
Fund Balances, July 1, 2005	949,368	(7,278)	(102,961)	5,216,269
Prior Period Adjustments			1,728	
Fund Balances, July 1, 2005, restated	949,368	(7,278)	(101,233)	5,216,269
Fund Balances, June 30, 2006	<u>\$ 968,794</u>	<u>\$ 352,226</u>	<u>\$ (76,251)</u>	<u>\$ 4,524,170</u>

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		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14,221	63,220	798,106	548,651	90,952	240,847	881,673	
		2,005,000	587,483				
		901,476		1,190,877	521,385		
		2,500	14,034,989	17,295	551,903	1,585	
14,221	63,220	3,707,082	15,171,123	1,299,124	1,314,135	883,258	
						315,193	
		2,550,168	5,409,869	654,495	872,825	8,633,348	
125,000	285,000						
160,001	549,146						
285,001	834,146	2,550,168	5,409,869	654,495	872,825	8,948,541	
(270,780)	(770,926)	1,156,914	9,761,254	644,629	441,310	(8,065,283)	
290,000	897,000			2,314,730		75,000	
290,000	897,000			2,314,730		75,000	
19,220	126,074	1,156,914	9,761,254	2,959,359	441,310	(7,990,283)	
587,672	2,141,506	13,688,376	8,608,246	4,521,459	1,233,962	18,339,327	
						9,281	
587,672	2,141,506	13,688,376	8,608,246	4,521,459	1,233,962	18,348,608	
\$ 606,892	\$ 2,267,580	\$ 14,845,290	\$ 18,369,500	\$ 7,480,818	\$ 1,675,272	\$ 10,358,325	

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006
(Continued)

	Capital Project Funds			
	Urban Management Plan Facilities	Capital Projects Deposits	Assessment District 87-3 Improvement	South MacArthur Plan Area
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	10,337	4,598	8,784	133,957
Intergovernmental				
Special assessments	112,454			1,244,327
Other revenues	330,356	352,147		31,437
Charges for services				
Total Revenues	453,147	356,745	8,784	1,409,721
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works				
Capital outlay	708,622	11,014		1,173,290
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	708,622	11,014		1,173,290
Excess of Revenues Over (Under) Expenditures	(255,475)	345,731	8,784	236,431
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(255,475)	345,731	8,784	236,431
Fund Balances, July 1, 2005	5,636,027	525,958	17,248	8,062,842
Prior Period Adjustments				
Fund Balances, July 1, 2005, restated	5,636,027	525,958	17,248	8,062,842
Fund Balances, June 30, 2006	<u>\$ 5,380,552</u>	<u>\$ 871,689</u>	<u>\$ 26,032</u>	<u>\$ 8,299,273</u>

Capital Projects Funds

<u>Industrial Specific Plan South</u>	<u>Presidio Plan Area</u>	<u>Tracy Gateway Area</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -
			119,577
10,504	98,815		3,072,077
			14,784,864
365,697			6,346,611
		24,541	15,455,587
			164,291
<u>376,201</u>	<u>98,815</u>	<u>24,541</u>	<u>39,943,007</u>
			64,645
			29,388
			7,706
			5,605,638
			6,107,636
			173,500
1,103,669	254,846	24,541	23,279,682
			410,000
			709,147
<u>1,103,669</u>	<u>254,846</u>	<u>24,541</u>	<u>36,387,342</u>
<u>(727,468)</u>	<u>(156,031)</u>		<u>3,555,665</u>
			11,595,192
			11,595,192
<u>(727,468)</u>	<u>(156,031)</u>		<u>15,150,857</u>
3,318,430	6,790,959		96,386,421
			21,304
<u>3,318,430</u>	<u>6,790,959</u>		<u>96,407,725</u>
<u>\$ 2,590,962</u>	<u>\$ 6,634,928</u>	<u>\$ -</u>	<u>\$ 111,558,582</u>

**CITY OF TRACY
BUDGETED NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006**

	Parking District			Business Improvement District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Use of money and property		1,502	1,502		238	238
Intergovernmental						
Special assessments	36,500	393	(36,107)	36,500	32,675	(3,825)
Other revenues				70,000	97,881	27,881
Charges for services						
Total Revenues	<u>36,500</u>	<u>1,895</u>	<u>(34,605)</u>	<u>106,500</u>	<u>130,794</u>	<u>24,294</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering	35,280	19,154	16,126	112,000	114,117	(2,117)
Public works						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>35,280</u>	<u>19,154</u>	<u>16,126</u>	<u>112,000</u>	<u>114,117</u>	<u>(2,117)</u>
Excess of revenues over (under) expenditures	<u>1,220</u>	<u>(17,259)</u>	<u>(18,479)</u>	<u>(5,500)</u>	<u>16,677</u>	<u>22,177</u>
Other Financing Sources						
(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>\$ 1,220</u>	<u>(17,259)</u>	<u>\$ (18,479)</u>	<u>\$ (5,500)</u>	<u>16,677</u>	<u>\$ 22,177</u>
Fund Balances, July 1, 2005		95,527			(22,793)	
Prior Period Adjustments					1,022	
Fund Balances, July 1, 2005, restated		<u>95,527</u>			<u>(21,771)</u>	
Fund Balances, June 30, 2006		<u>\$ 78,268</u>			<u>\$ (5,094)</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,091	1,091		1,120	1,120		17,994	17,994
1,000	15,192	14,192	2,868,550	2,868,550		1,888,110	1,412,302	(475,808)
							800	800
1,000	16,283	15,283	2,868,550	2,869,670	1,120	1,888,110	1,431,096	(457,014)
10,000	7,706	2,294						
			1,734,720	1,733,630	1,090	226,500		226,500
			1,236,950		1,236,950	3,088,610	211,689	2,876,921
10,000	7,706	2,294	2,971,670	1,733,630	1,238,040	3,315,110	211,689	3,103,421
(9,000)	8,577	17,577	(103,120)	1,136,040	1,239,160	(1,427,000)	1,219,407	2,646,407
\$ (9,000)	8,577	\$ 17,577	\$ (103,120)	1,136,040	\$ 1,239,160	\$ (1,427,000)	1,219,407	\$ 2,646,407
	24,010			12,571			2,365,683	
	24,010			12,571			2,365,683	
\$	32,587		\$	1,148,611		\$	3,585,090	

(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, 2006
(Continued)

	State Gas Tax Street			TEA Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees		18,384	18,384		1,384	1,384
Use of money and property		1,430,984	16,584	993,500	36,844	(956,656)
Intergovernmental	1,414,400					
Special assessments						
Other revenues		8,279	8,279			
Charges for services						
Total Revenues	<u>1,414,400</u>	<u>1,457,647</u>	<u>43,247</u>	<u>993,500</u>	<u>38,228</u>	<u>(955,272)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works	200,700	173,500	27,200			
Capital outlay	1,264,800	1,146,793	118,007	993,500	36,844	956,656
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>1,465,500</u>	<u>1,320,293</u>	<u>145,207</u>	<u>993,500</u>	<u>36,844</u>	<u>956,656</u>
Excess of revenues over (under) expenditures	<u>(51,100)</u>	<u>137,354</u>	<u>188,454</u>		<u>1,384</u>	<u>1,384</u>
Other Financing Sources (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>\$ (51,100)</u>	<u>137,354</u>	<u>\$ 188,454</u>	<u>\$ -</u>	<u>1,384</u>	<u>\$ 1,384</u>
Fund Balances, July 1, 2005		2,792,936			12,066	
Prior Period Adjustments						
Fund Balances, July 1, 2005, restated		<u>2,792,936</u>			<u>12,066</u>	
Fund Balances, June 30, 2006		<u>\$ 2,930,290</u>			<u>\$ 13,450</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
945,000	618,544	170 (326,456)	5,000	6,304	1,304	4,710,332	2,192 5,458,147	2,192 747,815
			1,990,600	1,977,327	(13,273)	3,800	874	(2,926)
						150,000	163,851	13,851
945,000	618,714	(326,286)	1,995,600	1,983,631	(11,969)	4,864,132	5,625,064	760,932
						5,462,262	5,605,638	(143,376)
570,160	163,772	406,388	1,627,230	1,502,504	124,726			
374,850	386,971	(12,121)	350,000	100,698	249,302			
945,010	550,743	394,267	1,977,230	1,603,202	374,028	5,462,262	5,605,638	(143,376)
(10)	67,971	67,981	18,370	380,429	362,059	(598,130)	19,426	617,556
\$ (10)	67,971	\$ 67,981	\$ 18,370	380,429	\$ 362,059	\$ (598,130)	19,426	\$ 617,556
	(67,799)			965,254			949,368	
				9,273				
	(67,799)			974,527			949,368	
	\$ 172			\$ 1,354,956			\$ 968,794	

(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, 2006
(Continued)

	Community Access CTV			Community Development Agency Housing		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	127,300	119,577	(7,723)			
Use of money and property		(1,002)	(1,002)	100,000	41,582	(58,418)
Intergovernmental						
Special assessments						
Other revenues					1,000	1,000
Charges for Services		440	440			
Total Revenues	<u>127,300</u>	<u>119,015</u>	<u>(8,285)</u>	<u>100,000</u>	<u>42,582</u>	<u>(57,418)</u>
Expenditures:						
Current:						
General government						
Administration	77,050	64,645	12,405			
Non-departmental	25,220	29,388	(4,168)			
Public safety						
Police						
Fire						
Public works						
Development and engineering				6,061,645	2,259,266	3,802,379
Public works						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>102,270</u>	<u>94,033</u>	<u>8,237</u>	<u>6,061,645</u>	<u>2,259,266</u>	<u>3,802,379</u>
Excess of revenues over (under) expenditures	<u>25,030</u>	<u>24,982</u>	<u>(48)</u>	<u>(5,961,645)</u>	<u>(2,216,684)</u>	<u>3,744,961</u>
Other Financing Sources						
(Uses):						
Transfers in				1,354,000	1,524,585	170,585
Transfers out	(41,200)		41,200			
Total Other Financing Sources (Uses)	<u>(41,200)</u>		<u>41,200</u>	<u>1,354,000</u>	<u>1,524,585</u>	<u>170,585</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (16,170)</u>	<u>24,982</u>	<u>\$ 41,152</u>	<u>\$ (4,607,645)</u>	<u>(692,099)</u>	<u>\$ 3,915,546</u>
Fund Balances, July 1, 2005		(102,961)			5,216,269	
Prior Period Adjustments		1,728				
Fund Balances, July 1, 2005, restated		(101,233)			5,216,269	
Fund Balances, June 30, 2006		<u>\$ (76,251)</u>			<u>\$ 4,524,170</u>	

Parks COP			Regional Mall Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	14,221	14,221		63,220	63,220
	<u>14,221</u>	<u>14,221</u>		<u>63,220</u>	<u>63,220</u>

125,000	125,000		285,000	285,000	
164,700	160,001	4,699	609,200	549,146	60,054
<u>289,700</u>	<u>285,001</u>	<u>4,699</u>	<u>894,200</u>	<u>834,146</u>	<u>60,054</u>
<u>(289,700)</u>	<u>(270,780)</u>	<u>18,920</u>	<u>(894,200)</u>	<u>(770,926)</u>	<u>123,274</u>
290,000	290,000		897,000	897,000	
<u>290,000</u>	<u>290,000</u>		<u>897,000</u>	<u>897,000</u>	
<u>\$ 300</u>	<u>19,220</u>	<u>\$ 18,920</u>	<u>\$ 2,800</u>	<u>126,074</u>	<u>\$ 123,274</u>
	587,672			2,141,506	
	<u>587,672</u>			<u>2,141,506</u>	
	<u>\$ 606,892</u>			<u>\$ 2,267,580</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, 2006**

	Central Garage	Central Services	Equipment Acquisition
ASSETS			
Current assets:			
Cash and investments	\$ 705,261	\$ 829,272	\$ 4,935,020
Accounts receivable - net			1,302
Interest receivable	4,559	7,718	44,618
Prepaid expenses	21,680		
Total current assets	731,500	836,990	4,980,940
Noncurrent Assets:			
Loans receivable			112,822
Capital Assets:			
Depreciable:			
Buildings	266,462		
Improvements	545,513	9,239	
Equipment	81,896	92,919	13,267,608
Total depreciable capital assets	893,871	102,158	13,267,608
Less accumulated depreciation	(492,498)	(55,029)	(8,046,506)
Total capital assets, net	401,373	47,129	5,221,102
Total Assets	\$ 1,132,873	\$ 884,119	\$ 10,314,864

Building Maintenance	Insurance	Totals
\$ 322,966	\$ 5,965,088	\$ 12,757,607
		1,302
2,179	58,110	117,184
		21,680
<u>325,145</u>	<u>6,023,198</u>	<u>12,897,773</u>
		<u>112,822</u>
		266,462
		554,752
<u>28,157</u>		<u>13,470,580</u>
28,157		14,291,794
<u>(21,447)</u>		<u>(8,615,480)</u>
<u>6,710</u>		<u>5,676,314</u>
<u>\$ 331,855</u>	<u>\$ 6,023,198</u>	<u>\$ 18,686,909</u>

(Continued)

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006
(Continued)**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 54,040	\$ 47,426	\$ 125,435
Claims and judgments payable			
Accrued interest payable			13,911
	<u>54,040</u>	<u>47,426</u>	<u>139,346</u>
Total current liabilities			
	<u>54,040</u>	<u>47,426</u>	<u>139,346</u>
Noncurrent Liabilities:			
Capital lease payable			641,339
Compensated absences	15,152	24,720	
	<u>15,152</u>	<u>24,720</u>	<u>641,339</u>
Total noncurrent liabilities			
	<u>15,152</u>	<u>24,720</u>	<u>641,339</u>
Total Liabilities	<u>69,192</u>	<u>72,146</u>	<u>780,685</u>
NET ASSETS			
Investment in capital assets, net of related debt	401,373	47,129	4,579,763
Unrestricted	662,308	764,844	4,954,416
	<u>662,308</u>	<u>764,844</u>	<u>4,954,416</u>
Total Net Assets	<u>\$ 1,063,681</u>	<u>\$ 811,973</u>	<u>\$ 9,534,179</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 7,755	\$ 6,692 406,758	\$ 241,348 406,758 13,911
<u>7,755</u>	<u>413,450</u>	<u>662,017</u>
12,477		641,339 52,349
<u>12,477</u>		<u>693,688</u>
<u>20,232</u>	<u>413,450</u>	<u>1,355,705</u>
6,710 304,913	5,609,748	5,034,975 12,296,229
<u>\$ 311,623</u>	<u>\$ 5,609,748</u>	<u>\$ 17,331,204</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2006

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,205,331	\$ 1,104,193	\$ 1,613,415
Other revenues	436		
Total Operating Revenues	1,205,767	1,104,193	1,613,415
Expenses:			
Maintenance and operation	1,048,014	1,126,426	
Administration	37,480		
Insurance costs and claims			
Depreciation	43,341	7,942	1,389,047
Total Expenses	1,128,835	1,134,368	1,389,047
Operating Income (Loss)	76,932	(30,175)	224,368
Non-Operating Revenues (Expenses)			
Interest income	3,679	4,641	57,082
Interest expense			(17,787)
Gain on sale of capital assets			180,763
Change in Net Assets	80,611	(25,534)	444,426
Net Assets, July1, 2005	983,070	837,507	8,390,653
Prior Period Adjustments			699,100
Net Assets, July 1, 2005, restated	983,070	837,507	9,089,753
Net Assets, June 30, 2006	\$ 1,063,681	\$ 811,973	\$ 9,534,179

Building Maintenance	Insurance	Totals
\$ 1,037,198	\$ 1,515,477	\$ 6,475,614
1,614	773,632	775,682
1,038,812	2,289,109	7,251,296
893,621		3,068,061
89,940	327,392	454,812
	2,749,962	2,749,962
3,356		1,443,686
986,917	3,077,354	7,716,521
51,895	(788,245)	(465,225)
670	116,031	182,103
		(17,787)
		180,763
52,565	(672,214)	(120,146)
259,058	6,281,962	16,752,250
		699,100
259,058	6,281,962	17,451,350
\$ 311,623	\$ 5,609,748	\$ 17,331,204

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,426,829	\$ 1,104,193	\$ 1,612,113
Payments to suppliers and users	(832,332)	(605,132)	
Payments to employees	(243,892)	(477,293)	
Net Cash Provided (Used) by Operating Activities	<u>350,605</u>	<u>21,768</u>	<u>1,612,113</u>
Cash flows from Non-Capital Financing Activities:			
Principal received on loans receivable			4,266
New loans receivable issued			(112,822)
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>(108,556)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital lease			438,766
Principal paid on long-term debt			(62,772)
Interest paid			(11,629)
Acquisitions of capital assets	(14,976)		(1,565,388)
Proceeds from sales of capital assets			180,763
Net Cash Used by Capital and Related Financing Activities	<u>(14,976)</u>		<u>(1,020,260)</u>
Cash Flows from Investing Activities:			
Interest received	3,174	2,496	52,863
Net Cash Provided (Used) by Investing Activities	<u>3,174</u>	<u>2,496</u>	<u>52,863</u>
Net Increase (Decrease) in Cash and Cash Equivalents	338,803	24,264	536,160
Cash and Cash Equivalents, July 1, 2005	366,458	805,008	4,398,860
Cash and Cash Equivalents, June 30, 2006	<u>\$ 705,261</u>	<u>\$ 829,272</u>	<u>\$ 4,935,020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 76,932	\$ (30,175)	\$ 224,368
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	43,341	7,942	1,389,047
(Increase) Decrease in Operating Assets:			
Accounts receivable	221,062		(1,302)
Prepaid items	(21,680)		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	27,580	37,781	
Compensated absences	3,370	6,220	
Net Cash Provided (Used) by Operating Activities	<u>\$ 350,605</u>	<u>\$ 21,768</u>	<u>\$ 1,612,113</u>

Building Maintenance	Insurance	Totals
\$ 1,038,812	\$ 2,289,109	\$ 7,471,056
(539,377)	(2,893,029)	(4,869,870)
(443,977)	(182,766)	(1,347,928)
<u>55,458</u>	<u>(786,686)</u>	<u>1,253,258</u>
		4,266
		(112,822)
		<u>(108,556)</u>
		438,766
		(62,772)
		(11,629)
		(1,580,364)
		180,763
		<u>(1,035,236)</u>
<u>129</u>	<u>120,008</u>	<u>178,670</u>
<u>129</u>	<u>120,008</u>	<u>178,670</u>
55,587	(666,678)	288,136
<u>267,379</u>	<u>6,631,766</u>	<u>12,469,471</u>
<u>\$ 322,966</u>	<u>\$ 5,965,088</u>	<u>\$ 12,757,607</u>
\$ 51,895	\$ (788,245)	\$ (465,225)
3,356		1,443,686
		219,760
		(21,680)
(446)	1,559	66,474
653		10,243
<u>\$ 55,458</u>	<u>\$ (786,686)</u>	<u>\$ 1,253,258</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.

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.

2006-01 NE INDUSTRIAL # 2 FUND

Established to account for the assets held on behalf of the 2006-01 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.

CULTURAL ARTS FUND

Established to account for deposits received for cultural arts projects within the City.

REGIONAL TRANSPORTATION IMPACT FUND

Established to account for transportation impact fees collected by the City and which are to be used for transportation mitigation purposes.

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>87-3 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 884,687	\$ 1,863,196	\$ 1,769,551	\$ 978,332
Cash and investments with fiscal agents, restricted	3,869,628	1,825,315	1,677,690	4,017,253
Due from other funds	69,142		69,142	
Interest receivable		7,816		7,816
	<u>\$ 4,823,457</u>	<u>\$ 3,696,327</u>	<u>\$ 3,516,383</u>	<u>\$ 5,003,401</u>
Total assets	<u>\$ 4,823,457</u>	<u>\$ 3,696,327</u>	<u>\$ 3,516,383</u>	<u>\$ 5,003,401</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 4,823,457</u>	<u>\$ 3,696,327</u>	<u>\$ 3,516,383</u>	<u>\$ 5,003,401</u>
	<u>\$ 4,823,457</u>	<u>\$ 3,696,327</u>	<u>\$ 3,516,383</u>	<u>\$ 5,003,401</u>
Total liabilities	<u>\$ 4,823,457</u>	<u>\$ 3,696,327</u>	<u>\$ 3,516,383</u>	<u>\$ 5,003,401</u>
 <u>84-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,428,289	\$ -	\$ 144,847	\$ 1,283,442
Cash and investments with fiscal agents, restricted	1,241,893	242,425	1,484,318	
Interest receivable		12,423		12,423
	<u>\$ 2,670,182</u>	<u>\$ 254,848</u>	<u>\$ 1,629,165</u>	<u>\$ 1,295,865</u>
Total assets	<u>\$ 2,670,182</u>	<u>\$ 254,848</u>	<u>\$ 1,629,165</u>	<u>\$ 1,295,865</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,670,182</u>	<u>\$ 254,848</u>	<u>\$ 1,629,165</u>	<u>\$ 1,295,865</u>
	<u>\$ 2,670,182</u>	<u>\$ 254,848</u>	<u>\$ 1,629,165</u>	<u>\$ 1,295,865</u>
Total liabilities	<u>\$ 2,670,182</u>	<u>\$ 254,848</u>	<u>\$ 1,629,165</u>	<u>\$ 1,295,865</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>89-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 594,582	\$ 1,196,394	\$ 1,190,936	\$ 600,040
Cash and investments with fiscal agents, restricted	2,212,299	1,257,443	1,266,715	2,203,027
Interest receivable		4,697		4,697
Total assets	<u>\$ 2,806,881</u>	<u>\$ 2,458,534</u>	<u>\$ 2,457,651</u>	<u>\$ 2,807,764</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,806,881</u>	<u>\$ 2,458,534</u>	<u>\$ 2,457,651</u>	<u>\$ 2,807,764</u>
Total liabilities	<u>\$ 2,806,881</u>	<u>\$ 2,458,534</u>	<u>\$ 2,457,651</u>	<u>\$ 2,807,764</u>
<u>94-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 317,793	\$ 401,243	\$ 389,219	\$ 329,817
Cash and investments with fiscal agents, restricted	631,746	396,737	376,457	652,026
Interest receivable		2,910		2,910
Total assets	<u>\$ 949,539</u>	<u>\$ 800,890</u>	<u>\$ 765,676</u>	<u>\$ 984,753</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 949,539</u>	<u>\$ 800,890</u>	<u>\$ 765,676</u>	<u>\$ 984,753</u>
Total liabilities	<u>\$ 949,539</u>	<u>\$ 800,890</u>	<u>\$ 765,676</u>	<u>\$ 984,753</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(Continued)
For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>93-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,889,213	\$ 610,123	\$ 356,416	\$ 2,142,920
Cash and investments with fiscal agents, restricted	609,650	365,147	504,111	470,686
Interest receivable		19,620		19,620
Total assets	<u>\$ 2,498,863</u>	<u>\$ 994,890</u>	<u>\$ 860,527</u>	<u>\$ 2,633,226</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,498,863</u>	<u>\$ 994,890</u>	<u>\$ 860,527</u>	<u>\$ 2,633,226</u>
Total liabilities	<u>\$ 2,498,863</u>	<u>\$ 994,890</u>	<u>\$ 860,527</u>	<u>\$ 2,633,226</u>
<u>98-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,114,436	\$ 4,148,120	\$ 3,722,597	\$ 1,539,959
Cash and investments with fiscal agents, restricted	8,461,292	70,637,026	77,274,405	1,823,913
Interest receivable		8,942		8,942
Total assets	<u>\$ 9,575,728</u>	<u>\$ 74,794,088</u>	<u>\$ 80,997,002</u>	<u>\$ 3,372,814</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 9,575,728</u>	<u>\$ 74,794,088</u>	<u>\$ 80,997,002</u>	<u>\$ 3,372,814</u>
Total liabilities	<u>\$ 9,575,728</u>	<u>\$ 74,794,088</u>	<u>\$ 80,997,002</u>	<u>\$ 3,372,814</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>98-3 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents, restricted	\$ -	\$ 307,969	\$ 37,121	\$ 270,848
Cash and investments	404,390	4,061,506	4,382,748	83,148
Total assets	\$ 404,390	\$ 4,369,475	\$ 4,419,869	\$ 353,996
<u>Liabilities</u>				
Due to other funds	\$ 59,774	\$ 224,030	\$ 59,774	\$ 224,030
Due to assessment district bondholders	344,616	4,145,445	4,360,095	129,966
Total liabilities	\$ 404,390	\$ 4,369,475	\$ 4,419,869	\$ 353,996
<u>98-4 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 106,210	\$ 240,743	\$ 254,138	\$ 92,815
Cash and investments with fiscal agents, restricted	277,674	254,830	186,865	345,639
Interest receivable		777		777
Total assets	\$ 383,884	\$ 496,350	\$ 441,003	\$ 439,231
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 30,000	\$ -	\$ 30,000
Due to assessment district bondholders	383,884	466,300	441,003	409,181
Total liabilities	\$ 383,884	\$ 496,300	\$ 441,003	\$ 439,181

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006
(Continued)**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>99-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 16,829	\$ 740,081	\$ 750,859	\$ 6,051
Cash and investments with fiscal agents, restricted	1,494,619	786,988	799,595	1,482,012
Total assets	<u>\$ 1,511,448</u>	<u>\$ 1,527,069</u>	<u>\$ 1,550,454</u>	<u>\$ 1,488,063</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,511,448	\$ 1,527,069	\$ 1,550,454	\$ 1,488,063
Total liabilities	<u>\$ 1,511,448</u>	<u>\$ 1,527,069</u>	<u>\$ 1,550,454</u>	<u>\$ 1,488,063</u>
<u>99-2 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 146,202	\$ 770,957	\$ 824,327	\$ 92,832
Cash and investments with fiscal agents, restricted	1,510,668	868,113	796,725	1,582,056
Interest receivable		658		658
Total assets	<u>\$ 1,656,870</u>	<u>\$ 1,639,728</u>	<u>\$ 1,621,052</u>	<u>\$ 1,675,546</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,656,870	\$ 1,639,728	\$ 1,621,052	\$ 1,675,546
Total liabilities	<u>\$ 1,656,870</u>	<u>\$ 1,639,728</u>	<u>\$ 1,621,052</u>	<u>\$ 1,675,546</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<u>2000-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 262,554	\$ 784,755	\$ 774,998	\$ 272,311
Cash and investments with fiscal agents, restricted	1,599,529	810,401	1,893,244	516,686
Interest receivable		1,894		1,894
Total assets	<u>\$ 1,862,083</u>	<u>\$ 1,597,050</u>	<u>\$ 2,668,242</u>	<u>\$ 790,891</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,862,083	\$ 1,597,050	\$ 2,668,242	\$ 790,891
Total liabilities	<u>\$ 1,862,083</u>	<u>\$ 1,597,050</u>	<u>\$ 2,668,242</u>	<u>\$ 790,891</u>
<u>2000-02 Assessment District</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents, restricted	\$ -	\$ 77,076	\$ 75,692	\$ 1,384
Cash and investments	111,249	67,256	71,090	107,415
Total assets	<u>\$ 111,249</u>	<u>\$ 144,332</u>	<u>\$ 146,782</u>	<u>\$ 108,799</u>
<u>Liabilities</u>				
Due to other funds	\$ 6,883	\$ -	\$ 6,883	\$ -
Due to assessment district bondholders	104,366	144,332	139,899	108,799
Total liabilities	<u>\$ 111,249</u>	<u>\$ 144,332</u>	<u>\$ 146,782</u>	<u>\$ 108,799</u>
<u>2006-01 NE Industrial</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 270	\$ 263	\$ 7
Due from assessment district bondholders		263		263
Total assets	<u>\$ -</u>	<u>\$ 533</u>	<u>\$ 263</u>	<u>\$ 270</u>
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 533	\$ 263	\$ 270
Total liabilities	<u>\$ -</u>	<u>\$ 533</u>	<u>\$ 263</u>	<u>\$ 270</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006
(Continued)**

<u>1999 I205 Residential Reassessment District</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<u>Assets:</u>				
Cash and investments	\$ 660,519	\$ 992,706	\$ 978,542	\$ 674,683
Cash and investments with fiscal agents, restricted	1,351,580	974,846	896,276	1,430,150
Interest receivable		5,827		5,827
Total assets	<u>\$ 2,012,099</u>	<u>\$ 1,973,379</u>	<u>\$ 1,874,818</u>	<u>\$ 2,110,660</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,012,099</u>	<u>\$ 1,973,379</u>	<u>\$ 1,874,818</u>	<u>\$ 2,110,660</u>
Total liabilities	<u>\$ 2,012,099</u>	<u>\$ 1,973,379</u>	<u>\$ 1,874,818</u>	<u>\$ 2,110,660</u>
<u>2000-03 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 29,885	\$ 11	\$ -	\$ 29,896
Interest receivable		294		294
Total assets	<u>\$ 29,885</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ 30,190</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 29,885</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ 30,190</u>
Total liabilities	<u>\$ 29,885</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ 30,190</u>
<u>2003-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents, restricted	<u>\$ 112,577</u>	<u>\$ 74,247</u>	<u>\$ 70,577</u>	<u>\$ 116,247</u>
Total assets	<u>\$ 112,577</u>	<u>\$ 74,247</u>	<u>\$ 70,577</u>	<u>\$ 116,247</u>
<u>Liabilities</u>				
Due to other funds	\$ 2,485	\$ -	\$ 128	\$ 2,357
Due to assessment district bondholders	110,092	74,247	70,449	113,890
Total liabilities	<u>\$ 112,577</u>	<u>\$ 74,247</u>	<u>\$ 70,577</u>	<u>\$ 116,247</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Cultural Arts</u>				
<u>Assets:</u>				
Cash and investments	\$ 13,786	\$ -	\$ 13,786	\$ -
Restricted cash and investments		11,740		11,740
Total assets	\$ 13,786	\$ 11,740	\$ 13,786	\$ 11,740
<u>Liabilities</u>				
Deposits	\$ 13,786	\$ 11,740	\$ 13,786	\$ 11,740
Total liabilities	\$ 13,786	\$ 11,740	\$ 13,786	\$ 11,740
 <u>Regional Transportation Impact</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 52,747	\$ -	\$ 52,747
Total assets	\$ -	\$ 52,747	\$ -	\$ 52,747
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 13,388	\$ -	\$ 13,388
Deposits		39,359		39,359
Total liabilities	\$ -	\$ 52,747	\$ -	\$ 52,747

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006
(Continued)**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments, restricted	\$ -	\$ 11,740	\$ -	\$ 11,740
Cash and investments	7,464,985	12,186,391	11,283,292	8,368,084
Cash and investments with fiscal agents, restricted	23,888,794	82,622,280	91,680,816	14,830,258
Due from other funds	69,142		69,142	
Interest receivable		65,858		65,858
Due from assessment district bondholders		263		263
Total assets	<u>\$ 31,422,921</u>	<u>\$ 94,886,532</u>	<u>\$ 103,033,250</u>	<u>\$ 23,276,203</u>
Liabilities				
Due to other governments	\$ -	\$ 13,388	\$ -	\$ 13,388
Accounts payable		30,000		30,000
Due to other funds	69,142	224,563	67,048	226,657
Deposits payable	13,786	51,099	13,786	51,099
Due to assessment district bondholders	31,339,993	94,567,482	102,952,416	22,955,059
Total liabilities	<u>\$ 31,422,921</u>	<u>\$ 94,886,532</u>	<u>\$ 103,033,250</u>	<u>\$ 23,276,203</u>

City of Tracy
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 June 30, 2006

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FINANCIAL TRENDS

CITY OF TRACY
NEW ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal years ended June 30,						
	2006	2005	2004	2003	2002	2001	2000
	(In thousands 000s)						
Governmental activities							
Invested in capital assets, net of related debt	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381	\$ 224,599	\$ 184,693	\$ 156,058
Restricted	139,007	62,021	143,948	146,313	131,156	101,824	88,651
Unrestricted	15,645	79,527	41,927	25,546	18,682	9,794	123
Total governmental activities net assets	512,231	513,456	484,198	478,240	374,437	296,311	244,832
Business-type activities:							
Invested in capital assets, net of related debt	339,971	288,340	223,792	175,878	164,528	146,890	139,319
Restricted	3,344	31,249	766	1,513	766	782	763
Unrestricted	25,174	5,240	73,175	50,342	44,925	38,184	34,926
Total business-type activities	368,489	324,829	297,733	227,733	210,219	185,856	175,008
Primary government:							
Invested in capital assets, net of related debt	697,550	660,248	522,115	482,259	389,127	331,583	295,377
Restricted	142,351	93,270	144,714	147,826	131,922	102,606	89,414
Unrestricted	40,819	84,767	115,102	75,888	63,607	47,978	35,049
Total primary government	\$ 880,720	\$ 838,285	\$ 781,931	\$ 705,973	\$ 584,656	\$ 482,167	\$ 419,840

Note - The City began to report accrual information when it implemented GASB 34 in the fiscal year 1999-2000.

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,						
	2006	2005	2004	2003	2002	2001	2000
	(in thousands 000)						
Expenses							
Governmental activities:							
General government	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410	\$ 5,408	\$ 8,493	\$ 3,481
Public safety	28,434	26,684	23,660	20,699	19,595	16,188	13,762
Public works	24,821	20,952	79,722	24,083	13,393	15,798	11,681
Culture and leisure	3,760	4,119	3,607	3,070	4,251	2,261	2,070
Interest on long-term debt	3,994	3,626	4,306	3,008	2,902	3,053	2,745
Unallocated depreciation	506	860	-	-	-	-	-
Total Governmental Activities Expenses	<u>68,947</u>	<u>62,939</u>	<u>121,066</u>	<u>58,270</u>	<u>45,549</u>	<u>45,793</u>	<u>33,739</u>
Business-type Activities:							
Water	16,029	9,363	10,076	8,266	8,737	8,455	7,410
Sewer	10,281	8,987	8,624	7,309	6,379	6,023	5,532
Airport	592	471	388	408	433	510	385
Solid waste	16,367	15,604	13,452	11,916	11,061	10,018	8,762
Transit	1,438	381	1,361	913	837	683	706
Drainage	3,957	978	854	762	725	645	446
Total Business-Type Activities	<u>48,664</u>	<u>35,784</u>	<u>34,755</u>	<u>29,574</u>	<u>28,172</u>	<u>26,334</u>	<u>23,241</u>
Total Primary Government Expenses	<u>\$ 117,611</u>	<u>\$ 98,723</u>	<u>\$ 155,821</u>	<u>\$ 87,844</u>	<u>\$ 73,721</u>	<u>\$ 72,127</u>	<u>\$ 56,980</u>
Program revenues:							
Governmental activities:							
Charges for Services:							
Development fees	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711	\$ 7,169	\$ 8,297	\$ 4,053
Other public works	8,660	5,380	3,611	52	40	61	9
Parks and community services	3,621	973	804	619	634	719	740
Other activities	1,008	1,064	1,693	658	1,043	615	687
Operating grants and contributions	12,621	8,666	5,457	10,492	10,134	10,114	8,830
Capital grants and contributions	19,936	27,450	74,462	99,521	78,237	45,678	59,837
Total Governmental Activities Program Revenues	<u>51,127</u>	<u>47,563</u>	<u>91,565</u>	<u>119,053</u>	<u>97,257</u>	<u>65,484</u>	<u>74,156</u>
Business-type Activities:							
Water	12,472	11,723	12,867	11,235	10,699	9,826	9,175
Sewer	8,471	7,805	7,023	5,594	5,809	5,146	4,945
Airport	272	278	221	216	200	194	180
Solid waste	15,147	13,937	14,402	12,669	11,877	11,218	9,571
Transit	109	113	92	74	65	53	64
Drainage	535	491	465	432	410	394	365
Operating grants and contributions	1,038	1,763	1,367	753	705	952	1,169
Capital grants and contributions	10,063	24,897	55,033	12,443	4,701	218	17,398
Total Business-Type Activities Program Revenues	<u>48,107</u>	<u>61,007</u>	<u>91,470</u>	<u>43,416</u>	<u>34,466</u>	<u>28,001</u>	<u>42,867</u>
Total Primary Government Revenues	<u>\$ 99,234</u>	<u>\$ 108,570</u>	<u>\$ 183,035</u>	<u>\$ 162,469</u>	<u>\$ 131,723</u>	<u>\$ 93,485</u>	<u>\$ 117,023</u>

LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,						
	2006	2005	2004	2003	2002	2001	2000
	(in thousands 000s)						
Net (expense)/revenue							
Governmental activities	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784	\$ 51,709	\$ 19,692	\$ 40,417
Business-type activities	(557)	25,223	56,715	13,841	6,293	1,668	19,626
Total primary government net (expense) revenue	(18,377)	9,847	27,217	74,625	58,002	21,360	60,043
General revenues and other changes in net assets							
Governmental activities:							
Taxes:							
Property taxes	24,613	17,616	15,886	14,155	11,759	9,737	8,303
Franchise taxes	1,808	1,700					
Sales and use taxes	12,587	12,162	11,944	9,723	8,618	7,777	6,081
Other taxes	2,979	1,578	5,362	2,819	3,339	3,202	2,508
Unrestricted motor vehicle in lien	437	5,665	3,185	3,759	3,448	2,867	2,456
Investment earnings	7,934	5,738	2,576	9,608	11,392	11,776	5,377
Miscellaneous	930	175	2,760	4,240	3,371	3,167	1,478
Transfers			545	(1,285)	(15,510)	(7,056)	(150)
Total governmental activities	51,288	44,634	42,258	43,019	26,417	31,470	26,053
Business-type activities:							
Interest earnings	1,865	1,220	(271)	2,388	2,561	2,439	1,614
Miscellaneous		652	364				
Transfers			(545)	1,285	15,510	7,056	150
Total business-type activities	1,865	1,872	(452)	3,673	18,071	9,495	1,764
Total primary government	53,153	46,506	41,806	46,692	44,488	40,965	27,817
Change in net assets							
Governmental activities	33,469	29,258	12,760	103,803	78,126	51,162	66,470
Business-type activities	1,308	27,095	56,263	17,514	24,364	11,163	21,390
Total primary government	\$ 34,777	\$ 56,353	\$ 69,023	\$ 121,317	\$ 102,490	\$ 62,325	\$ 87,860

Note - The City began to report accrual information when it implemented GASB Statement no. 34 in fiscal year 1999-2000. In 2004-2005 the City reported its depreciation on infrastructure as unallocated instead of public works.

CITY OF TRACY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(In thousands 000)									
General Fund:										
Reserved	\$ 1,028	\$ 762	\$ 911	\$ 1,359	\$ 567	\$ 3,465	\$ 1,305	\$ 160	\$ 268	\$ 338
Unreserved	19,471	19,038	18,905	15,323	12,478	6,612	8,533	9,628	3,120	1,768
Total general fund	\$ 20,499	\$ 19,800	\$ 19,816	\$ 16,682	\$ 13,045	\$ 10,077	\$ 9,838	\$ 9,788	\$ 3,388	\$ 2,106
All other governmental funds										
Reserved	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578	\$ 21,790	\$ 16,466	\$ 6,671	\$ 5,446	\$ 3,965	\$ 8,163
Unreserved reported in:										
Special revenue funds	27,491	16,983	12,255	11,105	8,610	5,919	2,125	2,353	2,313	1,793
Capital budgets funds	73,913	104,667	108,748	145,260	125,541	101,070	81,154	53,702	29,876	14,860
Debt service funds	-	-	-	8,099	6,717	5,707	2,492	1,685	1,627	3,168
Total all other governmental funds	\$ 151,395	\$ 151,445	\$ 157,815	\$ 186,042	\$ 162,658	\$ 129,162	\$ 92,442	\$ 63,186	\$ 37,781	\$ 27,984

Note - Beginning in 2004 the City classified all of its fund balances in its debt service funds as reserved due to the fact all the funds were in cash accounts earmarked for service, interest or as a revenue.

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	(in thousands 000)									
Revenues:										
Taxes	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698	\$ 23,716	\$ 20,716	\$ 16,892	\$ 14,561	\$ 13,176	\$ 11,806
Licenses, permits, and fees	3,688	4,944	5,497	24,639	21,614	25,272	26,135	21,261	12,579	7,047
Fines and forfeits	290	302	467	347	307	218	210	193	95	97
Use of money and property	7,479	5,361	2,576	8,981	11,038	11,353	5,096	3,688	5,907	922
Intergovernmental	16,948	18,537	17,283	13,248	12,962	12,434	10,797	6,400	5,818	7,085
Charges for services	5,041	6,529	6,905	5,886	6,640	6,225	4,590	5,118	3,719	2,863
Special assessments	10,796	20,580	25,163	1,659	1,300	1,386	1,085	867	811	1,011
Contributions from assessment districts	14,296		39,247	25,377	31,942	4,956	10,220	14,927	3,059	
Other	2,684	4,072	5,134	3,236	2,383	2,111	672	1,114	1,728	984
Total revenues	101,327	91,152	132,617	110,071	111,902	84,671	75,697	68,129	46,892	31,815
Expenditures:										
General government	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398	\$ 3,763	\$ 3,427	\$ 2,634	\$ 2,534	\$ 2,922	\$ 2,609
Police	15,834	15,210	13,625	12,231	10,461	9,071	8,157	7,530	7,006	6,118
Fire	12,201	11,337	9,589	9,069	8,386	7,264	6,050	3,504	2,969	2,777
Community development	12,105	9,128	7,197	7,740	7,545	6,493	5,217	1,609	1,479	1,401
Public works	3,680	5,322	7,524	5,713	5,469	4,669	5,562	6,235	6,893	8,065
Parks and recreation	3,009	2,864	2,734	2,485	2,430	2,258	2,205	3,207	2,864	2,351
Capital outlay	41,653	38,775	124,383	33,444	16,060	16,533	12,552	10,812	5,039	12,817
Debt service-principal	1,390	5,060	380	1,005	940	895	845	1,079	623	432
Debt service-interest	3,849	3,484	3,570	2,801	2,816	2,653	2,031	2,132	1,763	2,151
Debt service-issue costs			2,503						844	
Intergovernmental	2,570	1,825	4,516	2,897	1,326	2,394	686	591	440	447
Total expenditures	100,991	97,539	181,259	81,783	59,196	55,657	45,939	39,233	32,842	39,168
Excess of revenue over (under) expenditures	336	(6,387)	(48,642)	28,288	52,706	29,014	29,758	28,896	14,050	(7,353)
Other financing sources (uses):										
Bond proceeds			55,720			15,000			14,055	
Contribution from assessment districts										989
Transfers in	11,595	9,304	4,567	5,125	8,610	11,435	5,680	1,987	5,415	3,255
Transfers out	(11,595)	(9,304)	(4,081)	(6,390)	(24,854)	(18,491)	(5,972)	(1,987)	(5,415)	(2,755)
Payment to bond escrow agent			(34,072)						(11,229)	
Total other financing sources (uses)			22,134	(1,265)	(16,244)	7,944	(292)		2,826	1,489
Net change in fund balances	\$ 336	\$ (6,387)	\$ (26,508)	\$ 27,023	\$ 36,462	\$ 36,958	\$ 29,466	\$ 28,896	\$ 16,876	\$ (5,864)
Debt service as a percentage of non-capital expenditures	9.68%	17.01%	12.80%	8.55%	9.54%	9.97%	9.43%	12.74%	13.14%	10.87%

Source: City of Tracy, Finance and Administrative Services Department

REVENUE CAPACITY

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	Other	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	803,176	12,609,594
1998	6,490,824	189,535	420,551	4,757,915	1,040,838	276,132	836,608	14,012,403
1999	7,204,242	305,209	437,208	5,293,587	968,766	351,677	863,800	15,424,489
2000	8,303,468	398,837	459,149	6,080,617	1,071,979	577,815	904,677	17,796,542
2001	9,890,207	538,721	488,580	7,776,657	1,302,282	719,257	999,810	21,715,514
2002	11,969,110	404,276	544,735	8,618,122	1,523,995	655,925	1,128,379	24,844,542
2003	13,715,513	569,668	619,852	9,723,275	1,528,012	671,103	1,328,364	28,155,787
2004	15,920,685	779,435	559,720	10,982,717	1,639,091	699,339	1,276,007	31,856,994
2005	14,725,983	1,047,848	686,826	11,775,349	1,699,614	777,878	1,398,516	32,112,014
2006	19,411,722	859,089	651,967	12,774,796	1,807,158	709,219	3,891,486	40,105,436

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In thousands)

Fiscal Years Ended June 30	City of Tracy					Redevelopment Agency				
	Residential Property	Commercial/ Industrial Property	Agricultural Property	Total	Taxable Assessed Value	Less Exemptions	Secured	Unsecured	Less Exemptions	Taxable Assessed Value
1997	2,234,375,124	409,791,915	8,737,260	2,652,904,299	2,543,478,867	109,425,432	446,500,145	56,390,305	7,012,019	495,878,431
1998	2,372,234,931	435,075,867	9,276,345	2,816,587,143	2,702,604,178	113,982,965	\$ 473,361,782	57,558,423	7,264,969	523,655,236
1999	2,680,020,464	491,524,769	10,479,904	3,182,025,137	3,060,766,991	121,258,146	523,549,433	63,881,414	8,090,171	579,340,676
2000	3,199,613,082	586,819,803	12,511,709	3,798,944,594	3,660,430,765	138,513,829	584,197,307	64,880,261	8,692,592	640,384,976
2001	3,817,180,417	700,083,730	14,926,633	4,532,190,780	4,389,199,022	142,991,758	673,615,153	71,126,276	9,198,710	735,542,719
2002	4,382,219,462	803,713,792	17,136,152	5,203,069,406	5,042,024,793	161,044,613	739,975,093	81,623,438	9,708,581	811,889,950
2003	4,961,479,265	909,951,988	19,401,279	5,890,832,532	5,717,366,183	175,466,349	804,131,872	88,173,424	9,683,658	882,621,638
2004	5,701,252,137	1,045,628,822	22,294,073	6,769,175,032	6,585,390,125	183,784,907	849,586,203	97,885,651	9,547,022	937,924,832
2005	6,636,119,348	1,217,086,613	25,949,761	7,879,155,723	7,682,058,258	197,097,465	950,930,395	94,790,962	9,148,204	1,036,573,153
2006	7,676,540,593	1,407,903,370	30,018,206	9,114,462,168	8,910,751,284	203,710,884	1,064,000,083	118,029,640	8,894,854	1,173,134,869

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

CITY OF TRACY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(RATE PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct rates:										
Basic County-wide Levy	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City	N/A	N/A	N/A	N/A	N/A	0.1800%	0.1500%	0.1209%	0.1206%	0.1207%
Redevelopment Agency	N/A	N/A	N/A	N/A	N/A	0.1798%	0.1470%	0.1204%	0.1203%	0.1203%
Total Direct Rate	N/A	N/A	N/A	N/A	N/A	1.3598%	1.2970%	1.2413%	1.2409%	1.2410%
Overlapping rates:										
San Joaquin County	N/A	N/A	N/A	N/A	N/A	0.2000%	0.2100%	0.1963%	0.1963%	0.1962%
Tracy Unified School District	N/A	N/A	N/A	N/A	N/A	0.1500%	0.1600%	0.1925%	0.1998%	0.1998%
ERAF	N/A	N/A	N/A	N/A	N/A	0.3000%	0.2700%	0.2793%	0.2801%	0.2801%
Delta Community College District	N/A	N/A	N/A	N/A	N/A	0.0300%	0.0400%	0.0339%	0.0352%	0.1984%
All Other Districts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.1771%	0.1779%	0.1779%

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

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

Fiscal Year Ended June 30	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
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
2006	12,585,686	12,585,686	100.00%	0.00	12,585,686	100.00%	8,663,313,347

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:

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

CITY OF TRACY
Direct and Overlapping Sales Tax Rates
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	City Direct Rate	Prop K Rate	Transportation Development Act Rate	San Joaquin County Rate	State Rate	Total Sales Tax Rate
1997	1%	0.50%	0.25%	1%	5%	7.75%
1998	1%	0.50%	0.25%	1%	5%	7.75%
1999	1%	0.50%	0.25%	1%	5%	7.75%
2000	1%	0.50%	0.25%	1%	5%	7.75%
2001	1%	0.50%	0.25%	1%	5%	7.75%
2002	1%	0.50%	0.25%	1%	5%	7.75%
2003	1%	0.50%	0.25%	1%	5%	7.75%
2004	1%	0.50%	0.25%	1%	5%	7.75%
2005	1%	0.50%	0.25%	1%	5%	7.75%
2006	1%	0.50%	0.25%	1%	5%	7.75%

Source:

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

Source:

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

DEBT CAPACITY

**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
2006	23,460,000	153,395,000	641,339	645,000	8,572,915	33,505,000	171,558	220,390,812	2,739	80,461

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

Fiscal Year Ended June 30,	Outstanding General Bond Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1997	\$ 41,570,443	\$ 19,630,000	\$ 61,200,443	2.54%	\$ 1,329
1998	42,324,836	20,360,000	62,684,836	2.46%	1,318
1999	40,400,174	19,810,000	60,210,174	2.22%	1,192
2000	40,413,000	19,230,000	59,643,000	1.95%	1,049
2001	38,083,000	33,620,000	71,703,000	1.96%	1,172
2002	33,020,000	32,975,000	65,995,000	1.50%	1,004
2003	32,785,000	32,290,000	65,075,000	1.29%	928
2004	30,045,000	55,720,000	85,765,000	1.30%	1,158
2005	27,095,000	55,050,000	82,145,000	1.07%	1,049
2006	23,460,000	54,070,000	77,530,000	1.00%	964

Source: Finance and Administrative Services Department, City of Tracy

City of Tracy
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

2005-06 Assessed Valuation \$ 7,774,533,118
 Redevelopment Incremental Valuation (757,333,536)

Adjusted Assessed Valuation \$ 7,017,199,582

	Total Debt 6-30-06	% Applicable (1)	City's Share of Debt 6-30-06
<u>Overlapping Tax and Assessment Debt:</u>			
San Joaquin Delta Community College District	\$ 83,227,710	13.939%	\$ 11,601,110
Banta School District	785,000	23.449%	184,075
City of Tracy Community Facilities District No. 87-1	47,535,000	100%	47,535,000
City of Tracy Community Facilities District No. 89-1	14,115,000	100%	14,115,000
City of Tracy Community Facilities District No. 93-1	3,290,000	100%	3,290,000
City of Tracy Community Facilities District No. 98-1	65,945,000	100%	65,945,000
City of Tracy Community Facilities District No. 98-3	3,660,000	100%	3,660,000
City of Tracy Community Facilities District No. 99-1	9,250,000	100%	9,250,000
City of Tracy Community Facilities District No. 99-2	11,300,000	100%	11,300,000
City of Tracy Community Facilities District No. 2000-1	14,585,000	100%	14,585,000
City of Tracy 1915 Act Bonds	23,460,000	100%	23,460,000
			<hr/>
Total Overlapping Tax and Assessment Debt			\$ 204,925,185
			<hr/>
Direct and Overlapping General Fund Debt:			
San Joaquin County Certificates of Participation	\$ 130,500,000	15.325%	\$ 19,999,125
Jefferson School District Certificates of Participation	4,180,000	71.332%	2,981,678
City of Tracy General Fund Obligations	13,025,000	100%	13,025,000
			<hr/>
Total Direct and Overlapping General Fund Debt			\$ 36,005,803
			<hr/>
Combined Total Debt			\$ 240,930,988
			<hr/> <hr/>

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital.

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.64%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$13,025,000) 0.19%
 Combined Total Debt 3.43%

State School Building Aid Repayable as of June 30, 2006 0

Source: California Municipal Statistics, Inc.
 Oakland, California 94618

**CITY OF TRACY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Value	\$ 2,515	\$ 2,653	\$ 2,816	\$ 3,182	\$ 3,793	\$ 4,532	\$ 5,203	\$ 6,769	\$ 7,879	\$ 7,775
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	629	663	704	796	948	1,133	1,301	1692	1970	1,944
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	94	99	106	119	142	170	195	254	296	292
Total net debt applicable to limit	82	85	82	81	93	86	84	135	130	125
Legal debt margin	\$ 12	\$ 14	\$ 24	\$ 38	\$ 49	\$ 84	\$ 111	\$ 119	\$ 166	\$ 167

Note: The Government Code of the State of California provides for a legal debt limit of 15 % of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

**CITY OF TRACY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Water revenue bonds/EOA note										
Water revenue	7,326,479	8,793,350	9,381,924	10,300,132	11,129,136	12,173,003	12,552,319	12,795,412	12,354,096	13,381,880
Less: operating expenses	(3,789,585)	(4,081,779)	(4,121,981)	(4,517,270)	(5,677,055)	(5,390,383)	(4,937,301)	(6,047,909)	(5,383,787)	(8,821,723)
Net available revenue	3,536,894	4,711,571	5,259,943	5,782,862	5,452,081	6,782,620	7,615,018	6,747,503	6,970,309	4,560,157
Debt service:										
Principal	299,576	309,055	323,758	338,831	348,954	369,401	394,439	275,000	1,038,703	938,962
Interest	305,071	292,075	273,393	400,453	98,157	233,851	204,831	288,618	588,637	477,056
Total Debt Service	604,647	601,130	597,151	739,284	447,111	603,252	599,270	563,618	1,607,340	1,416,018
Coverage	5.85	7.84	8.81	7.82	12.19	11.24	12.71	11.97	4.34	3.22
Wastewater revenue bonds:										
Wastewater revenue	4,065,962	5,230,586	5,569,372	5,561,647	6,083,865	6,648,515	6,389,490	6,974,031	8,752,321	9,255,199
Less: operating expenses	(3,509,548)	(3,102,026)	(2,266,504)	(2,618,316)	(2,999,179)	(3,420,444)	(4,392,083)	(4,526,278)	(4,150,266)	(4,509,073)
Net available revenue	556,414	2,128,560	3,302,868	2,943,331	3,084,686	3,228,071	1,997,407	2,447,753	4,602,055	4,746,126
Debt service:										
Principal	175,000	180,000	185,000	195,000	200,000	210,000	155,000	270,000	280,000	280,000
Interest	225,351	238,535	214,292	203,312	195,106	202,239	277,516	797,849	1,699,361	1,429,186
Total Debt Service	400,351	418,535	399,292	398,312	395,106	412,239	432,516	1,067,849	1,979,361	1,709,186
Coverage	1.39	5.09	8.27	7.39	7.81	7.83	4.62	2.29	2.33	2.76
Tax allocation bonds:										
Tax increment	1,979,113	2,180,897	2,575,534	3,150,099	3,815,236	4,676,135	5,314,152	6,590,591	6,449,080	7,943,581
Debt service:										
Principal	335,000	520,000	550,000	580,000	610,000	645,000	685,000	2,825,622	670,000	980,000
Interest	1,159,128	1,194,962	1,205,674	1,172,189	1,848,996	2,033,794	1,992,586	2,503,186	2,753,317	2,739,269
Total Debt Service	1,494,128	1,714,962	1,755,674	1,752,189	2,258,996	2,678,794	2,677,586	5,328,808	3,423,317	3,719,269
Coverage	1.32	1.27	1.47	1.80	1.69	1.75	1.98	1.24	1.88	2.14

Note: Deficits regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest or depreciation expenses.

Source: City of Tracy, Finance and Administrative Services Department

DEMOGRAPHIC AND ECONOMIC INFORMATION

**CITY OF TRACY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

<u>Years</u>	<u>Population</u>	<u>Unemployment Rate</u>
1997	46,047	N/A
1998	47,544	N/A
1999	50,533	N/A
2000	56,861	3.9%
2001	61,180	4.1%
2002	65,735	4.9%
2003	69,990	5.1%
2004	74,080	4.9%
2005	78,310	4.3%
2006	80,461	3.3%

Source:
Finance and Administrative Services Department-
City of Tracy

**CITY OF TRACY
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	3	3	3	3	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	6	6	6	6	6	6	6	6	6	6
Personnel	5	5	6	6	6	6	6	6	7	7
Finance	13	14	16	18	20 (2)	24	24	24	24	25
Police	80	82	91	101	107	118	122	123	126	132
Fire	45	49	99 (1)	98	99	101	101	104	104	107
Development and Engineering	49	49	49	49	50	52	54	52	52	54
Public Works	47	46	54	50	54	61	66	66	66	64
Parks and Community Services	21	20	22	20	20	19	19	19	18	18
Water	34	33	32	33	34	35	37	37	38	38
Wastewater	19	18	18	19	20	21	23	23	24	24
Airport	1	1	1	1	1	1	1	1	1	1
Solid waste	1	1	1	1	1	1	1	1	2	1
Transit	1	1	1	1	1	1	1	1	2	2
Drainage	2	2	2	2	2	2	2	2	2	2
Total	333	336	407	414	431	458	473	475	482	491

Note:

1. In 1999, Tracy Rural Fire District merged with the City of Tracy
2. In 2001, Information System staff was merged with the Finance Department

OPERATING INFORMATION

**CITY OF TRACY
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Arrests	N/A	N/A	2,308	2,611	2,545	2,634	2,957	3,367	3,787	3,561
Parking citations issued	N/A	N/A	N/A	N/A	N/A	2,559	2,395	1,956	2,282	2,107
Traffic violations	N/A	N/A	N/A	N/A	5,670	7,768	9,423	6,662	6,959	6,132
Fire:										
Number of emergency calls	3,101	2,031	2,613	3,296	4,299	4,662	4,620	5,092	5,135	5,907
Inspections	947	1,019	1,390	1,555	2,530	2,945	2,444	2,590	2,106	2,316
Water:										
Water Mains (miles)	285	295	305	320	340	355	370	380	390	395
New Connections	1,200	1,200	1,300	1,500	1,600	1,600	1,800	1,500	1,200	600
Maximum Daily Capacity (gallons) (thousands of gallons)	42	42	42	42	42	42	42	42	57	57
Average daily consumptions (gallons) (thousands of gallons)	10	11	12	12	13	14	15	16	16	16
Sewer:										
Sanitary Sewer (miles)	285	295	305	320	340	355	370	380	390	395
New Connections	1,200	1,200	1,300	1,500	1,600	1,600	1,800	1,500	1,200	600
Average daily treatment (thousands of gallons)	7	6	6	7	7	7	7	8	9	9
Airport:										
Hangar rentals	30	32	35	35	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	197	201	225	277	294	304	319	326	339	325
Recyclables collected (tons per day)	7	8	9	10	12	12	12	12	27	27
Transit:										
Average daily passengers	N/A	N/A	N/A	N/A	N/A	325	293	381	361	318
Total route miles	N/A	N/A	N/A	N/A	N/A	198,438	205,593	213,210	206,975	231,928

Source: City of Tracy, Finance and Administrative Services Department

**CITY OF TRACY
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	2	2	6	6	6	6	7	7	7	7
Public works:										
Streets (miles)										
Number of street lights	2,135	2,301	2,434	2,697	3,007	3,433	3,600	3,693	3,967	4,658
Number of traffic signals	36	38	39	42	44	48	51	55	60	62
Parks and recreation:										
Number of parks	36	41	44	51	54	61	66	68	69	74
Number of community centers	2	2	2	2	2	2	3	3	3	3
Water:										
Water mains (miles)	285	295	305	320	340	355	370	380	390	395
Maximum daily capacity (gallons)										
Wastewater										
Sanitary sewers (miles)	285	295	305	320	340	355	370	380	390	395
Medium daily treatment capacity (gallons)										
Airport:										
Number of hangars	30	32	35	35	76	76	76	76	76	76
Transit:										
Number of vehicles	N/A	N/A	6	6	8	8	8	8	8	8

Source: City of Tracy, Finance and Administrative Services Department