

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

Prepared by the Finance and
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CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007

CITY OF TRACY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2007

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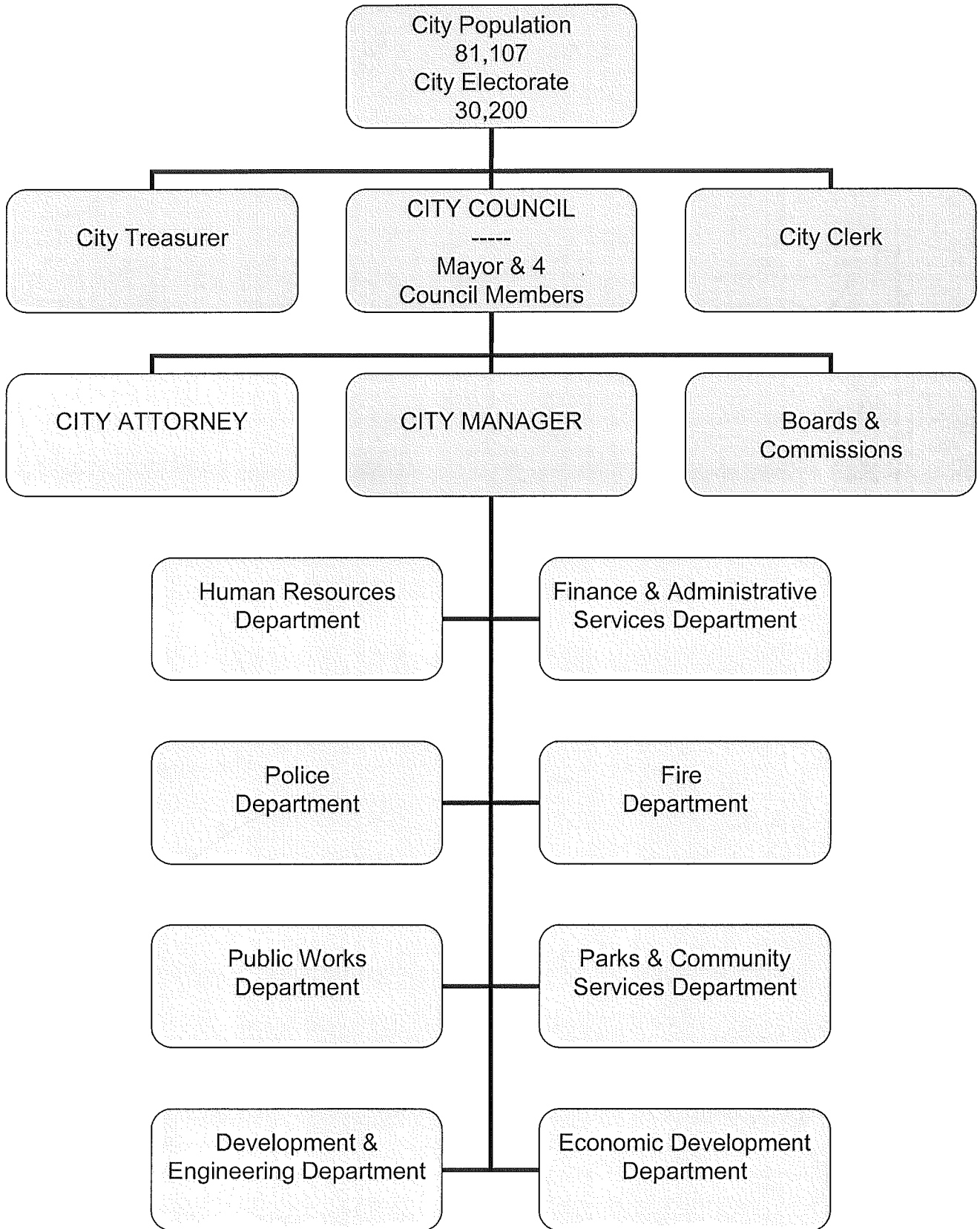
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City of Tracy
Organization Chart
FY06-07



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2007

Brent Ives

Mayor

Suzanne Tucker

Mayor Pro Tem

Irene Sundberg

Council Member

Evelyn Tolbert

Council Member

Steven Abercrombie

Council Member

Debra Corbett

City Attorney

Raymond McCray

City Treasurer

Sandra Edwards

City Clerk

Daniel Hobbs

City Manager

Maria Hurtado

Assistant City Manager

Zane H. Johnston

Director of Finance and Administrative Services

Chris Bosch - Fire Chief

David Krauss - Police Chief

Maria Olvera - Human Resources Director

Kevin Tobeck - Acting Public Works Director

Chris Daste - Parks and Community Services Director

Andrew Malik - Development and Engineering 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, 2006

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



President

Executive Director



CITY OF TRACY

City Manager's Office
333 Civic Center Plaza
Tracy, CA 95376

Telephone (209) 831-6000
FAX (209) 831-6120

October 20, 2007

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, 2007.

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 81,107 and 21 square miles in 2007. Furthermore, it is anticipated that employment in Tracy will increase from 15,000 workers in 2005 to 35,285 in 2022.

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, 2007. 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 and stable footing and is expected to lead the state in payroll growth over the next two years. Payroll growth has shot up to 2 percent in 2006. This has forced the region’s unemployment rate below the state average for the first time since the dot-com bubble burst. Better growth has helped the region surmount the economic challenges of a faltering house market, rising gas prices, and resetting mortgage rates. A weak U.S. dollar and strong global demand is making the expansion of California’s high tech industry a reality once again. Total high tech employment in the state has increased. High-tech job gains in the Bay Area and San Jose confirm the statewide trend. A significant number of Tracy residents work in the San Jose, East Bay, and Livermore Valley areas. 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 our side of the Altamont Pass – the great Central Valley of California. There has been a dramatic slowdown in the economy in this region fueled by the collapse of the housing market. Unemployment in the Stockton and Modesto regions now are at levels seen before the beginning of the housing boom.

The high concentration of economic activity related to residential construction in recent years is proving a significant liability in the current economic environment. Stockton is experiencing significant construction payroll losses, as builders see no end to the current period of depressed housing demand. Adding to the glut of housing for sale is a large supply of foreclosed properties. Merced, Stanislaus and San Joaquin counties have the distinction of being the top three counties in the nation for home foreclosures. Job growth is expected to remain at modest rates for the region and home price declines are expected to be among the worst in the state before the dust settles on the financial and speculative excess.

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 being heavily influenced by the downturn in home construction. This strong reduction in all things related to housing is cause for concern in that the current real estate environment is expected to continue for several years. Already, property tax revenue to the City has begun to slow and sales tax has fallen around 5% over previous years. The leading edge of the storm is upon us but the good news is that the City prepared for it. Through the implementation of Measure A, the City’s slow growth measure approved by voters in 2000, it was projected that by FY 06-07 residential building would slow dramatically and by FY 07-08 there would be little if any residential construction. Therefore, the City knew the building boom would end and began to prepare for this in the form of adding to the City’s reserves. While the City will face slow or reduced revenues over the next several years, the City enjoys a strong reserve level position to weather the storm.

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, 2007 is \$19,111,270. In addition to the undesignated fund balance of the General Fund, the City also has an Economic Uncertainty Fund with a balance of \$19,621,924. Together, these two sources total \$38,733,194 and represent approximately 72% of General Fund operating expenses budgeted for FY 07-08. This is an excellent fiscal foundation as we approach new fiscal territory in a post-Measure A environment and uncertain times in the economy.

Major Initiatives

Grand Theatre Center for the Arts

Construction was substantially completed to renovating the Grand Theatre and adjoining buildings to provide a new cultural arts center for the City. This state of the art facility opened to the public on September 14, 2007 and will be a beautiful addition to a revised downtown Tracy. The center will offer both instructional programs in a variety of arts as well as offer musical and dance performances in the 550 seat main theatre. Total project cost was \$19 million with the City's Redevelopment Agency funding \$18 million and donations \$1 million.

Civic Center Expansion

The long awaited construction of a new City Hall and Council Chamber was finished. The building was dedicated on July 3, 2007. The new City Hall and Council Chambers features approximately 44,000 square feet of space. In addition to the building, the entire Civic Center area is being redone including new landscaping, new parking lots, a history plaza and a new Civic Center park. 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 early 2008. The City's other plant project, improvement to the City's Water Treatment Plant, is now completed. The cost of this project was \$44 million.

Mayor' Community Youth Support Network

This new program is a collaborative effort involving residents, City County, State community-based organizations, faith based organizations, businesses, Youth Advisory Commissioners, schools parents, and local law enforcement. The purpose of the program is to address and prevent issues of youth violence as well as reach out and reconnect youth and families to services in Tracy. The program has been organized and both the policy team and service provider team have met and begun work. Full development of the program is expected during FY 07-08

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 began on implementing the action items of the plan and will continue through FY07-08.

While the City's tax base in the two key areas of property and sales taxes enjoyed double digit increases for many years, much of the City's fiscal prosperity can also be linked to the local robust construction environment. Residential construction has recently come to a virtual halt due to the restrictions of Measure A and the weak housing market. In the seven years since the passage of the Measure A, vested developers continued to build under the previous residential limits. During that time, the City has had the opportunity through sound financial planning and budgeting to prepare for the change when the stricter residential building limits were fully implemented. The City did not make the mistake of aggressively expanding services during the boom years. The number of full time equivalent (FTE) City employees per 1,000 population was 6.91 in 2000 and has remained relatively constant as there are 6.80 FTEs per 1,000 population today. So the City has kept up with demand, but not used one time building boom revenue to finance expansion of services. Instead, 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.

While the City has prudently managed its resources and built reserves for the future, there nevertheless remain several significant fiscal challenges for the City in the future. First, during 2006 and 2007 the City entered into new long term labor contracts with all of its employee groups. New labor agreements call for annual wage increases that will help to keep the City of Tracy as an employer of choice. Personnel expenses are the single largest expense of the City's operating budget. It is estimated that additional labor expenses for the General Fund will increase by approximately \$3 million per year over the next several years. 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 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. As such, it is projected the City will spend more than it takes in over the next several years. As noted previously, the City created additional reserves for this period of time. The art will be to manage available reserves over an unknown period of time until revenues once again are equal to expenses.

City Implements GASB 45 Early

The Governmental Accounting Standards Board (GASB) statement #45 requires that governments account for other post employment benefits (OPEB). This new requirement has various implementation dates based upon the size of revenues of the government. The larger governments have the earliest implementation dates followed by medium size, followed by smaller governments. The City of Tracy has chosen to implement its GASB 45 requirement with this FY 06-07 report two years before it would have been required. The City is taking this step because it believes GASB 45 to be an important component of judging the financial position of any governmental unit. Also, the City has a tradition of early implementation of significant GASB requirements. The City was one of the first in the nation (including being one of only 3 cities in California) to implement GASB 34, several years before the requirement to do so.

GASB 45 is an effort for governments to identify their obligations for expenses associated with post employment other than pensions. Governments have pension obligations to their current and retired employees and these are calculated and accounted for. However, other post employment benefits such as health insurance have not been accounted for by most governments. As these expenses can represent a huge future liability of the government, identification of their costs is essential. GASB 45 requires the government to have an actuarial study done in order to identify the cost of other post employment benefits.

The City of Tracy does not provide for the payment of health insurance for its retired employees. As such it does not have a significant GASB 45 liability that many governments have. However, retired employees are allowed to purchase the City's health insurance for both themselves and their spouses or dependents either through direct payment or from the employee's medical insurance bank. The ability of a retired employee to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB 45. The City obtained the firm of Demsey, Filliger & Associates to perform an actuarial valuation of this "implicit subsidy". The results of this actuarial valuation can be found in note 11 to the financial statements in this report. Suffice to say, the City's liability in this regard is not significant and the ongoing annual required contribution to address this liability is just \$220,771 per year. An insignificant GASB 45 liability is a great benefit to the City's true and long term financial strength.

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, 2006. This was the 19th 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 for FY 06-07. 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,

Maria Hurtado
Interim City Manager

Zane H. Johnston
Finance & Administrative Services Director



MOSS, LEVY & HARTZHEIM LLP

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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, 2007, 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, 2007, 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. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions, effective July 1, 2006.

In accordance with Government Auditing Standards, we have also issued a report December 10, 2007, 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 Funding Progress of the California Public Employees Retirement System, the Postemployment Retiree Benefits Funding Progress, and the Modified Approach to Reporting Street Pavement Costs on pages 88 through 90 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 Financial Statements for the Nonmajor Governmental Funds, Nonmajor Fund Budgetary Comparison Schedules, Internal Service Funds, and Agency 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 Financial Statements for the Nonmajor Governmental Funds, Nonmajor Fund Budgetary Comparison Schedules, Internal Service Funds, and Agency 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
December 10, 2007

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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, 2007. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- At the close of fiscal year 2006-07, the City's total assets (all funds) exceeded its liabilities by \$953,588,921 (net assets). Of this amount, \$68.2 million (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$72.8 million or 8.27% in fiscal year 2006-07 compared to the previous fiscal year. This increase was due mainly to the increase in capital assets by \$95.6 million. Of this amount, \$41.9 is in land acquisition and \$49.5 in capital contributions and grants in the governmental activities and the rest is in construction in-progress in the business-type activities.
- The governmental activities reported combined net assets of \$574.1 million at the end of the fiscal year 2007. This is an increase of 12.08% from last fiscal year. This double-digit increase in the net assets of governmental funds was due to a \$2.8 million excess of revenues over expenditures compared to last fiscal year's deficit of \$17.8 million. This increase in revenues can be attributed to capital contributions and grants received by governmental funds in the amount of \$49.5 million.
- At the end of the fiscal year, unreserved, undesignated fund balance for the general fund is \$17.3 million compared to last year's \$19.5 million or a decline of 12.2%. This year's fund balance shows a decline of \$2.1 million from last year. This unreserved fund balance of the general fund is able to cover 39% of its operating revenues. This decrease in the General Fund's fund balance is a "tell-tale" sign of the anticipated decrease in revenues in the general fund due to the passage of Measure A and its restriction of growth. During the fiscal year, the general fund managed to transfer \$6.5 million to the Economic Uncertainty Fund. The Economic Uncertainty Fund, however, transferred \$4.2 million to the capital projects fund for the construction of a youth sports facility. These transfers left a balance of 19.6 million at the end of the year which is an increase of only 18% from last year's fund balance of \$16.6 million.
- Taxes and assessments managed to increase by 20.5% compared to last year. This increase can be attributed to the "housing bubble" that escalated in 2004-05 that resulted to a very rapid increase in property valuation. However, due to the worsening housing market, fewer properties changed hands and consequently, revenues derived from documentary transfer taxes sharply declined by 44.1%.
- During the year, the City did an actuarial study related to OPEB (Other Post Employment Benefits) and opted to do an early implementation of GASB 45. The results of the actuarial study are under Note 11 on page 79.

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, were established by GASB Statement 34 and replace 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 the City of Tracy's progress in maintaining its infrastructure assets and is shown on pages 88 and 89.

Government-wide Financial Analysis

Net Assets

Net assets are a useful indicator of a government's financial position. The City of Tracy's assets exceeded liabilities by more than \$953 million at the close of fiscal year 2006-2007. \$749 million or 78% 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. However, these assets are not available for future spending. 14% of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted assets of the City in the amount of \$68.2 million maybe used to meet its ongoing obligations to citizens and creditors.

Description	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Cash & Investments	\$ 196,737	\$ 202,323	\$ 16,563	\$ 23,028	\$ 213,300	\$ 225,351
Other Assets	8,095	7,341	17,071	16,377	25,166	23,718
Capital Assets	453,560	389,722	411,053	379,298	864,613	769,020
Total Assets	658,392	599,386	444,687	418,703	1,103,079	1,018,089
Long-Term Debt Outstanding	66,065	68,463	56,082	39,515	122,147	107,978
Other Liabilities	18,214	18,692	9,129	10,656	27,343	29,348
Total Liabilities	84,279	87,155	65,211	50,171	149,490	137,326
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	396,124	357,579	353,095	339,970	749,219	697,549
Restricted	135,593	139,007	555	3,344	136,148	142,351
Unrestricted	42,395	15,645	25,826	25,217	68,221	40,862
Total Net Assets	\$ 574,112	\$ 512,231	\$ 379,476	\$ 368,531	\$ 953,588	\$ 880,762

In governmental activities, the total net assets increased by more than 12%. This increase was mainly due to a 33% increase in revenues while expenditures increased only by 8%. The increase in revenues could be attributed to the passage of Proposition 1A in November, 2004. This proposition prevented the State of California from taking away the share of local government in revenues such as property tax, sales and use tax and motor vehicle in-lieu tax. Last fiscal year (2006) was the last time that the State was

able to raid the revenues of local governments. In FY 2007, the City was able to receive its full share of these taxes. The governmental activities also experienced an increase of 148% in grants and contributions.

There was a modest increase of only 2.97% in the business activities. This was mainly due to having three funds (Water, Solid waste and Airport) that showed losses from operations. The Water Fund's operating revenues increased by over 9% while it managed to reduce its expenditures by 1.5%. The bulk of the reduction in expenditures is in depreciation which decreased by more than 13%. This 13% reduction in expenditures during the fiscal year contributed to the decrease of operating losses by over 54% when compared to last fiscal year.

The Airport fund's operating loss during the year was due mainly to the absence of grants and contributions. Last year, it received \$.3 million in grants and contributions.

The Solid waste funds operating losses is attributed to charges for services that have not been raised while the operating expenditures continue to escalate. This was remedied by a new ordinance that raised the basic residential rates from \$19.95 to \$29.45 per month and became effective in August, 2007. It is anticipated that this 47.6% rate increase will wipe out the operating losses in the coming years.

Changes in Net Assets

The Required Supplemental Information (RSI) on pages 85 and 86 shows a description and tabulation of the city's reporting of street pavement costs which are related to net assets.

The City's net assets increased by \$72.8 million or 8.2%. The table shown below will show the key elements of these increases. This increase can be attributed to a sharp increase of 33% in revenues while expenditures increased only by 8%. This was accomplished by the City's ability to prudently manage its resources. One example of this is by negotiating long-term labor contracts with all of its employee groups, thereby insuring labor costs to be more controlled and predictable. Various vacancies in general government and in the Development and Engineering Services Department were not filled and resulted to a decline in expenditures by 14% and 20%, respectively. The Public Works Department is the only area of the City's organization which showed a significant increase of 47% in expenditures. This 47% increase was mainly due to numerous repairs and maintenance on the City's streets and roadways that the city undertook during the fiscal year.

Table 2
City of Tracy
Schedule of Changes in Net Assets
June 30, 2007
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services	\$ 16,121	\$ 18,570	\$ 42,815	\$ 37,006	\$ 58,936	\$ 55,576
Operating contributions and grants	11,800	12,621	865	1,038	12,665	13,659
Capital grants and contributions	49,554	19,936	13,119	10,063	62,673	29,999
Total Program revenues	77,475	51,127	56,799	48,107	134,274	99,234
General Revenues:						
Property Taxes	23,859	24,613			23,859	24,613
Other Taxes	23,664	17,374			23,664	17,374
Other General Revenues	11,505	9,301	1,795	1,865	13,300	11,166
Total general revenues & transfers	59,028	51,288	1,795	1,865	60,823	53,153
Total Revenues	136,503	102,415	58,594	49,972	195,097	152,387
Expenses						
General government	6,391	7,432			6,391	7,432
Police	17,296	16,204			17,296	16,204
Fire	12,882	12,230			12,882	12,230
Development & Engineering	8,543	10,707			8,543	10,707
Public Works	20,848	14,114			20,848	14,114
Parks & Community Services	3,929	3,760			3,929	3,760
Interest on Long-term Debt	4,084	3,994			4,084	3,994
Unallocated Depreciation	649	505			649	505
Water			16,106	16,029	16,106	16,029
Sewer			9,639	10,281	9,639	10,281
Solid waste			16,492	16,367	16,492	16,367
Storm Drainage			3,247	3,957	3,247	3,957
Airport			666	592	666	592
Transit			1,499	1,438	1,499	1,438
Total Expenses	74,622	68,946	47,649	48,664	122,271	117,610
Increase in Net Assets	61,881	33,469	10,945	1,308	72,826	34,777
Net Assets, Beg. of year	512,231	513,456	368,531	324,829	880,762	838,285
Prior Period Adjustments		(34,694)		42,394	-	7,700
Net Assets, Beg. of year (Restated)	512,231	478,762	368,531	367,223	880,762	845,985
Net Assets, 6-30-2007	\$ 574,112	\$ 512,231	\$ 379,476	\$ 368,531	\$ 953,588	\$ 880,762

Governmental Activities

Despite a 13.9%, 6.51% and 3.06% reduction in charges for services, operating contributions and grants and property taxes, respectively, the governmental activities managed to post a 33% increase in total revenues. This 33% increase mainly came from capital grants and contributions, other taxes and other general revenues. During the year, the City received 150 acres of vacant land from the federal government worth \$2.8 million. The City is planning to use this land for parks. The earnings from use of money also increased by more than 32% due to rising interest rates. Overall, the increase of more than 12% in net assets in governmental activities was due to a much higher increase in revenues (33%) compared to expenditures (8%).

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 increased by 17%, which was mainly due to a 30.6% increase in capital contributions and grants. The Water Fund and the Drainage Fund are the two funds that received the bulk of these capital contributions and grants. The other contributor to this revenue increase is charges for services. The Sewer Fund received its full year of rate increase during this fiscal year and posted an increase of 43% in charges for services. The expenses of business-type activities decreased by more than 2% due to reductions in expenses in the Sewer and Storm Drainage Funds. The reductions came from depreciation expenses.

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, 2007, the City's governmental funds presented a combined fund balance of almost \$169.7 million, a decrease of \$2.18 million when compared to that of the prior year. The 1.29% decrease was mainly due to the almost 20% reduction in the cash balance with fiscal agents. The funds were used to complete various city projects.

The City of Tracy's general fund has a fund balance of \$19.1 million. Of this amount, \$17.3 million or 90% is unreserved and undesignated. The total unreserved and undesignated fund balance represents almost 40% of the total general fund expenditures.

In the governmental funds, Northeast Industrial Plan Area Fund, a major fund, is the only fund that showed a negative fund balance. Last year's fund balance of (\$2.28) million is now just (\$.046) million. This fund is slowly recovering due to the continued construction in this area. A medical device company has just completed construction on the first of its four buildings planned at this location. Another company has begun construction on a 533,000 square foot warehouse while another developer recently received approval from the City Council for construction of four buildings with a total square footage of 1.4 million. This site remains one of the few fully entitled large parcels available in San Joaquin County.

Phase II of the Northeast Industrial Plan Area Fund, not a major fund, is also thriving. Off-site infrastructure design is in progress for both sewer and water services. The acquisition of the right-of-ways is also in progress. All the developers for Phase II have submitted preliminary site plans to the City for review and are ready to proceed with development. Construction of off-site infrastructure is expected to begin in the summer of 2008.

The City of Tracy's debt service funds have a combined fund balance of \$8 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by 41% or \$5.7 million. The issuance of bonds in 2005 in the amount of \$55.7 million is taking its toll on the fund balance of the Community Development Agency Debt Service Fund. The total debt service of this loan and the other debts is \$4.8 million in 2007 compared to only \$3.7 in 2006.

The other governmental funds (Business Improvement District and Community Access CTV) that reported a negative fund balance was the result of excessive spending in operating expenditures 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 \$25.8 million for the year ended June 30, 2007, up by 2.4% compared to last year's unrestricted net assets of \$25.2 million. This modest increase is due mainly to the losses posted by the Water, Solid Waste and Airport Funds. With rate increases that became effective in the summer of 2007, the Solid Waste fund's revenues will manage to exceed its expenditures next fiscal year.

General Fund Budgetary Highlights

- The actual revenues for the general fund exceeded the estimated amount by almost \$2 million, or by 4%.
- 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, 2007 is \$5.5 million.

The excess of actual revenues compared to estimated revenues was due to motor vehicle license fees received that were much higher than expected. The other source of the favorable variance in revenues came from interest income due to rising interest rates. Most departments did not spend all of their budget appropriations which resulted in a favorable variance in expenditures amounting to \$3.5 million. This was primarily due to not filling out vacancies in various departments.

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 \$6.58 million to the Economic Uncertainty Fund. However, \$4.21 million was transferred to the General Projects Fund from the Economic Uncertainty Fund to finance the construction of the Youth Sports Facilities which left a balance of \$19.11 million as of June 30, 2007.

The revenues of the general fund increased by only 7%. 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 effects of Measure A.

Expenditures of the general fund increased by 11%. This increase was mainly due to higher wages and benefits. In October, 2006, the miscellaneous group's (non-safety) retirement plan of 2.5% at age 55 became effective. This increase in retirement benefits of employees meant that the city's pension expenses also went up. 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 almost 9%. This was due to a decrease in special assessments. Since fewer development impact fees and permit revenues from developers were received during the year, total revenues declined by 48%. As of June 30, 2007, Plan C fund has a \$28.4 million in 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 was able to reduce its negative fund balance by almost 98%. This improvement was mainly due to sharp increases in revenues related to interest income and special assessments. The increase in interest income was due to rising interest rates while the increase in special assessments was due to developers' payment of fees related to construction.

Analyses of Major Proprietary Funds

Water

The net assets of the water fund increased by only \$.6 million or .36% in 2007. Although total assets increased by 13%, total liabilities increased by 65%. This exceedingly high rate of increase in total liabilities was due to the \$18 million state loan that was received during the fiscal year. The funds were used to finance the expansion of the water treatment plant. The operating losses in 2007 were only \$1.6 million compared to last year's \$3 million. This was due to revenue increases of 9% while expenses decreased by 1.5%. The increase in revenues came from the sales and charges for services while the reduction in expenses was contributed by a 12% reduction in depreciation.

Sewer

The net assets of the sewer fund increased by \$6 million or 4.8% in 2007. Although total revenues increased by 43% which came mainly from sales and charges for services and expenses decreasing by 7%, the 98% reduction of revenues from grants and subsidies did not help in improving the net assets that much. The reduction in expenses was contributed by an 18% decrease in depreciation.

Municipal Airport

The net assets of the airport fund decreased by almost 2% in 2007. This decrease was due to the absence of grants and subsidies received from the state and the federal government during the year.

Solid Waste

In 2007, the net assets of the solid waste fund decreased by 28%. Revenues derived from sales and charges for services decreased by more than 1% while operating expenses increased by more than 1%. In August, 2007, a 47% increase (from \$19.95 to \$29.45 per month) in the basic residential rate became effective and it is anticipated that this rate increase will greatly improve the financial position of this fund in the coming years.

Municipal Transit

The net assets of the municipal transit fund increased by 49% in 2007. This increase was due to grants and subsidies received from the federal government in the amount of almost \$1 million. These grants were used to purchase passenger buses and for the construction of bus shelters.

Drainage

The net assets of the drainage fund increased by 7% in 2007. This increase was due to a decrease in depreciation by 18%. Most of the operating assets of this fund are fully depreciated but still in good working condition.

Capital Asset and Debt Administration

Capital Assets. The combined investments in capital assets of governmental and business-type activities as of June 30, 2007 is \$864.6 million. This investment in capital assets includes land, buildings, machinery, equipment, park facilities and infrastructure. The total investments in capital assets increased by 22%. The total net assets of business-type activities increased by 8%. More detailed information of the City's capital assets can be found in Note 6. These increases in capital assets are described in more detail in the following paragraphs:

Youth Sports Complex

Outside consultants completed the preliminary design of the sports complex project with an estimated cost of \$23 million. The underground tanks, poles, guy wires and associated structures have been removed. The removal and disposal of contaminated soil from the site is in progress. The development of irrigation wells were completed in August, 2007. Bidding for the construction has been scheduled for September, 2007 and it is anticipated that construction will start before the end of the year.

Aquatics Center

The Aquatics Center project is tied to the Ellis Specific Plan which is undergoing environmental analysis to complete and Environmental Impact Report (EIR). Staff is in the process of reviewing traffic studies which will then provide the necessary data to complete air quality and noise analyses. The major portion of the work at this time is in refining the Ellis land plan and the proposed street cross sections. Council has already directed staff to closely work with the developers to complete the completion of the specific plan and EIR as quickly as possible to expedite the LAFCo annexation process. City staff and the developers are also working to develop an estimated timeline that will account for the required environmental, planning, design, and construction steps for all phases of the project.

Grand Theatre

The overall project is approximately 80% complete as of June, 2007. The bulk of material and equipment has been delivered on site and installation of rigging is in progress. The building furniture and other equipment have been ordered. The installation of mechanical equipment, HVAC and pottery kilns are complete. The installation of the brick façade for the studio theater has been completed. All sections of the building except the main theater are complete and ready for beneficial occupancy pending minor punch list items. It is estimated that the total costs of the Grand Theatre Center for the Arts will be approximately \$12.5 million. The Grand Theatre had a grand opening on September 15, 2007.

Civic Center

The civic center project which involves the construction of a new city hall was also completed during the 2007 fiscal year at a total cost of \$26.7 million. Employees moved to the new city hall in early April of 2007. The new city hall is approximately 46,000 square feet and serves as the offices of most of the employees of the Development and Engineering Services Department and administration. It also includes a council chamber that was designed and constructed with the latest audio and video technology. The landscaping in the infill areas around the facility was completed on time for the grand opening held on July 3, 2007.

Downtown

The downtown streetscape and infrastructure project is almost completed. Underground work on utilities and service lines on Central Avenue and Sixth Street was completed on schedule. The estimated date of completion is early 2008.

Tracy Gateway

In June, 2007, the City Council adopted the precise plan lines for Lammers Road and Eleventh Street frontage of the Gateway project. The updated Finance and Implementation Plans (FIP) and development impact fees were updated in July, 2007. The final map approval was given for Council consideration in August. City staff continues to meet with Gateway representatives, consultants and architect to resolve and finalize development issues.

Wastewater Treatment Plant Expansion

The wastewater treatment plant expansion's construction activities continue in the new aeration basin, tertiary filters, new primary clarifier, disinfection building, post aeration basin, diesel generator building, flow equalization tank, miscellaneous piping, and electrical work. As of the end of FY 2007, this project is about 98% complete and was completed on July 30, 2007 with a total cost of \$71.5 million.

Water Treatment Plant

By the end of FY 2006-07, the water treatment plant expansion project is substantially complete and the plant is operational. The remaining work as of June 30 is the installation of new emergency diesel generator which was installed in September, 2007. This project is now complete and was accepted by Council on November 20, 2007 with a total cost of \$43.7 million.

Compressed Natural Gas (CNG) Station

The recent purchases of passenger buses that use CNG necessitate the expansion of the station to accommodate the growing number of buses that need refueling. The buses using CNG also require a much longer time to refuel and a need to expand the station became apparent. The design of the CNG station expansion is complete and the project is ready to be advertised for bids.

Various Street Projects

The construction projects of twenty streets involving reconstruction, overlays and slurry seal has been completed during the year and were accepted by Council in July 17, 2007.

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2007
(in Thousands)

Asset Description	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 124,155	\$ 82,192	\$ 6,646	\$ 5,296	\$ 130,801	\$ 87,488
Streets and Roads	196,921	189,489			196,921	189,489
Construction in-Progress	18,387	33,120	129,012	99,273	147,399	132,393
Buildings and Improvements	95,333	60,903	277,790	276,644	373,123	337,547
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	25,367	23,968			25,367	23,968
Traffic Signals	14,238	14,088			14,238	14,088
Street Drainage		-			-	-
Equipment	20,880	20,834	9,600	9,067	30,480	29,901
Intangible Assets	521		60,229	60,116	60,750	60,116
Infrastructure	4,956	4,956	81,549	70,094	86,505	75,050
Less: Total Accumulated Depreciation	(47,198)	(39,828)	(153,773)	(141,192)	(200,971)	(181,020)
Total Capital Assets	\$ 453,560	\$ 389,722	\$ 411,053	\$ 379,298	\$ 864,613	\$ 769,020

The City of Tracy's capital assets in governmental activities increased by 16% while the capital assets of business-type activities increased by more than 8%. The major increase in governmental activities was in land acquisition. The City purchased federal lands and in addition, the federal government donated 150 acres of land valued at \$2.8 million. Business-type activities' increase in capital assets was also in land acquisition. The Transit fund purchased 3.8 acres from Union Pacific Railroad in the amount \$1.35 million. This land acquisition will be used for the planned multi-modal station.

The City uses the Modified Approach with respect to infrastructure assets instead of depreciating these assets. Since 2006, the actual maintenance costs have been declining from \$14.8 million to \$8.6 million in 2007. Due to this, the Pavement Condition Index (PCI) also decreased from 78 in 2006 to 76 in 2007. Despite this, the PCI for 2007 of 76 is still 17% higher than the City's targeted condition level of 65. The City budgeted \$13.6 million for 2008 and it is anticipated that the PCI will improve next year. The Required Supplemental Information on pages 88 and 89 shows this in more detail.

Long-term Debt. At the end of fiscal year 2007, the City's total debt shows an increase of 12.74%. This increase was mainly due to the \$18.25 million "Safe Drinking Water" loan from the Department of Water Resources of the State of California. These funds were used for the expansion of the water treatment plant. A detailed discussion of the entire City's long-term debt can be found under Notes 7 and 8 on pages 69 to 77. 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, 2007
(in Thousands)

Debt Description	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
2003 Tax Allocation Bonds	\$ 53,065	\$ 54,070			\$ 53,065	\$ 54,070
1995 Certificates of Participation	2,140	2,270			2,140	2,270
1998 Certificates of Participation	10,460	10,755			10,460	10,755
Capital Leases	521	641			521	641
1993 Water Revenue Bonds			\$ 330	\$ 645	330	645
2003 Wastewater Revenue Bonds			2,220	2,510	2,220	2,510
2004 Wastewater Revenue Bonds			30,995	30,995	30,995	30,995
U. S. EDA Notes			1,927	2,073	1,927	2,073
Irrigation District Notes			5,000	6,500	5,000	6,500
State of California-Department of Transportation Loan			157	171	157	171
State of California-Department of Health Services			18,250		18,250	
Claims and Judgments	625				625	
Compensated Absences	2,334	2,336	366	365	2,700	2,701
Total Long Term Liabilities	\$ 69,145	\$ 70,072	\$ 59,245	\$ 43,259	\$ 128,390	\$ 113,331

Economic Outlook and Major Initiatives

Fiscal year 2006-07 was the first year that reflects the true effect of Measure A, an ordinance that limited the City's growth. This was the first time that the reserves were used to fund a project. 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 333 Civic Center Plaza, Tracy, California 95376.

CITY OF TRACY
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 170,270,853	\$ 15,858,355	\$ 186,129,208
Cash and investments with fiscal agents	26,465,736	704,748	27,170,484
Accounts receivable	8,200,971	6,083,501	14,284,472
Interest receivable	1,766,344	205,615	1,971,959
Prepaid items	41,602	2,024	43,626
Loans receivable	4,872,497		4,872,497
Internal balances	(10,564,104)	10,564,104	
Deferred charges, net of accumulated amortization	3,777,893	215,643	3,993,536
Capital assets, not being depreciated	339,463,609	135,658,429	475,122,038
Capital assets, being depreciated, net of accumulated depreciation	114,096,706	275,395,420	389,492,126
Total Assets	658,392,107	444,687,839	1,103,079,946
LIABILITIES			
Accounts payable	5,194,195	4,480,240	9,674,435
Deposits payable	5,673,961	1,303,600	6,977,561
Unearned revenue	2,961,796		2,961,796
Accrued interest payable	1,083,477	154,690	1,238,167
Postemployment benefits payable	220,771		220,771
Noncurrent liabilities:			
Due within one year	3,080,201	3,190,104	6,270,305
Due in more than one year	66,065,435	56,082,555	122,147,990
Total Liabilities	84,279,836	65,211,189	149,491,025
NET ASSETS			
Invested in capital assets, net of related debt	396,123,811	353,095,102	749,218,913
Restricted	135,592,882	555,287	136,148,169
Unrestricted	42,395,578	25,826,261	68,221,839
Total Net assets	\$ 574,112,271	\$ 379,476,650	\$ 953,588,921

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, 2007

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	\$ (399,550)	\$ 8,030	\$ -	\$ -
City attorney	(741,944)			
City treasurer	(306,662)			
Administration	(983,537)			
Personnel	(846,488)	427		
Finance	(1,566,037)	162,031		
Non-departmental	(1,546,518)	1,415,469	26,289	109,300
Public safety				
Police	(17,295,739)	449,901	1,273,201	37,007
Fire	(12,882,632)	245,641	6,677,147	725,050
Public works				
Development and engineering	(8,543,004)	4,700,040		1,244,639
Public works	(20,848,426)	7,659,982	3,224,254	44,262,673
Culture and leisure				
Parks and community services	(3,929,058)	1,479,516	7,500	3,175,224
Interest on long-term debt	(4,083,625)		592,074	
Unallocated depreciation	(649,371)			
Total Governmental Activities	(74,622,591)	16,121,037	11,800,465	49,553,893
Business-type Activities:				
Water	(16,105,923)	13,653,630	167,721	2,228,240
Sewer	(9,638,607)	12,115,358	165,995	2,652,779
Airport	(665,921)	264,704	121,520	
Solid waste	(16,492,490)	15,005,873		
Transit	(1,498,882)	1,231,230	409,435	1,591,592
Drainage	(3,247,240)	544,504		6,645,943
Total Business-type Activities	(47,649,063)	42,815,299	864,671	13,118,554
Total Government	\$ (122,271,654)	\$ 58,936,336	\$ 12,665,136	\$ 62,672,447

General Revenues:

Taxes:

Property taxes
Franchise taxes
Sales and use taxes
Other taxes

Motor vehicle in lieu, unrestricted

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets June 30, 2006

Net Assets, July 1, 2007

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>
\$ (391,520)	\$ -	\$ (391,520)
(741,944)		(741,944)
(306,662)		(306,662)
(983,537)		(983,537)
(846,061)		(846,061)
(1,404,006)		(1,404,006)
4,540		4,540
(15,535,630)		(15,535,630)
(5,234,794)		(5,234,794)
(2,598,325)		(2,598,325)
34,298,483		34,298,483
733,182		733,182
(3,491,551)		(3,491,551)
(649,371)		(649,371)
<u>2,852,804</u>		<u>2,852,804</u>
	(56,332)	(56,332)
	5,295,525	5,295,525
	(279,697)	(279,697)
	(1,486,617)	(1,486,617)
	1,733,375	1,733,375
	<u>3,943,207</u>	<u>3,943,207</u>
	<u>9,149,461</u>	<u>9,149,461</u>
<u>2,852,804</u>	<u>9,149,461</u>	<u>12,002,265</u>
23,859,318		23,859,318
2,010,294		2,010,294
13,053,420		13,053,420
2,372,890		2,372,890
6,227,674		6,227,674
10,405,600		10,405,600
1,098,383	1,796,105	2,894,488
649	(649)	
<u>59,028,228</u>	<u>1,795,456</u>	<u>60,823,684</u>
61,881,032	10,944,917	72,825,949
<u>512,231,239</u>	<u>368,531,733</u>	<u>880,762,972</u>
<u>\$ 574,112,271</u>	<u>\$ 379,476,650</u>	<u>\$ 953,588,921</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 2007. 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.

**CITY OF TRACY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007**

	<u>General Fund</u>	<u>Plan C</u>	<u>North East Industrial Plan Area</u>
ASSETS			
Cash and investments	\$ 21,845,058	\$ 28,545,326	\$ 11,875,170
Cash and investments with fiscal agents			
Accounts receivable	2,836,721		
Interest receivable	280,679	311,272	104,258
Prepaid items	41,207		
Loans receivable	605,967		
Due from other funds	59,896		
Advances to other funds	244,057		
	<u>\$ 25,913,585</u>	<u>\$ 28,856,598</u>	<u>\$ 11,979,428</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 786,584	\$ 449,961	\$ 17,821
Due to other funds			
Deposits payable	3,189,253		227,214
Unearned revenue	2,826,478		
Advances from other funds			11,780,657
	<u>6,802,315</u>	<u>449,961</u>	<u>12,025,692</u>
Fund Balances:			
Reserved for projects			
Reserved for encumbrances	863,550	2,851,387	299,793
Reserved for prepaid items	41,207		
Reserved for debt service			
Reserved for low/moderate income housing			
Reserved for advances	244,057		
Reserved for loans receivable	605,967		
Unreserved reported in:			
General fund	17,356,489		
Special revenue funds			
Capital projects funds		25,555,250	(346,057)
	<u>19,111,270</u>	<u>28,406,637</u>	<u>(46,264)</u>
Total Fund Balances	<u>\$ 25,913,585</u>	<u>\$ 28,856,598</u>	<u>\$ 11,979,428</u>
Total Liabilities and Fund Balances	<u>\$ 25,913,585</u>	<u>\$ 28,856,598</u>	<u>\$ 11,979,428</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 95,277,065	\$ 157,542,619
26,465,736	26,465,736
4,991,423	7,828,144
944,558	1,640,767
395	41,602
5,226,640	5,832,607
3,467,200	3,527,096
82,300	326,357
<u>\$ 136,455,317</u>	<u>\$ 203,204,928</u>

\$ 3,873,049	\$ 5,127,415
2,554,600	2,554,600
2,257,494	5,673,961
5,446,452	8,272,930
82,300	11,862,957
<u>14,213,895</u>	<u>33,491,863</u>

17,949,367	17,949,367
7,635,143	11,649,873
395	41,602
8,039,402	8,039,402
6,102,486	6,102,486
82,300	326,357
	605,967
	17,356,489
30,970,554	30,970,554
51,461,775	76,670,968
<u>122,241,422</u>	<u>169,713,065</u>
<u>\$ 136,455,317</u>	<u>\$ 203,204,928</u>

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund balances of governmental funds		\$ 169,713,065
<p>Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p>		
<p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet. (These do not include Internal Service Assets)</p>		
Capital assets	\$ 483,999,410	
Less: accumulated depreciation	<u>(37,388,034)</u>	446,611,376
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.</p>		
Deferred charges	4,285,470	
Less: accumulated amortization	<u>(507,577)</u>	3,777,893
<p>Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (Does not include Internal Service Fund)</p>		
		(1,072,326)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Compensated absences (Does not include Internal Service Fund)	(2,161,334)	
Certificates of participation	(12,600,000)	
Bonds payable	(53,065,000)	
Postretirement benefit accrual	<u>(220,771)</u>	(68,047,105)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		18,821,827
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue.</p>		
		5,311,134
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures:</p>		
Conditional grant balance allowance		<u>(1,003,593)</u>
Net assets of governmental activities		<u><u>\$ 574,112,271</u></u>

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

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2007

	General	Plan C	North East Industrial Plan Area
REVENUES			
Taxes	\$ 35,403,620	\$ -	\$ -
Licenses, permits, and fees	3,382,374		
Fines and penalties	1,272,585		
Use of money and property	2,014,348	1,533,606	469,436
Intergovernmental	1,944,689		
Charges for services	4,529,119		
Special assessments	306,067		2,981,890
Contributions	137,774		
Other revenues	1,564,688		
Total Revenues	50,555,264	1,533,606	3,451,326
EXPENDITURES			
Current:			
General government			
City clerk	323,901		
City council	92,552		
City attorney	775,749		
City treasurer	321,150		
Administration	945,084		
Human resources	885,122		
Finance	1,636,062		
Non-departmental	906,022		
Public safety			
Police	17,593,599		
Fire	7,062,680		
Public works			
Development and engineering	6,254,687		
Public works	3,779,090		
Culture and leisure			
Parks and community services	3,117,092		
Capital outlay	503,579	4,309,440	679,674
Debt service:			
Principal payments			
Interest and fiscal charges			532,045
Intergovernmental expenditures			
Total Expenditures	44,196,369	4,309,440	1,211,719
Excess of revenues over (under) expenditures	6,358,895	(2,775,834)	2,239,607
OTHER FINANCING SOURCES (USES)			
Transfers in	19,426		
Transfers out	(7,766,185)		
Total Other Financing Sources (Uses)	(7,746,759)		
Net Change in Fund Balances	(1,387,864)	(2,775,834)	2,239,607
Fund Balances, July 1, 2006	20,499,134	31,182,471	(2,285,871)
Fund Balances, June 30, 2007	<u>\$ 19,111,270</u>	<u>\$ 28,406,637</u>	<u>\$ (46,264)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 12,938,891	\$ 48,342,511
118,167	3,500,541
	1,272,585
5,882,265	9,899,655
16,186,447	18,131,136
383,592	4,912,711
5,556,647	8,844,604
12,662,857	12,800,631
245,871	1,810,559
<u>53,974,737</u>	<u>109,514,933</u>
	323,901
	92,552
	775,749
	321,150
81,917	1,027,001
	885,122
	1,636,062
305,838	1,211,860
	17,606,621
13,022	13,593,851
6,531,171	
	7,241,091
986,404	8,203,342
4,424,252	
	3,117,092
41,870,687	47,363,380
	1,430,000
1,430,000	1,430,000
3,402,326	3,934,371
2,931,114	2,931,114
<u>61,976,731</u>	<u>111,694,259</u>
<u>(8,001,994)</u>	<u>(2,179,326)</u>
	22,147,672
22,128,246	(22,149,857)
(14,383,672)	
	(2,185)
7,744,574	
(257,420)	(2,181,511)
<u>122,498,842</u>	<u>171,894,576</u>
<u>\$ 122,241,422</u>	<u>\$ 169,713,065</u>

**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, 2007**

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 \$ (2,181,511)

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	\$ 57,292	
Repayment of loans	(47,552)	9,740

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

Capital outlay expenditures are therefore added back to fund balances	\$ 38,716,313	
Depreciation expense not reported in governmental funds	(6,175,541)	
Book value of surplus and disposal of assets	(113,925)	
Capital contributions of assets	<u>30,138,496</u>	62,565,343

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	1,430,000	
Amortization of deferred charges	<u>(141,279)</u>	1,288,721

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):

Postretirement benefit accrual	(220,771)	
Interest payable	14,617	
Accrued interest receivable	39,764	
Compensated absences	1,875	
Accounts receivable	(244,706)	
Conditional grant allowance	<u>(1,003,593)</u>	(1,412,814)

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. (Plus change in compensated leave reported above \$120,930)

		<u>1,611,553</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 61,881,032</u>

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

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 2007.

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, 2007**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	\$ 572,178	\$ 11,138,608	\$ 37
Cash and investments with fiscal agents	351,610	353,138	
Accounts receivable - net	1,574,055	1,269,499	66,271
Interest receivable		150,248	
Prepaid items		170	
Due from other funds		180,835	
Total current assets	2,497,843	13,092,498	66,308
Noncurrent:			
Loans receivable			
Deferred charges, net of accumulated amortization		215,643	
Advances to other funds	12,882,192		
	12,882,192	215,643	
Capital Assets:			
Nondepreciable			
Land	29,015	932,681	15,826
Construction in progress	49,160,283	78,057,502	115,948
Total nondepreciable capital assets	49,189,298	78,990,183	131,774
Depreciable			
Infrastructure	16,829,156	17,292,691	
Buildings	21,918,816	49,868,099	970,510
Improvements	99,185,169	68,131,706	4,536,210
Equipment	4,806,869	2,712,074	28,704
Intangibles	60,059,165		169,589
Total depreciable capital assets	202,799,175	138,004,570	5,705,013
Less accumulated depreciation	(65,264,210)	(62,217,047)	(3,429,437)
Net depreciable capital assets	137,534,965	75,787,523	2,275,576
Net capital assets	186,724,263	154,777,706	2,407,350
Total noncurrent assets	199,606,455	154,993,349	2,407,350
Total assets	\$ 202,104,298	\$ 168,085,847	\$ 2,473,658

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	
\$ 2,553,275	\$ -	\$ 1,594,257	\$ 15,858,355	\$ 12,728,234
			704,748	
1,854,199	1,265,879	53,598	6,083,501	372,827
34,051		21,316	205,615	125,577
386		1,468	2,024	
			180,835	
<u>4,441,911</u>	<u>1,265,879</u>	<u>1,670,639</u>	<u>23,035,078</u>	<u>13,226,638</u>
				43,483
			215,643	
			12,882,192	
			<u>13,097,835</u>	<u>43,483</u>
	1,350,183	4,318,335	6,646,040	
	1,535,713	142,943	129,012,389	
	<u>2,885,896</u>	<u>4,461,278</u>	<u>135,658,429</u>	
		47,427,163	81,549,010	
	1,549,367		74,306,792	266,462
	122,723	31,507,845	203,483,653	554,752
42,871	1,989,927	19,624	9,600,069	15,937,728
			60,228,754	
<u>42,871</u>	<u>3,662,017</u>	<u>78,954,632</u>	<u>429,168,278</u>	<u>16,758,942</u>
<u>(32,160)</u>	<u>(1,525,437)</u>	<u>(21,304,567)</u>	<u>(153,772,858)</u>	<u>(9,810,003)</u>
<u>10,711</u>	<u>2,136,580</u>	<u>57,650,065</u>	<u>275,395,420</u>	<u>6,948,939</u>
<u>10,711</u>	<u>5,022,476</u>	<u>62,111,343</u>	<u>411,053,849</u>	<u>6,948,939</u>
<u>10,711</u>	<u>5,022,476</u>	<u>62,111,343</u>	<u>424,151,684</u>	<u>6,992,422</u>
<u>\$ 4,452,622</u>	<u>\$ 6,288,355</u>	<u>\$ 63,781,982</u>	<u>\$ 447,186,762</u>	<u>\$ 20,219,060</u>

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS (Continued)
 June 30, 2007**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,467,844	\$ 1,630,207	\$ 36,152
Deposits payable	179,187	4,000	24,312
Due to other funds	180,835		29,300
Accrued interest payable	32,323	117,138	5,229
Claims payable, current portion			
Current portion - long-term debt	2,213,720	920,614	18,655
Total current liabilities	<u>4,073,909</u>	<u>2,671,959</u>	<u>113,648</u>
Noncurrent Liabilities:			
Advances from other funds			1,345,592
Capital lease payable			
Notes payable	23,398,647		142,147
Revenue bonds payable		32,345,000	
Compensated absences	105,514	50,614	3,517
Claims payable			
Total noncurrent liabilities	<u>23,504,161</u>	<u>32,395,614</u>	<u>1,491,256</u>
Total Liabilities	<u>27,578,070</u>	<u>35,067,573</u>	<u>1,604,904</u>
NET ASSETS			
Investment in capital assets, net of related debt	161,569,020	122,131,487	2,250,065
Restricted for debt service	319,287	236,000	
Unrestricted	12,637,921	10,650,787	(1,381,311)
Total Net Assets	<u>\$ 174,526,228</u>	<u>\$ 133,018,274</u>	<u>\$ 868,754</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	
\$ 1,261,625	\$ 74,565	\$ 9,847	\$ 4,480,240	\$ 66,780
		1,096,101	1,303,600	
	943,196		1,153,331	11,151
			154,690	312,594
1351	3,709	32,055	3,190,104	86,640
<u>1,262,976</u>	<u>1,021,470</u>	<u>1,138,003</u>	<u>10,281,965</u>	<u>477,165</u>
			1,345,592	520,833
			23,540,794	
			32,345,000	
1,351	3,709	32,056	196,761	86,641
				312,594
<u>1,351</u>	<u>3,709</u>	<u>32,056</u>	<u>57,428,147</u>	<u>920,068</u>
<u>1,264,327</u>	<u>1,025,179</u>	<u>1,170,059</u>	<u>67,710,112</u>	<u>1,397,233</u>
10,711	5,022,476	62,111,343	353,095,102	6,428,106
			555,287	
3,177,584	240,700	500,580	25,826,261	12,393,721
<u>\$ 3,188,295</u>	<u>\$ 5,263,176</u>	<u>\$ 62,611,923</u>	<u>\$ 379,476,650</u>	<u>\$ 18,821,827</u>

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended June 30, 2007**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 13,630,498	\$ 12,104,503	\$ 264,266
Other operating revenues	23,132	10,855	438
Total Operating Revenues	<u>13,653,630</u>	<u>12,115,358</u>	<u>264,704</u>
Operating Expenses:			
Purchase of water	2,674,160		
Maintenance and operation	6,321,166	4,451,680	332,084
Administration	389,335	214,786	
Insurance costs and claims			
Depreciation	5,929,889	3,558,358	237,646
Total Operating Expenses	<u>15,314,550</u>	<u>8,224,824</u>	<u>569,730</u>
Operating Income (Loss)	<u>(1,660,920)</u>	<u>3,890,534</u>	<u>(305,026)</u>
Non-Operating Revenues (Expenses)			
Interest income	687,499	781,361	
Interest expense	(791,373)	(1,413,783)	(96,191)
Grants and subsidies	167,721	165,995	121,520
Gain (Loss) on sale of capital assets	1,800		
Total Non-Operating Income (Loss)	<u>65,647</u>	<u>(466,427)</u>	<u>25,329</u>
Income (Loss) Before Contributions and Transfers	(1,595,273)	3,424,107	(279,697)
Transfers in (out)	(187)	(597)	
Contributions	2,228,240	2,652,779	
Change in Net Assets	632,780	6,076,289	(279,697)
Net Assets, July 1, 2006	<u>173,893,448</u>	<u>126,941,985</u>	<u>1,148,451</u>
Net Assets, June 30, 2007	<u>\$ 174,526,228</u>	<u>\$ 133,018,274</u>	<u>\$ 868,754</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	
\$ 14,967,739	\$ 101,622	\$ 544,504	\$ 41,613,132	\$ 8,653,001
38,134	1,129,608		1,202,167	331,654
15,005,873	1,231,230	544,504	42,815,299	8,984,655
			2,674,160	
16,484,516	1,184,406	635,301	29,409,153	3,522,019
		37,560	641,681	564,201
				2,637,896
7,974	314,476	2,574,379	12,622,722	1,378,117
16,492,490	1,498,882	3,247,240	45,347,716	8,102,233
(1,486,617)	(267,652)	(2,702,736)	(2,532,417)	882,422
248,428	1,554	104,403	1,823,245	592,974
			(2,301,347)	(22,592)
	409,435		864,671	
		(28,940)	(27,140)	34,985
248,428	410,989	75,463	359,429	605,367
(1,238,189)	143,337	(2,627,273)	(2,172,988)	1,487,789
		135	(649)	2,834
	1,591,592	6,645,943	13,118,554	
(1,238,189)	1,734,929	4,018,805	10,944,917	1,490,623
4,426,484	3,528,247	58,593,118	368,531,733	17,331,204
\$ 3,188,295	\$ 5,263,176	\$ 62,611,923	\$ 379,476,650	\$ 18,821,827

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 13,327,526	\$ 16,073,409	\$ 364,152
Payments to suppliers and users	(11,373,132)	(1,436,277)	(219,319)
Payments to employees	(3,131,949)	(2,130,166)	(116,077)
Net Cash Provided (Used) by Operating Activities	<u>(1,177,555)</u>	<u>12,506,966</u>	<u>28,756</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to/from other funds	(600,155)		68,110
Principal received on loans receivable			
Transfers in (out)	(187)	(597)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(600,342)</u>	<u>(597)</u>	<u>68,110</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received	167,721	165,995	121,520
Acquisitions of capital assets	(14,137,863)	(16,513,130)	(107,410)
Proceeds from loans payable	18,249,848		
Interest paid	(799,236)	(1,406,937)	(96,666)
Principal payments - long-term debt	(1,960,910)	(290,000)	(14,273)
Proceeds from sales of capital assets	1,800		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,521,360</u>	<u>(18,044,072)</u>	<u>(96,829)</u>
Cash Flows from Investing Activities:			
Interest received	798,491	722,864	
Net Cash Provided (Used) by Investing Activities	<u>798,491</u>	<u>722,864</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	541,954	(4,814,839)	37
Cash and Cash Equivalents, July 1, 2006	<u>381,834</u>	<u>16,306,585</u>	
Cash and Cash Equivalents, June 30, 2007	<u>\$ 923,788</u>	<u>\$ 11,491,746</u>	<u>\$ 37</u>
Noncash Transactions			
Capital contributions	\$ 2,228,240	\$ 2,652,779	\$ -
Amortization of deferred charges		7,331	
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 572,178	\$ 11,138,608	\$ 37
Cash and investments with fiscal agents	<u>351,610</u>	<u>353,138</u>	
Total Cash and Investments	<u>\$ 923,788</u>	<u>\$ 11,491,746</u>	<u>\$ 37</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	
\$ 14,859,575	\$ 1,244,908	\$ 535,132	\$ 46,404,702	\$ 8,613,130
(16,439,812)	(900,738)	(1,166,666)	(31,535,944)	(4,427,627)
(98,138)	(273,392)	(202,871)	(5,952,593)	(2,110,015)
(1,678,375)	70,778	(834,405)	8,916,165	2,075,488
			(532,045)	
		135	(649)	69,339
				2,834
		135	(532,694)	72,173
	409,435		864,671	
	(539,651)		(31,298,054)	(2,688,035)
			18,249,848	
			(2,302,839)	(25,352)
			(2,265,183)	(120,506)
		9,200	11,000	72,279
	(130,216)	9,200	(16,740,557)	(2,761,614)
261,470	2,595	106,619	1,892,039	584,580
261,470	2,595	106,619	1,892,039	584,580
(1,416,905)	(56,843)	(718,451)	(6,465,047)	(29,373)
3,970,180	56,843	2,312,708	23,028,150	12,757,607
<u>\$ 2,553,275</u>	<u>\$ -</u>	<u>\$ 1,594,257</u>	<u>\$ 16,563,103</u>	<u>\$ 12,728,234</u>
\$ -	\$ 1,591,592	\$ 6,645,943	\$ 13,118,554	\$ -
			7,331	
\$ 2,553,275	\$ -	\$ 1,594,257	\$ 15,858,355	\$ 12,728,234
			704,748	
<u>\$ 2,553,275</u>	<u>\$ -</u>	<u>\$ 1,594,257</u>	<u>\$ 16,563,103</u>	<u>\$ 12,728,234</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,660,920)	\$ 3,890,534	\$ (305,026)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,929,889	3,558,358	237,646
(Increase) Decrease in Operating Assets:			
Accounts receivable	(380,681)	(297,359)	344,967
Prepaid items	270,995	(170)	
Due from other funds		4,255,410	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(1,135,855)	1,085,782	(4,796)
Due to other funds	(4,255,410)		(245,645)
Compensated absences	(150)	14,411	1,484
Deposits payable	54,577		126
Unearned revenue			
Claims payable			
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,177,555)</u>	<u>\$ 12,506,966</u>	<u>\$ 28,756</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	
\$ (1,486,617)	\$ (267,652)	\$ (2,702,736)	\$ (2,532,417)	\$ 882,422
7,974	314,476	2,574,379	12,622,722	1,378,117
(146,298)	(716,840)	(9,372)	(1,205,583)	
(386)	925	(1,468)	269,896	(371,525)
			4,255,410	21,680
(54,087)	6,434	(13,194)	(115,716)	(174,568)
	943,196		(3,557,859)	
1,039	2,917	8,858	28,559	120,932
		(690,872)	(636,169)	
	(212,678)		(212,678)	
				218,430
<u>\$ (1,678,375)</u>	<u>\$ 70,778</u>	<u>\$ (834,405)</u>	<u>\$ 8,916,165</u>	<u>\$ 2,075,488</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.

CITY OF TRACY
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	Agency Funds
ASSETS	
Cash and investments	\$ 10,137,414
Cash and investments, restricted	8,770
Cash and investments with fiscal agents	16,701,679
Interest receivable	78,911
Due from assessment district bondholders	263
Total Assets	26,927,037
LIABILITIES	
Accounts payable	21,805
Deposits payable	588,313
Due to assessment district bondholders	26,316,919
Total Liabilities	26,927,037
NET ASSETS	\$ -

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, 2007

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 333 Civic Center Plaza, 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, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2007, the City early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions". This Statement is effective for periods beginning after December 15, 2007 for a Phase 2 government (1999 total revenues less the \$100 million and more than \$10 million). This Statement establishes standards for accounting and financial reporting for state and local government employees that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. The City provides OPEB by converting sick leave to a medical bank which is then used to pay the retirees healthcare, after the medical bank is consumed, the retiree has the option to remain covered by the Plan and pay his/her own premiums or terminate coverage. The retirees' active participation in the healthcare plan of the City establishes an "implicit rate subsidy". See notes 1(l) and 11 for more details of the City's Plan and the effect on the financial statements.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize double counting or internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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, 2007

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.

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.

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

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

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, 2007

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, 2007

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, 2007

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 is \$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 years
Improvements	5-50 years
Equipment	2-20 years
Grading, curbs, gutters, sidewalks, driveway approaches	40 years
Traffic signals	20 years
Street drainage	40 years
Other	5-40 years

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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, 2007, those costs for 35 retirees totaled \$193,093, and the total liability amount is \$1,351,540.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 Fund (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 considers 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 except capital projects funds 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 submit 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, 2007

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 Congestion Relief Special Revenue Funds, and all Capital Project funds (including the Plan C and North East Industrial Plan Major 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

Nonmajor Funds

A deficit fund balance of \$1,249 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 \$81,186 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

Nonmajor Governmental Funds:

Community Development Agency Housing	\$ 12,728
Community Development Agency Debt Service	985,591
Business Improvement District Fund	48,524
Asset Forfeiture	3,022

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 186,129,208
Cash and investments with Fiscal Agents	27,170,484
Fiduciary funds:	
Cash and investments	10,137,414
Cash and investments with Fiscal Agents	16,701,679
Cash and investments, restricted	<u>8,770</u>
Total cash and investments	<u>\$ 240,147,555</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$	3,460
Deposits with financial institutions		17,693,259
Investments		222,450,836
Total cash and investments	\$	240,147,555

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 trustees 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	None	\$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
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, 2007

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
Local Agency Investment Fund (State Pool)	None	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, 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

C Disclosures Relating to Interest Rate Risk (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	\$ 19,056,476	\$ 1,122,587	\$ 4,576,909	\$ 4,953,953	\$ 7,364,493	\$ 1,038,534	\$ -
Money Market Funds	7,468,412	7,468,412					
Federal Agency Securities	90,044,752	26,204,954	17,375,371	18,704,534	21,906,571	5,853,322	
Corporate Medium Term Notes	39,592,377	7,391,159	13,357,214	8,886,674	5,189,347	4,767,983	
Commercial Paper	11,562,510	11,562,510					
Negotiable Time Deposits	186,130	186,130					
State Investment Pool	10,703,807	10,703,807					
Held by Bond Trustees:							
Money Market Funds	22,020,545	22,020,545					
Investment Contracts	20,619,503	9,228,849	4,532,218			993,000	5,865,436
State Investment Pool	1,196,324	1,196,324					
	<u>\$ 222,450,836</u>	<u>\$ 97,085,277</u>	<u>\$ 39,841,712</u>	<u>\$ 32,545,161</u>	<u>\$ 34,460,411</u>	<u>\$ 12,652,839</u>	<u>\$ 5,865,436</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. 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, 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
U.S. Treasury notes	\$ 19,056,476	N/A	\$ 19,056,476	\$ -	\$ -	\$ -	\$ -
Money Market Funds	7,468,412	N/A		7,468,412			
Federal agency securities	90,044,752	N/A		90,044,752			
Corporate medium term notes	39,592,377	N/A		2,403,478	24,850,187	12,338,712	
Commercial paper	11,562,510	N/A				9,320,070	2,242,440
Negotiable time deposits	186,130	N/A					186,130
State investment pool	10,703,807	N/A					10,703,807
Held by bond trustee:							
Money market funds	22,020,545	N/A		22,020,545			
Investment contracts	20,619,503	N/A					20,619,503
State investment pool	1,196,324	N/A					1,196,324
Total	\$ 222,450,836		\$ 19,056,476	\$ 121,937,187	\$ 24,850,187	\$ 21,658,782	\$ 34,948,204

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:

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	\$ 25,950,498
FNMA	Federal agency securities	18,057,294
Federal Home Loan Bank	Federal agency securities	34,798,551

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:

\$2,743,239 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.

\$13,761,067 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 CFPI and Aegon investment companies. Maturity on these investments is August 1, 2007, and August 1, 2008 respectively.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair 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, 2007, \$18,239,383 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2007, 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	\$ 19,056,476
Federal agency securities	90,044,752
Corporate medium term notes	39,592,377
Commercial paper	11,562,510
Investment Contracts	20,619,503
Money market funds	29,488,957
State Investment Pool	1,196,324

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – LOANS RECEIVABLE (Continued)

A. Residential and Commercial Rehabilitation Loans (Continued)

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, 2007.

B. Community Development Agency Loans

In 1994, the Agency loaned \$609,000 in Low and Moderate Income Housing funds to Mountain View Townhomes Association, 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, 2007, principal and accrued interest totaled \$791,700.

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, 2007, principal and accrued interest totaled \$2,289,686.

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 5 individuals \$135,317 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 year loan. As of June 30, 2007, the developer has drawn \$1,807,493 off the loan.

Conditional Grants

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the government-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan. Total amount of allowance at June 30, 2007 was \$1,003,593.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – LOANS RECEIVABLE (Continued)

C. Development Loan

In September 2006, the City loaned a property owner \$40,000 to assist in the demolition of a structure in order for the property owner to construct new housing units on the site. The loan is due and payable in one year including interest.

D. 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, 2007, employees had \$43,483 in loans due to the City.

E. Housing Loan (Related Party)

The City of Tracy loaned \$595,000 to its new City Manager (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 (% as of June 30, 2007). The balance of the loan as of June 30, 2007 is \$565,967.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Deletions	Transfers	Balance at June 30, 2007
Governmental Activities					
Nondepreciable Capital Assets:					
Land	\$ 82,192,195	\$ 41,967,806	\$ -	\$ (4,660)	\$ 124,155,341
Roads accounted for using the modified approach	189,488,602	7,432,275			196,920,877
Construction in progress	33,120,555	17,881,345	(113,925)	(32,500,584)	18,387,391
Total Nondepreciable Capital Assets	304,801,352	67,281,426	(113,925)	(32,505,244)	339,463,609
Depreciable Capital Assets:					
Buildings and improvements	60,902,948	2,479,559		31,950,258	95,332,765
Grading, curb & gutter, sidewalk, and driveway approaches	23,967,595	1,398,912			25,366,507
Traffic signals	14,088,154	115,677		34,153	14,237,984
Equipment	20,834,335	267,271	(220,887)		20,880,719
Infrastructure	4,955,935				4,955,935
Intangibles				520,833	520,833
Total Depreciable Capital Assets	124,748,967	4,261,419	(220,887)	32,505,244	161,294,743

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:
(Continued)

	Balance at July 1, 2006	Additions	Deletions	Transfers	Balance at June 30, 2007
Governmental Activities					
(Continued)					
Accumulated Depreciation:					
Buildings and improvements	\$ (15,756,177)	\$ (3,659,636)	\$ -	\$ -	\$ (19,415,813)
Grading, curbs & gutters, sidewalks and driveway approaches	(5,829,382)	(615,554)			(6,444,936)
Traffic signals	(5,425,866)	(643,511)			(6,069,377)
Equipment	(12,085,956)	(2,271,608)	183,593		(14,173,971)
Intangibles	(730,591)	(19,238)			(19,238)
Infrastructure	(730,591)	(344,111)			(1,074,702)
Total Accumulated Depreciation	<u>(39,827,972)</u>	<u>(7,553,658)</u>	<u>183,593</u>		<u>(47,198,037)</u>
Net Depreciable Capital Assets	84,920,995	(3,292,239)	(37,294)	32,505,244	114,096,706
Net Governmental Capital Assets	<u>\$ 389,722,347</u>	<u>\$ 63,989,187</u>	<u>\$ (151,219)</u>	<u>\$ -</u>	<u>\$ 453,560,315</u>
Business-type Activities					
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 29,015	\$ -	\$ -	\$ -	\$ 29,015
Construction in progress	34,956,792	14,228,860		(25,369)	49,160,283
Total Nondepreciable Capital Assets	<u>34,985,807</u>	<u>14,228,860</u>		<u>(25,369)</u>	<u>49,189,298</u>
Depreciable Capital Assets:					
Intangibles	59,946,414	112,751			60,059,165
Infrastructure	14,890,048	1,913,739		25,369	16,829,156
Buildings	21,918,816				21,918,816
Improvements	99,185,169				99,185,169
Equipment	4,716,500	110,753	(20,384)		4,806,869
Total Depreciable Capital Assets	<u>200,656,947</u>	<u>2,137,243</u>	<u>(20,384)</u>	<u>25,369</u>	<u>202,799,175</u>
Accumulated Depreciation:					
Infrastructure	(925,516)	(310,465)			(1,235,981)
Buildings	(16,716,854)	(831,621)			(17,548,475)
Improvements	(35,884,257)	(3,084,585)			(38,968,842)
Equipment	(3,935,282)	(212,331)	20,384		(4,127,229)
Intangibles	(1,892,796)	(1,490,887)			(3,383,683)
Total Accumulated Depreciation	<u>(59,354,705)</u>	<u>(5,929,889)</u>	<u>20,384</u>		<u>(65,264,210)</u>
Net Depreciable Capital Assets	<u>141,302,242</u>	<u>(3,792,646)</u>		<u>25,369</u>	<u>137,534,965</u>
Net Water Utility Capital Assets	<u>\$ 176,288,049</u>	<u>\$ 10,436,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,724,263</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows: (Continued)

	Balance at July 1, 2006	Additions	Deletions	Transfers	Balance at June 30, 2007
Business-type Activities (Continued)					
Municipal Transit					
Nondepreciable Capital Assets:					
Land	\$ -	\$ 1,350,183	\$ -	\$ -	\$ 1,350,183
Construction in progress	1,158,546	377,167			1,535,713
Total Nondepreciable Capital Assets	1,158,546	1,727,350			2,885,896
Depreciable Capital Assets:					
Buildings	1,549,367				1,549,367
Equipment	1,586,034	403,893			1,989,927
Improvements	122,723				122,723
Total Depreciable Capital Assets	3,258,124	403,893			3,662,017
Accumulated depreciation:					
Buildings	(326,509)	(77,468)			(403,977)
Equipment	(881,034)	(232,917)			(1,113,951)
Improvements	(3,418)	(4,091)			(7,509)
Total Accumulated Depreciation	(1,210,961)	(314,476)			(1,525,437)
Net Depreciable Capital Assets	2,047,163	89,417			2,136,580
Net Transit Capital Assets	\$ 3,205,709	\$ 1,816,767	\$ -	\$ -	\$ 5,022,476
Sewer Utility					
Nondepreciable Capital Assets:					
Land	\$ 932,681	\$ -	\$ -	\$ -	\$ 932,681
Construction in progress	62,333,345	15,724,157			78,057,502
Total Nondepreciable Capital Assets	63,266,026	15,724,157			78,990,183
Depreciable Capital Assets:					
Infrastructure	14,275,644	3,017,047			17,292,691
Buildings	49,720,529	147,570			49,868,099
Improvements	67,952,621	179,085			68,131,706
Equipment	2,614,024	98,050			2,712,074
Total Depreciable Capital Assets	134,562,818	3,441,752			138,004,570
Accumulated Depreciation:					
Infrastructure	(1,008,691)	(360,115)			(1,368,806)
Buildings	(29,907,809)	(1,259,864)			(31,167,673)
Improvements	(25,857,863)	(1,765,942)			(27,623,805)
Equipment	(1,884,326)	(172,437)			(2,056,763)
Total Accumulated Depreciation	(58,658,689)	(3,558,358)			(62,217,047)
Net Depreciable Capital Assets	75,904,129	(116,606)			75,787,523
Net Sewer Utility Capital Assets	\$ 139,170,155	\$ 15,607,551	\$ -	\$ -	\$ 154,777,706

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:
(Continued)

	Balance at July 1, 2006	Additions	Deletions	Transfers	Balance at June 30, 2007
Business-type Activities (Continued)					
Municipal Airport					
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	354,650	93,811		(332,513)	115,948
Total Nondepreciable Capital Assets	370,476	93,811		(332,513)	131,774
Depreciable Capital Assets:					
Buildings	970,510				970,510
Improvements	4,190,098	13,599		332,513	4,536,210
Equipment	28,704				28,704
Intangibles	169,589				169,589
Total Depreciable Capital Assets	5,358,901	13,599		332,513	5,705,013
Accumulated Depreciation:					
Buildings	(293,511)	(34,585)			(328,096)
Improvements	(2,784,735)	(186,102)			(2,970,837)
Equipment	(28,704)				(28,704)
Intangibles	(84,841)	(16,959)			(101,800)
Total Accumulated Depreciation	(3,191,791)	(237,646)			(3,429,437)
Net Depreciable Capital Assets	2,167,110	(224,047)		332,513	2,275,576
Net Airport Capital Assets	<u>\$ 2,537,586</u>	<u>\$ (130,236)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,407,350</u>
Solid Waste					
Depreciable Capital Assets:					
Equipment	\$ 42,871	\$ -	\$ -	\$ -	\$ 42,871
Accumulated Depreciation:					
Equipment	(24,186)	(7,974)			(32,160)
Net Solid Waste Capital Assets	<u>\$ 18,685</u>	<u>\$ (7,974)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,711</u>
Drainage					
Nondepreciable Capital Assets:					
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	469,833	35,156		(362,046)	142,943
Total Nondepreciable Capital Assets	4,788,168	35,156		(362,046)	4,461,278
Depreciable Capital Assets:					
Improvements	31,034,091	473,754			31,507,845
Infrastructure	40,928,084	6,137,033		362,046	47,427,163
Equipment	79,218		(59,594)		19,624
Total Depreciable Capital Assets	<u>72,041,393</u>	<u>6,610,787</u>	<u>(59,594)</u>	<u>362,046</u>	<u>78,954,632</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:
(Continued)

	Balance at July 1, 2006	Additions	Deletions	Transfers	Balance at June 30, 2007
Business-type Activities (Continued)					
Drainage (Continued)					
Accumulated Depreciation:					
Improvements	\$ (6,647,080)	\$ (1,507,247)	\$ -	\$ -	\$ (8,154,327)
Infrastructure	(12,073,296)	(1,065,170)			(13,138,466)
Equipment	(31,266)	(1,962)	21,454		(11,774)
	<u>(18,751,642)</u>	<u>(2,574,379)</u>	<u>21,454</u>		<u>(21,304,567)</u>
Total Accumulated Depreciation					
	<u>53,289,751</u>	<u>4,036,408</u>	<u>(38,140)</u>		<u>57,650,065</u>
Net Depreciable Capital Assets					
	<u>\$ 58,077,919</u>	<u>\$ 4,071,564</u>	<u>\$(38,140)</u>	<u>\$ -</u>	<u>\$ 62,111,343</u>
Net Drainage Capital Assets					
Total Business-type Activities					
Nondepreciable Capital Assets:					
Land	\$ 5,295,857	\$ 1,350,183	\$ -	\$ -	\$ 6,646,040
Construction in progress	99,273,166	30,459,151		(719,928)	129,012,389
	<u>104,569,023</u>	<u>31,809,334</u>		<u>(719,928)</u>	<u>135,658,429</u>
Total Nondepreciable Capital Assets					
Depreciable Capital Assets:					
Infrastructure	70,093,776	11,067,819		387,415	81,549,010
Buildings	74,159,222	147,570			74,306,792
Improvements	202,484,702	666,438		332,513	203,483,653
Equipment	9,067,351	612,696	(79,978)		9,600,069
Intangibles	60,116,003	112,751			60,228,754
	<u>415,921,054</u>	<u>12,607,274</u>	<u>(79,978)</u>	<u>719,928</u>	<u>429,168,278</u>
Total Depreciable Capital Assets					
Accumulated Depreciation:					
Infrastructure	(14,007,503)	(1,735,750)			(15,743,253)
Buildings	(47,244,683)	(2,203,538)			(49,448,221)
Improvements	(71,177,353)	(6,547,967)			(77,725,320)
Equipment	(6,784,798)	(627,621)	41,838		(7,370,581)
Intangibles	(1,977,637)	(1,507,846)			(3,485,483)
	<u>(141,191,974)</u>	<u>(12,622,722)</u>	<u>41,838</u>		<u>(153,772,858)</u>
Total Accumulated Depreciation					
	<u>274,729,080</u>	<u>(15,448)</u>	<u>(38,140)</u>		<u>275,395,420</u>
Net Depreciable Capital Assets					
	<u>\$ 379,298,103</u>	<u>\$ 31,793,886</u>	<u>\$(38,140)</u>	<u>\$ -</u>	<u>\$ 411,053,849</u>
Net Business-type Capital Assets					

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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 - nondepartmental	\$ 183,924
Police	447,318
Fire	36,551
Development and engineering	808,843
Public works	4,480,466
Parks and recreation	947,185
Unallocated	<u>649,371</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 7,553,658</u>

Business-type Activities:

Water utility	5,929,889
Sewer utility	3,558,358
Municipal airport	237,646
Solid waste	7,974
Municipal transit	314,476
Drainage	<u>2,574,379</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 12,622,722</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 2007, the City expended \$8,647,067 to preserve its roads. The City estimates that it will be required to expend approximately \$13,605,000 in the fiscal year 2008 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, 2007.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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

A. Current Interfund Balances (Continued)

Receivable Fund	Amount	Payable Fund	Amount
Major Enterprise:			
Sewer Utility	\$ 180,835	Water Utility	\$ 180,835
Nonmajor Governmental:			
Economic Uncertainty	\$ 883,400	Community Access CTV	\$ 28,200
General Projects	1,700,500	South County Fire	855,200
TDA	883,300	ISTEA	105,700
		CDBG	353,800
		Tracy Gateway	39,200
		North East Industrial Plan	1,172,500
Major Governmental:			
General	59,896		
		Major Enterprise:	
		Municipal Transit	943,196
		Municipal Airport	29,300
Totals	\$ 3,527,096		\$ 3,527,096

A. Long-term Interfund Advances

At June 30, 2007, the funds below had made advances which were not expected to be repaid within the next fiscal year.

Fund Receiving Advance	Fund Making Advance	Amount
Major Proprietary Fund: Municipal Airport Fund	Major Proprietary Fund: Water Utility Fund	\$ 1,101,535
	Major Governmental Fund: General Fund	244,057
		1,345,592
Major Governmental Fund: North East Industrial Plan Area Fund	Major Proprietary Fund: Water Utility Fund	11,780,657
Nonmajor Governmental Fund: Community Access CTV Fund	Nonmajor Governmental Fund: General Projects Fund	82,300
		\$ 13,208,549

Northeast Industrial Plan Area advance is being repaid over five years, early repayment of principal is permitted, with an interest rate equal to funds invested in Local Agency Investment Fund (LAIF). The funds were used for projects within the project area.

Municipal Airport advance will be repaid in annual installments of \$20,000 or upon the sale and approved transfer of sales proceeds from the disposition/sale of New Jerusalem Airport, whichever occurs first. The land of the airport serves as security for the advance, which carries an interest rate of 6%. The funds were used for projects at the airport.

Community Access CTV advance is being paid over 5 years, early repayment of principal is permitted, with an interest rate equal to funds invested in LAIF. The funds were used for operations of the cable TV network.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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

B. Interfund Transfers

Paying Fund	Transfers out	Receiving Fund	Transfers in
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 7,766,185	General	\$ 19,426
<u>Nonmajor Governmental:</u>		<u>Nonmajor Governmental:</u>	
South County Fire	19,426	Community Development Housing	1,814,598
Economic Uncertainty	4,217,946	Economic Uncertainty	6,558,000
Community Access CTV	10,000	General Projects	4,302,648
Community Development		Community Development Projects	8,247,000
Debt Service	10,136,300	Parks COP	286,000
		Regional Mall Improvement	912,000
		Business Improvement District	8,000
<u>Major Governmental:</u>		<u>Major Enterprise:</u>	
Water	187	Drainage	135
Sewer	597		
		<u>Internal Service:</u>	
		Equipment Acquisition	2,834
Totals	\$22,150,641		\$ 22,150,641

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 accumulate 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, 2007, total \$2,334,613 for governmental activities and \$393,521 for business-type activities.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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. 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 Bonds. 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. 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. 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, 2007 was \$53,065,000. Annual debt service requirements are as follows:

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,195,000	2,520,069	3,715,069
2013-2017	6,810,000	11,744,007	18,554,007
2018-2022	8,565,000	9,997,981	18,562,981
2023-2027	11,005,000	7,563,525	18,568,525
2028-2032	14,275,000	4,294,713	18,569,713
2033-2034	6,865,000	567,857	7,432,857
	<u>\$ 53,065,000</u>	<u>\$ 47,191,428</u>	<u>\$ 100,256,428</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation

- 1) 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, 2007 was \$2,140,000. Annual debt service requirements are as follows:

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	180,000	101,694	281,694
2013-2017	1,090,000	313,363	1,403,363
2018	265,000	17,556	282,556
	<u>\$ 2,140,000</u>	<u>\$ 942,288</u>	<u>\$ 3,082,288</u>

- 2) 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 COPs. 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, 2007 was \$10,460,000. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation (Continued)

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	360,000	457,050	817,050
2013-2017	2,070,000	1,993,865	4,063,865
2018-2022	2,525,000	1,398,484	3,923,484
2023-2027	3,430,000	639,344	4,069,344
2028	765,000	19,603	784,603
	<u>\$ 10,460,000</u>	<u>\$ 6,495,516</u>	<u>\$ 16,955,516</u>

D. Revenue Bonds

1993 Water Revenue Bonds

The 1993 Water Revenue Bonds were issued to defease the 1988 Water Certificates of Participation (COP) 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 1998 COPs were called on July 1, 1996. The outstanding balance of the 1993 bonds at June 30, 2007 was \$330,000. Annual debt service requirements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 330,000</u>	<u>\$ 16,170</u>	<u>\$ 346,170</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 Utility System. 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, 2007 was \$2,220,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

2003 Wastewater Revenue Refunding Bonds (Continued)

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	320,000	27,923	347,923
2013-2017	680,000	23,557	703,557
	<u>\$ 2,220,000</u>	<u>\$ 248,536</u>	<u>\$ 2,468,536</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 Utility System. 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, 2007 was \$30,995,000. Annual debt service requirements are as follows:

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	630,000	1,274,528	1,904,528
2013-2017	3,510,000	6,019,341	9,529,341
2018-2022	4,220,000	5,246,978	9,466,978
2023-2027	5,210,000	4,130,493	9,340,493
2028-2032	6,620,000	2,806,018	9,426,018
2033-2037	8,390,000	1,033,838	9,423,838
	<u>\$ 30,955,000</u>	<u>\$ 25,774,063</u>	<u>\$ 56,729,063</u>

E. Notes and Loans Payable

U.S. Economic Development Administration (EDA) note – The revenues of the City's water utility 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, 2007 was \$1,927,005. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 153,206	\$ 96,350	\$ 249,556
2009	160,866	88,690	249,556
2010	168,909	80,647	249,556
2011	177,355	72,201	249,556
2012	186,222	63,333	249,555
2013-2017	1,080,447	167,333	1,247,780
	<u>\$ 1,927,005</u>	<u>\$ 568,554</u>	<u>\$ 2,495,559</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, 2007 was \$157,285. Annual debt service requirements are as follows:

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	18,599	4,566	23,165
2013-2016	72,942	8,554	81,496
	<u>\$ 157,285</u>	<u>\$ 39,794</u>	<u>\$ 197,079</u>

In 2006, the City entered into a loan agreement with the State of California Department of Health Services in the amount of \$20,000,00 for assistance in the construction of its new Water Treatment Plant. The proceeds from the loan can be drawn down by the City as needed for construction. The loan is a fully amortized loan over 20 years at an annual interest rate of 2.34%. The City will be obligated to make semi-annual payments of principal and interest in the amount of \$573,921 beginning July 1, 2008 with a final maturity date of January 1, 2028. As of June 30, 2007 the City has drawn down \$18,249,848.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ -	\$ -
2009	725,012	422,830	1,147,842
2010	742,077	405,765	1,147,842
2011	759,543	388,299	1,147,842
2012	777,420	370,422	1,147,842
2013-2017	4,170,339	1,568,871	5,739,210
2018-2022	4,684,777	1,054,433	5,739,210
2023-2027	5,262,673	476,537	5,739,210
2028	1,128,007	19,835	1,147,842
	<u>\$ 18,249,848</u>	<u>\$ 4,706,992</u>	<u>\$ 22,956,840</u>

Banta Community Irrigation District Note – The City received a \$6,500,000 note agreement with an interest rate of 5% from the Banta Community Irrigation District. Principal is payable annually. Interest is payable monthly. The outstanding balance of the note at June 30, 2007 was \$5,000,000.

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2008	\$ 1,625,000	\$ 193,800	\$ 1,818,800
2009	3,375,000	168,750	3,543,750
	<u>\$ 5,000,000</u>	<u>\$ 362,550</u>	<u>\$ 5,362,550</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, 2007 was \$137,620. Future installments payable are:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2008	\$ 67,526	\$ 5,230	\$ 72,756
2009	70,094	2,662	72,756
	<u>\$ 137,620</u>	<u>\$ 7,892</u>	<u>\$ 145,512</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, 2007 was \$383,215. The future minimum debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

F. Installment Purchase Obligations (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	67,588	5,515	73,103
2013	70,291	2,812	73,103
	<u>\$ 383,215</u>	<u>\$ 55,403</u>	<u>\$ 438,618</u>

G. Changes in Long-Term Liabilities

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due Within One Year
Governmental Activities:					
Bonds payable:					
2003 Tax Allocation Bonds	\$ 54,070,000	\$ -	\$ 1,005,000	\$ 53,065,000	\$ 1,035,000
Certificates of Participation					
1995 Certificates of Participation	2,270,000		130,000	2,140,000	135,000
1998 Certificates of Participation	10,755,000		295,000	10,460,000	305,000
Capital leases	641,339		120,504	520,835	125,300
Compensated absences	2,336,488	1,797,221	1,799,096	2,334,613	1,167,307
Claims and judgments	406,758	566,634	348,204	625,188	312,594
Postretirement benefits		220,771		220,771	
Governmental activity Long-term liabilities	<u>\$ 70,479,585</u>	<u>\$ 2,584,626</u>	<u>\$ 3,697,804</u>	<u>\$ 69,366,407</u>	<u>\$ 3,080,201</u>
Business-type activities:					
Bonds payable:					
1993 Water Revenue Bonds	\$ 645,000	\$ -	\$ 315,000	\$ 330,000	\$ 330,000
2003 Wastewater Revenue Bonds	2,510,000		290,000	2,220,000	295,000
2004 Wastewater Revenue Bonds	30,995,000			30,995,000	575,000
Notes Payable:					
U.S. Economic Development	2,072,915		145,910	1,927,005	153,206
Irrigation District Notes	6,500,000		1,500,000	5,000,000	1,625,000
State of California Department of Health Services		18,249,848		18,249,848	
State of California Department of Transportation	171,558		14,273	157,285	15,138
Compensated absences	364,962	309,580	281,021	393,521	196,760
Business-type activity Long-term liabilities	<u>\$ 43,259,435</u>	<u>\$ 18,559,428</u>	<u>\$ 2,546,204</u>	<u>\$ 59,272,659</u>	<u>\$ 3,190,104</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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – LONG-TERM DEBT (Continued)

I. Defeased Debt

As of June 30, 2007, 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, 2007, is as follows:

Description	Fiscal Year		Balance Outstanding June 30, 2007
	Issue Year	Maturity Year	
93-1 Community Facilities District	1997	2027	\$ 1,185,000
98-4 Morrison Homes Assessment District	1999	2024	2,015,000
99-1 Community Facilities District, 04 Refunding	2000	2025	8,930,000
99-2 Community Facilities District	2000	2026	3,730,000
2000-02 Assessment District	2000	2026	765,000
2002 Revenue Bonds, Series A	2002	2022	3,850,000
99-2 Community Facilities District, Series 2002	2003	2027	7,435,000
93-1 Community Facilities District, Series 2002	2003	2032	2,055,000
2003-01 Assessment District	2003	2027	925,000
2003-I205 Residential Assessment District, Series A	2003	2022	9,110,000
2003B Junior Lien	2003	2011	450,000
2003C Senior Lien	2003	2011	6,160,000
2003D Junior Lien	2003	2011	1,440,000
89-1 Community Facilities District, Series A	2004	2034	12,220,000
89-1 Community Facilities District, Series B	2004	2034	1,155,000
2005C Revenue bonds (JPA)	2005	2036	14,635,000
2005B Revenue Bonds Junior Lien (JPA)	2005	2036	3,770,000
2005A Revenue Bonds Senior Lien (JPA)	2005	2029	68,260,000
2006-01 NE Industrial Phase II	2006	2036	10,660,000
			<u>\$ 158,750,000</u>

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate \$4.7 million at June 30, 2007.

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, 2007

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 12.204% for miscellaneous employees and 24.234% for fire and police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2007, the City's annual pension cost of \$5,534,919 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 30 years for safety, and 24 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>
6/30/2005	\$ 2,967,198	100%	\$ -
6/30/2006	5,080,228	100%	-
6/30/2007	5,534,919	100%	-

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description The City of Tracy administers a single employer defined benefit (implicit subsidy) healthcare plan (Plan).

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. The City does not explicitly pay for the cost of retiree health premiums, however. The medical plans consist of two HealthNet options (HMO and a Preferred Provider Organization (PPO) plan) and a Kaiser HMO, all fully insured. Medical premiums for retirees under age 65 are the same as those charged for active employees.

The City allows retirees to convert accrued sick leave to an account balance, called a "Medical Bank", that can be used for medical, dental and vision premiums. After the account is exhausted, the retiree can terminate coverage or elect to continue paying the medical (but not dental or vision) premiums from personal funds. Spouses and eligible dependent children of retirees may also be covered at the retiree's expense. While the City does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB 45. The inclusion of the retirees increases the City's overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The ability to participate in the City's health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, their liability under GASB 45 and their annual implicit subsidy are both \$0.

The Plan does not issue a separate financial report.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. As of June 30, 2007, the City has not contributed to Plan.

Annual OPEB and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual required contribution	\$ 220,771
Annual OPEB cost (expense)	220,771
Contributions made	_____
Increase in net OPEB obligation	220,771
Net OPEB obligation - beginning of year	_____
Net OPEB obligation - end of year	\$ 220,771

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2005	\$ -	100%	\$ -
6/30/2006	-	100%	-
6/30/2007	220,771	0%	220,771

Funded Status and Funding Progress. As of June 1, 2006, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,481,968, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,481,968. the covered payroll (annual payroll of active employees covered by the plan) was \$31.8 million, and the ratio of the UAAL to the covered payroll was 4.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

In the July 1, 2006, actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over the five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2006 was thirty years.

NOTE 12 – 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 13 – 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 describe 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 describe 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, and gas tax funds for street construction.

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balances, Reserves, and Designations

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

Reserves:

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

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

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

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

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

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

Projects – Amounts represent the portion of fund balance that are reserved for projects per debt agreements.

Loans Receivable – Amounts represent the portion of fund balance that are reserved to long-term loans receivable.

NOTE 14 – 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, 2007 for government activities are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 14 – RESTRICTED NET ASSETS (Continued)

Restricted for Public Safety:	
Asset forfeiture	\$ 46,585
Fire protection	1,277,684
	<u>1,324,269</u>
Streets and Roads:	
Construction and maintenance	<u>8,787,134</u>
Community Development:	
Community development	654,235
Housing	11,166,817
	<u>11,821,052</u>
Special Districts:	
Parking	67,294
Landscaping	1,772,777
	<u>1,840,071</u>
Debt Service:	
Redevelopment	4,040,169
Water	319,287
Sewer	236,000
Other	2,926,907
	<u>7,522,363</u>
Projects:	
Redevelopment	10,783,827
Specific areas/locations	93,514,166
	<u>104,297,993</u>
Total restricted net assets	<u>\$ 135,592,882</u>

Included in total restricted net assets at June 30, 2007 are net assets restricted by enabling legislation of \$52,825,909 .

NOTE 15 – 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 16 – 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 16 – DEFERRED COMPENSATION PLAN AND TRUST (Continued)

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 17 – 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.

During the fiscal year ended June 30, 2007, the City contributed \$1,974,734 for current year coverage and received refunds of \$292,820.

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 has estimated that 50% of total claims will become due and payable within one year.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 17 – RISK MANAGEMENT (Continued)

Liability for Uninsured Claims (Continued)

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	
			2007	2006
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)	246,204	320,430	566,634	94,076
Claims paid	(246,204)	(102,000)	(348,204)	(94,076)
Ending balance	<u>\$ 331,758</u>	<u>\$ 293,430</u>	<u>\$ 625,188</u>	<u>\$ 406,758</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2007**

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
6/30/2004	\$ 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%
6/30/2006	55,787,879	47,555,919	8,231,960	85.2%	17,057,712	48.3%

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
6/30/2004	\$ 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%
6/30/2007	69,738,408	55,543,596	14,194,812	79.6%	13,271,346	107.0%

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 an 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 the 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, 2007**

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 \$13,605,000 in fiscal year 2008. The Pavement Condition Index (PCI) for the City's street pavement for the latest 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	8,647,067
2008	75	13,605,000	-

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 \$8,647,067 for street preservation for fiscal year 2007.

Postemployment Benefit Plans Other Than Pensions

Trend Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH PLAN

<u>Actuarial Valuation Date</u>	<u>Projected Unit Credit Cost Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
7/1/2006	\$ 1,481,968	\$ -	\$ 1,481,968	-%	\$31,865,746	4.7%

CITY OF TRACY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 33,634,100	\$ 33,634,100	\$ 35,403,620	\$ 1,769,520
Licenses, permits, and fees	3,772,910	3,772,910	3,382,374	(390,536)
Fines and forfeitures	1,296,000	1,296,000	1,272,585	(23,415)
Use of money and property	1,004,500	1,004,500	2,014,348	1,009,848
Intergovernmental	1,561,800	1,629,249	1,944,689	315,440
Charges for services	5,618,700	5,833,700	4,529,119	(1,304,581)
Other revenues	1,085,000	1,085,000	1,702,462	617,462
Special assessments	310,000	310,000	306,067	(3,933)
Total revenues	<u>48,283,010</u>	<u>48,565,459</u>	<u>50,555,264</u>	<u>1,989,805</u>
EXPENDITURES				
Current:				
General government:				
City clerk	386,730	382,570	323,901	58,669
City council	85,120	91,120	92,552	(1,432)
City attorney	726,900	746,900	775,749	(28,849)
City treasurer	344,350	344,350	321,150	23,200
Administration	1,028,750	971,900	945,084	26,816
Human resources	991,630	976,130	885,122	91,008
Finance	1,416,660	1,416,660	1,636,062	(219,402)
Non-departmental	874,000	805,452	906,022	(100,570)
Public safety:				
Police	19,030,200	19,260,527	17,593,599	1,666,928
Fire	7,023,870	7,057,230	7,062,680	(5,450)
Public works:				
Development and engineering	6,909,550	7,164,085	6,254,687	909,398
Public works	4,482,150	4,473,800	3,779,090	694,710
Culture and leisure:				
Parks and community services	3,501,480	3,315,395	3,117,092	198,303
Capital outlay	672,350	720,070	503,579	216,491
Total expenditures	<u>47,473,740</u>	<u>47,726,189</u>	<u>44,196,369</u>	<u>3,529,820</u>
Excess of revenues over (under) expenditures	<u>809,270</u>	<u>839,270</u>	<u>6,358,895</u>	<u>5,519,625</u>
Other financing sources (uses):				
Transfers in	388,730	388,730	19,426	(369,304)
Transfers out	<u>(1,198,000)</u>	<u>(1,198,000)</u>	<u>(7,766,185)</u>	<u>(6,568,185)</u>
Total other financing sources (uses)	<u>(809,270)</u>	<u>(809,270)</u>	<u>(7,746,759)</u>	<u>(6,937,489)</u>
Net change in fund balance		30,000	(1,387,864)	(1,417,864)
Fund balance at beginning of fiscal year	<u>20,499,134</u>	<u>20,499,134</u>	<u>20,499,134</u>	
Fund balance at end of fiscal year	<u>\$ 20,499,134</u>	<u>\$ 20,529,134</u>	<u>\$ 19,111,270</u>	<u>\$ (1,417,864)</u>

OTHER SUPPLEMENTAL INFORMATION

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.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND

This fund accounts for accumulated City and County tax increment funds received for redevelopment purposes to repay outstanding debt.

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.

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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.

NORTH EAST INDUSTRIAL PLAN # 2

Established to account for projects to support development in the North East Industrial area of the City.

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
Assets				
Cash and investments	\$ 18,580,966	\$ 66,997	\$ 15,312	\$ 46,193
Cash and investments with fiscal agents				
Accounts receivable	4,150		40,538	
Interest receivable	153,408	776		392
Loans receivable				
Due from other funds	883,400			
Advances to other funds				
Prepaid items				
Total Assets	<u>\$ 19,621,924</u>	<u>\$ 67,773</u>	<u>\$ 55,850</u>	<u>\$ 46,585</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 479	\$ 19,949	\$ -
Due to other funds				
Deposits payable				
Deferred revenue			37,150	
Advances from other funds				
Total Liabilities		<u>479</u>	<u>57,099</u>	
Fund Balances:				
Reserved:				
Prepaid items				
Projects				
Encumbrances				
Low/ moderate income housing				
Debt service				
Advances				
Unreserved:				
Undesignated	<u>19,621,924</u>	<u>67,294</u>	<u>(1,249)</u>	<u>46,585</u>
Total Fund Balances	<u>19,621,924</u>	<u>67,294</u>	<u>(1,249)</u>	<u>46,585</u>
Total Liabilities and Fund Balances	<u>\$ 19,621,924</u>	<u>\$ 67,773</u>	<u>\$ 55,850</u>	<u>\$ 46,585</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
\$ 437,469	\$ 2,894,967	\$ 3,569,189	\$ 17	\$ 17,532	\$ 1,872,132	\$ 679,312
10,631	1,181,845 31,405	128,215 34,060	126,160	461,479 181	13,578	605 162,351
883,300						
<u>\$ 1,331,400</u>	<u>\$ 4,108,217</u>	<u>\$ 3,731,464</u>	<u>\$ 126,177</u>	<u>\$ 479,192</u>	<u>\$ 1,885,710</u>	<u>\$ 842,268</u>
\$ -	\$ 536,532	\$ 62,391	\$ 6,915 105,700	\$ 107,916 353,800	\$ 112,933	\$ 5,678
	68,418			16,640		183,191
	<u>604,950</u>	<u>62,391</u>	<u>112,615</u>	<u>478,356</u>	<u>112,933</u>	<u>188,869</u>
	464,914	62,938	599,344		43,615	
1,331,400	3,038,353	3,606,135	(585,782)	836	1,729,162	653,399
1,331,400	3,503,267	3,669,073	13,562	836	1,772,777	653,399
<u>\$ 1,331,400</u>	<u>\$ 4,108,217</u>	<u>\$ 3,731,464</u>	<u>\$ 126,177</u>	<u>\$ 479,192</u>	<u>\$ 1,885,710</u>	<u>\$ 842,268</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007
(Continued)

	Special Revenue Funds			
	South County Fire Authority	Traffic Congestion Relief	Community Access CTV	Community Development Agency Housing
Assets				
Cash and investments	\$ 211	\$ 324,108	\$ 65	\$ 6,057,238
Cash and investments with fiscal agents				
Accounts receivable	2,304,491		29,358	
Interest receivable		8,662		45,299
Loans receivable				5,064,289
Due from other funds				
Advances to other funds				
Prepaid items	395			
Total Assets	<u>\$ 2,305,097</u>	<u>\$ 332,770</u>	<u>\$ 29,423</u>	<u>\$ 11,166,826</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 63,769	\$ -	\$ 109	\$ 9
Due to other funds	855,200		28,200	
Deposits payable	31,680			
Deferred revenue	76,764			5,064,289
Advances from other funds			82,300	
Total Liabilities	<u>1,027,413</u>		<u>110,609</u>	<u>5,064,298</u>
Fund Balances:				
Reserved:				
Prepaid items	395			
Projects				
Encumbrances	66,376			42
Low/ moderate income housing				6,102,486
Debt service				
Advances				
Unreserved:				
Undesignated	<u>1,210,913</u>	<u>332,770</u>	<u>(81,186)</u>	
Total Fund Balances	<u>1,277,684</u>	<u>332,770</u>	<u>(81,186)</u>	<u>6,102,528</u>
Total Liabilities and Fund Balances	<u>\$ 2,305,097</u>	<u>\$ 332,770</u>	<u>\$ 29,423</u>	<u>\$ 11,166,826</u>

Debt Service Funds			Capital Projects Funds			
Community Development Agency	Parks COP	Regional Mail Improvement	Residential Specific Plan Projects	General Projects	Infill Projects	I-205 Area Improvements
\$ 1,369,409	\$ 342,270	\$ 1,582,478	\$ 9,642,641	\$ 12,102,891	\$ 5,404,950	\$ 1,491,678
3,809,518	295,825	866,095		4,921,513		
296,862			2,500		1,023	
83,049	3,565	15,094	154,318	65,536	61,630	21,145
				1,700,500		
				82,300		
<u>\$ 5,558,838</u>	<u>\$ 641,660</u>	<u>\$ 2,463,667</u>	<u>\$ 9,799,459</u>	<u>\$ 18,872,740</u>	<u>\$ 5,467,603</u>	<u>\$ 1,512,823</u>
\$ 624,763	\$ -	\$ -	\$ 26,464	\$ 1,125,634	\$ -	\$ 7,920
				832,265		1,102,966
<u>624,763</u>			<u>26,464</u>	<u>1,957,899</u>		<u>1,110,886</u>
				4,921,513		
			894,633	1,278,635	19,094	279,952
4,934,075	641,660	2,463,667		82,300		
			8,878,362	10,632,393	5,448,509	121,985
<u>4,934,075</u>	<u>641,660</u>	<u>2,463,667</u>	<u>9,772,995</u>	<u>16,914,841</u>	<u>5,467,603</u>	<u>401,937</u>
<u>\$ 5,558,838</u>	<u>\$ 641,660</u>	<u>\$ 2,463,667</u>	<u>\$ 9,799,459</u>	<u>\$ 18,872,740</u>	<u>\$ 5,467,603</u>	<u>\$ 1,512,823</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007
(Continued)

	Capital Projects Funds			
	Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposit	Assessment District 87-3 Improvement
Assets				
Cash and investments	\$ 6,914,138	\$ 5,702,864	\$ 1,346,215	\$ 27,042
Cash and investments with fiscal agents	4,984,162			
Accounts receivable		375,646		
Interest receivable	708	60,135	14,621	281
Loans receivable				
Due from other funds				
Advances to other funds				
Prepaid items				
Total Assets	\$ 11,899,008	\$ 6,138,645	\$ 1,360,836	\$ 27,323
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,115,181	\$ 8,267	\$ -	\$ -
Due to other funds				
Deposits payable		290,583		
Deferred revenue				
Advances from other funds				
Total Liabilities	1,115,181	298,850		
Fund Balances:				
Reserved:				
Prepaid items				
Projects	4,984,162			
Encumbrances	3,009,427	289,600	15,753	
Low/ moderate income housing				
Debt service				
Advances				
Unreserved:				
Undesignated	2,790,238	5,550,195	1,345,083	27,323
Total Fund Balances	10,783,827	5,839,795	1,360,836	27,323
Total Liabilities and Fund Balances	\$ 11,899,008	\$ 6,138,645	\$ 1,360,836	\$ 27,323

Capital Projects Funds

South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Tracy Gateway Area	North East Industrial Plan # 2	Total Nonmajor Governmental Funds
\$ 8,064,463	\$ 2,016,973	\$ 4,707,301	\$ 44	\$ -	\$ 95,277,065
1,197,112		842,157		9,549,354	26,465,736
			39,156		4,991,423
77,736	25,159	62,584			944,558
					5,226,640
					3,467,200
					82,300
					395
<u>\$ 9,339,311</u>	<u>\$ 2,042,132</u>	<u>\$ 5,612,042</u>	<u>\$ 39,200</u>	<u>\$ 9,549,354</u>	<u>\$ 136,455,317</u>
\$ 3,426	\$ -	\$ -	\$ -	\$ 44,714	\$ 3,873,049
			39,200	1,172,500	2,554,600
					2,257,494
					5,446,452
					82,300
<u>3,426</u>			<u>39,200</u>	<u>1,217,214</u>	<u>14,213,895</u>
					395
				8,043,692	17,949,367
140,294	142,122	39,956		288,448	7,635,143
					6,102,486
					8,039,402
					82,300
<u>9,195,591</u>	<u>1,900,010</u>	<u>5,572,086</u>			<u>82,432,329</u>
<u>9,335,885</u>	<u>2,042,132</u>	<u>5,612,042</u>		<u>8,332,140</u>	<u>122,241,422</u>
<u>\$ 9,339,311</u>	<u>\$ 2,042,132</u>	<u>\$ 5,612,042</u>	<u>\$ 39,200</u>	<u>\$ 9,549,354</u>	<u>\$ 136,455,317</u>

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	663,058	3,789		1,741
Intergovernmental				25,279
Special assessments		292	30,250	
Other revenues			128,629	
Charges for services				
Total Revenues	663,058	4,081	158,879	27,020
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental				
Public safety				
Police				13,022
Fire				
Public works				
Development and engineering		15,055	163,034	
Public works				
Intergovernmental				
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		15,055	163,034	13,022
Excess of Revenues Over (Under) Expenditures	663,058	(10,974)	(4,155)	13,998
OTHER FINANCING SOURCES (USES):				
Transfers in	6,558,000		8,000	
Transfers out	(4,217,946)			
Total Other Financing Sources (Uses)	2,340,054		8,000	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,003,112	(10,974)	3,845	13,998
Fund Balances, July 1, 2006	16,618,812	78,268	(5,094)	32,587
Fund Balances, June 30, 2007	<u>\$ 19,621,924</u>	<u>\$ 67,294</u>	<u>\$ (1,249)</u>	<u>\$ 46,585</u>

Special Revenue Funds

Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District	Residential and Commercial Rehabilitation Loan
\$ 2,253,950	\$ 1,225,589	\$ -	\$ -	\$ -	\$ -	\$ -
38,353	138,832 2,232,976	152,770 1,458,694	117 223,934	833 1,137,643	19,107 2,010,723 48,423	28,011
<u>2,292,303</u>	<u>3,597,397</u>	<u>1,611,464</u>	<u>224,051</u>	<u>1,138,476</u>	<u>2,078,253</u>	<u>28,011</u>
40,014		41,110			88,800	
147,000 1,922,500		206,220		207,657	1,380,260	
	3,679,220	625,351	223,939	930,155	191,372	
<u>2,109,514</u>	<u>3,679,220</u>	<u>872,681</u>	<u>223,939</u>	<u>1,137,812</u>	<u>1,660,432</u>	
<u>182,789</u>	<u>(81,823)</u>	<u>738,783</u>	<u>112</u>	<u>664</u>	<u>417,821</u>	<u>28,011</u>
182,789	(81,823)	738,783	112	664	417,821	28,011
<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>\$ 1,331,400</u>	<u>\$ 3,503,267</u>	<u>\$ 3,669,073</u>	<u>\$ 13,562</u>	<u>\$ 836</u>	<u>\$ 1,772,777</u>	<u>\$ 653,399</u>

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2007
(Continued)

	Special Revenue Funds			
	South County Fire Authority	Traffic Congestion Relief	Community Access CTV	Community Development Agency Housing
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees			118,167	
Use of money and property		30,031	437	253,948
Intergovernmental	6,677,147	550,513		
Special assessments				
Other revenues				
Charges for services	182,340		1,252	
Total Revenues	6,859,487	580,544	119,856	253,948
EXPENDITURES:				
Current:				
General government				
Administration			81,917	
Non-departmental			32,874	36,530
Public safety				
Police				
Fire	6,531,171			
Public works				
Development and engineering				453,658
Public works		600,000		
Intergovernmental				
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	6,531,171	600,000	114,791	490,188
Excess of Revenues Over (Under) Expenditures	328,316	(19,456)	5,065	(236,240)
OTHER FINANCING SOURCES (USES):				
Transfers in				1,814,598
Transfers out	(19,426)		(10,000)	
Total Other Financing Sources (Uses)	(19,426)		(10,000)	1,814,598
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	308,890	(19,456)	(4,935)	1,578,358
Fund Balances, July 1, 2006	968,794	352,226	(76,251)	4,524,170
Fund Balances, June 30, 2007	<u>\$ 1,277,684</u>	<u>\$ 332,770</u>	<u>\$ (81,186)</u>	<u>\$ 6,102,528</u>

Debt Service Funds			Capital Projects Funds			
Community Development Agency	Parks COP	Regional Mall Improvement	Residential Specific Plan Projects	General Projects	Infill Projects	I-205 Area Improvements
\$ 9,459,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
616,517	30,769	114,735	753,701	738,441	284,247	107,813
705,037			1,815,175	325,224	800,221	398,219
			1,145,700		725,050	47,230
			200,000			
<u>10,780,906</u>	<u>30,769</u>	<u>114,735</u>	<u>3,914,576</u>	<u>1,063,665</u>	<u>1,809,518</u>	<u>553,262</u>
2,931,114			8,986,871	6,820,972	3,822,733	1,826,597
1,005,000	130,000	295,000				
2,714,677	152,001	535,648				
<u>6,650,791</u>	<u>282,001</u>	<u>830,648</u>	<u>8,986,871</u>	<u>6,820,972</u>	<u>3,822,733</u>	<u>1,826,597</u>
<u>4,130,115</u>	<u>(251,232)</u>	<u>(715,913)</u>	<u>(5,072,295)</u>	<u>(5,757,307)</u>	<u>(2,013,215)</u>	<u>(1,273,335)</u>
(10,136,300)	286,000	912,000		4,302,648		
<u>(10,136,300)</u>	<u>286,000</u>	<u>912,000</u>		<u>4,302,648</u>		
(6,006,185)	34,768	196,087	(5,072,295)	(1,454,659)	(2,013,215)	(1,273,335)
<u>10,940,260</u>	<u>606,892</u>	<u>2,267,580</u>	<u>14,845,290</u>	<u>18,369,500</u>	<u>7,480,818</u>	<u>1,675,272</u>
<u>\$ 4,934,075</u>	<u>\$ 641,660</u>	<u>\$ 2,463,667</u>	<u>\$ 9,772,995</u>	<u>\$ 16,914,841</u>	<u>\$ 5,467,603</u>	<u>\$ 401,937</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, 2007
(Continued)

	Capital Project Funds			
	Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposits	Assessment District 87-3 Improvement
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	397,864	280,766	60,584	1,291
Intergovernmental			2,850,000	
Special assessments				
Other revenues		800,094	444,544	
Charges for services				
Total Revenues	<u>397,864</u>	<u>1,080,860</u>	<u>3,355,128</u>	<u>1,291</u>
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental	66,510			
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works	315,272			
Intergovernmental				
Capital outlay	7,837,580	621,617	2,865,981	
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>8,219,362</u>	<u>621,617</u>	<u>2,865,981</u>	
Excess of Revenues Over (Under) Expenditures	<u>(7,821,498)</u>	<u>459,243</u>	<u>489,147</u>	<u>1,291</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8,247,000			
Transfers out				
Total Other Financing Sources (Uses)	<u>8,247,000</u>			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	425,502	459,243	489,147	1,291
Fund Balances, July 1, 2006	<u>10,358,325</u>	<u>5,380,552</u>	<u>871,689</u>	<u>26,032</u>
Fund Balances, June 30, 2007	<u>\$ 10,783,827</u>	<u>\$ 5,839,795</u>	<u>\$ 1,360,836</u>	<u>\$ 27,323</u>

Capital Projects Funds

South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Tracy Gateway Area	North East Industrial Plan # 2	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,938,891
					118,167
412,893	125,570	298,964		327,083	5,882,265
					16,186,447
431,827	69,940				5,556,647
191,892		3,850	64,969	9,308,347	12,908,728
					383,592
<u>1,036,612</u>	<u>195,510</u>	<u>302,814</u>	<u>64,969</u>	<u>9,635,430</u>	<u>53,974,737</u>
					81,917
					305,838
					13,022
					6,531,171
					986,404
					4,424,252
					2,931,114
	744,340	1,325,700	64,969	1,303,290	41,870,687
					1,430,000
					3,402,326
	<u>744,340</u>	<u>1,325,700</u>	<u>64,969</u>	<u>1,303,290</u>	<u>61,976,731</u>
<u>1,036,612</u>	<u>(548,830)</u>	<u>(1,022,886)</u>		<u>8,332,140</u>	<u>(8,001,994)</u>
					22,128,246
					(14,383,672)
					7,744,574
1,036,612	(548,830)	(1,022,886)		8,332,140	(257,420)
8,299,273	2,590,962	6,634,928			122,498,842
<u>\$ 9,335,885</u>	<u>\$ 2,042,132</u>	<u>\$ 5,612,042</u>	<u>\$ -</u>	<u>\$ 8,332,140</u>	<u>\$ 122,241,422</u>

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	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		3,789	3,789			
Intergovernmental						
Special assessments		292	292	34,700	30,250	(4,450)
Other revenues				75,000	128,629	53,629
Charges for services						
Total Revenues		4,081	4,081	109,700	158,879	49,179
Expenditures:						
Current:						
General government						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering	35,280	15,055	20,225	114,510	163,034	(48,524)
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	35,280	15,055	20,225	114,510	163,034	(48,524)
Excess of revenues over (under) expenditures	(35,280)	(10,974)	24,306	(4,810)	(4,155)	655
Other Financing Sources						
(Uses):						
Transfers in					8,000	8,000
Transfers out						
Total Other Financing Sources (Uses)					8,000	8,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (35,280)	(10,974)	\$ 24,306	\$ (4,810)	3,845	\$ 8,655
Fund Balances, July 1, 2006		78,268			(5,094)	
Fund Balances, June 30, 2007		\$ 67,294			\$ (1,249)	

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)
\$ -	\$ -	\$ -	\$ 2,113,000	\$ 2,253,950	\$ 140,950	\$ 1,319,000	\$ 1,225,589	\$ (93,411)
	1,741	1,741		38,353	38,353		138,832	138,832
5,000	25,279	20,279				4,624,222	2,232,976	(2,391,246)
<u>5,000</u>	<u>27,020</u>	<u>22,020</u>	<u>2,113,000</u>	<u>2,292,303</u>	<u>179,303</u>	<u>5,943,222</u>	<u>3,597,397</u>	<u>(2,345,825)</u>
			38,400	40,014	(1,614)			
10,000	13,022	(3,022)						
			147,000	147,000				
			1,922,500	1,922,500				
			300,000		300,000	6,844,212	3,679,220	3,164,992
<u>10,000</u>	<u>13,022</u>	<u>(3,022)</u>	<u>2,407,900</u>	<u>2,109,514</u>	<u>298,386</u>	<u>6,844,212</u>	<u>3,679,220</u>	<u>3,164,992</u>
<u>(5,000)</u>	<u>13,998</u>	<u>18,998</u>	<u>(294,900)</u>	<u>182,789</u>	<u>477,689</u>	<u>(900,990)</u>	<u>(81,823)</u>	<u>819,167</u>
<u>\$ (5,000)</u>	<u>13,998</u>	<u>\$ 18,998</u>	<u>\$ (294,900)</u>	<u>182,789</u>	<u>\$ 477,689</u>	<u>\$ (900,990)</u>	<u>(81,823)</u>	<u>\$ 819,167</u>
	<u>32,587</u>			<u>1,148,611</u>			<u>3,585,090</u>	
	<u>\$ 46,585</u>			<u>\$ 1,331,400</u>			<u>\$ 3,503,267</u>	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007
(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						
Use of money and property		152,770	152,770		117	117
Intergovernmental	1,552,800	1,458,694	(94,106)	996,656	223,934	(772,722)
Special assessments						
Other revenues						
Charges for services						
Total Revenues	<u>1,552,800</u>	<u>1,611,464</u>	<u>58,664</u>	<u>996,656</u>	<u>224,051</u>	<u>(772,605)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental	35,500	41,110	(5,610)			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works	143,200	206,220	(63,020)			
Intergovernmental						
Capital outlay	3,219,500	625,351	2,594,149	996,656	223,939	772,717
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>3,398,200</u>	<u>872,681</u>	<u>2,525,519</u>	<u>996,656</u>	<u>223,939</u>	<u>772,717</u>
Excess of revenues over (under) expenditures	<u>(1,845,400)</u>	<u>738,783</u>	<u>2,584,183</u>		<u>112</u>	<u>112</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>\$ (1,845,400)</u>	<u>738,783</u>	<u>\$ 2,584,183</u>	<u>\$ -</u>	<u>112</u>	<u>\$ 112</u>
Fund Balances, July 1, 2006		<u>2,930,290</u>			<u>13,450</u>	
Fund Balances, June 30, 2007		<u>\$ 3,669,073</u>			<u>\$ 13,562</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,347,906	833 1,137,643	833 (210,263)	5,000	19,107	14,107	6,156,500	6,677,147	520,647
			2,037,500	2,010,723 48,423	(26,777) 48,423	135,800	182,340	46,540
1,347,906	1,138,476	(209,430)	2,042,500	2,078,253	35,753	6,292,300	6,859,487	567,187
			82,200	88,800	(6,600)			
						6,533,040	6,531,171	1,869
338,995	207,657	131,338	1,898,600	1,380,260	518,340			
1,008,911	930,155	78,756	100,000	191,372	(91,372)			
1,347,906	1,137,812	210,094	2,080,800	1,660,432	420,368	6,533,040	6,531,171	1,869
	664	664	(38,300)	417,821	456,121	(240,740)	328,316	569,056
							(19,426)	(19,426)
							(19,426)	(19,426)
\$ -	664	\$ 664	\$ (38,300)	417,821	\$ 456,121	\$ (240,740)	308,890	\$ 549,630
	172			1,354,956			968,794	
	\$ 836			\$ 1,772,777			\$ 1,277,684	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2007
(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	124,000	118,167	(5,833)			
Use of money and property		437	437	90,000	253,948	163,948
Intergovernmental						
Special assessments						
Other revenues						
Charges for services		1,252	1,252			
Total Revenues	124,000	119,856	(4,144)	90,000	253,948	163,948
Expenditures:						
Current:						
General government						
Administration	96,820	81,917	14,903			
Non-departmental	47,600	32,874	14,726	30,500	36,530	(6,030)
Public safety						
Police						
Fire						
Public works						
Development and engineering				446,960	453,658	(6,698)
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	144,420	114,791	29,629	477,460	490,188	(12,728)
Excess of revenues over (under) expenditures	(20,420)	5,065	25,485	(387,460)	(236,240)	151,220
Other Financing Sources						
(Uses):						
Transfers in				1,725,800	1,814,598	88,798
Transfers out		(10,000)	(10,000)			
Total Other Financing Sources (Uses)		(10,000)	(10,000)	1,725,800	1,814,598	88,798
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (20,420)	(4,935)	\$ 15,485	\$ 1,338,340	1,578,358	\$ 240,018
Fund Balances, July 1, 2006		(76,251)			4,524,170	
Fund Balances, June 30, 2007		\$ (81,186)			\$ 6,102,528	

Parks COP			Regional Mall Improvement			Community Development Agency Debt Service		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500,200	\$ 9,459,352	\$ 959,152
	30,769	30,769		114,735	114,735	19,000	616,517	597,517
						610,000	705,037	95,037
	<u>30,769</u>	<u>30,769</u>		<u>114,735</u>	<u>114,735</u>	<u>9,129,200</u>	<u>10,780,906</u>	<u>1,651,706</u>
						1,942,200	2,931,114	(988,914)
130,000	130,000		295,000	295,000		1,005,000	1,005,000	
155,700	152,001	3,699	616,800	535,648	81,152	2,718,000	2,714,677	3,323
<u>285,700</u>	<u>282,001</u>	<u>3,699</u>	<u>911,800</u>	<u>830,648</u>	<u>81,152</u>	<u>5,665,200</u>	<u>6,650,791</u>	<u>(985,591)</u>
<u>(285,700)</u>	<u>(251,232)</u>	<u>34,468</u>	<u>(911,800)</u>	<u>(715,913)</u>	<u>195,887</u>	<u>3,464,000</u>	<u>4,130,115</u>	<u>666,115</u>
286,000	286,000		912,000	912,000		(7,922,800)	(10,136,300)	(2,213,500)
<u>286,000</u>	<u>286,000</u>		<u>912,000</u>	<u>912,000</u>		<u>(7,922,800)</u>	<u>(10,136,300)</u>	<u>(2,213,500)</u>
<u>\$ 300</u>	34,768	<u>\$ 34,468</u>	<u>\$ 200</u>	196,087	<u>\$ 195,887</u>	<u>\$ (4,458,800)</u>	(6,006,185)	<u>\$(1,547,385)</u>
	<u>606,892</u>			<u>2,267,580</u>			<u>10,940,260</u>	
	<u>\$ 641,660</u>			<u>\$ 2,463,667</u>			<u>\$ 4,934,075</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, 2007**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
ASSETS			
Current assets:			
Cash and investments	\$ 406,751	\$ 819,857	\$ 5,771,472
Accounts receivable - net	372,827	5,821	54,550
Interest receivable	5,634		
	<u>785,212</u>	<u>825,678</u>	<u>5,826,022</u>
Total current assets			
Noncurrent Assets:			
Loans receivable			43,483
Capital Assets:			
Depreciable:			
Buildings	266,462		
Improvements	545,513	9,239	
Equipment	81,896	92,919	15,734,756
	<u>893,871</u>	<u>102,158</u>	<u>15,734,756</u>
Total depreciable capital assets			
Less accumulated depreciation	<u>(536,984)</u>	<u>(60,717)</u>	<u>(9,187,500)</u>
Total capital assets, net	<u>356,887</u>	<u>41,441</u>	<u>6,547,256</u>
Total Assets	<u>\$ 1,142,099</u>	<u>\$ 867,119</u>	<u>\$ 12,416,761</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 306,090	\$ 5,424,064	\$ 12,728,234
		433,198
<u>2,823</u>	<u>56,749</u>	<u>65,206</u>
<u>308,913</u>	<u>5,480,813</u>	<u>13,226,638</u>
		<u>43,483</u>
		266,462
		554,752
<u>28,157</u>		<u>15,937,728</u>
28,157		16,758,942
<u>(24,802)</u>		<u>(9,810,003)</u>
<u>3,355</u>		<u>6,948,939</u>
<u>\$ 312,268</u>	<u>\$ 5,480,813</u>	<u>\$ 20,219,060</u>

(Continued)

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2007
(Continued)**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 665	\$ 46,475	\$ 6,413
Claims and judgments payable			
Accrued interest payable			11,151
	<u>665</u>	<u>46,475</u>	<u>17,564</u>
Total current liabilities	<u>665</u>	<u>46,475</u>	<u>17,564</u>
Noncurrent Liabilities:			
Capital lease payable			520,833
Compensated absences	25,244	87,158	
Claims and judgments payable			
	<u>25,244</u>	<u>87,158</u>	<u>520,833</u>
Total noncurrent liabilities	<u>25,244</u>	<u>87,158</u>	<u>520,833</u>
Total Liabilities	<u>25,909</u>	<u>133,633</u>	<u>538,397</u>
NET ASSETS			
Investment in capital assets, net of related debt	356,887	41,441	6,026,423
Unrestricted	759,303	692,045	5,851,941
	<u>759,303</u>	<u>692,045</u>	<u>5,851,941</u>
Total Net Assets	<u>\$ 1,116,190</u>	<u>\$ 733,486</u>	<u>\$ 11,878,364</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 11,998	\$ 1,229 312,594	\$ 66,780 312,594 11,151
<u>11,998</u>	<u>313,823</u>	<u>390,525</u>
37,284	23,595 312,594	520,833 173,281 312,594
<u>37,284</u>	<u>336,189</u>	<u>1,006,708</u>
<u>49,282</u>	<u>650,012</u>	<u>1,397,233</u>
3,355 259,631	4,830,801	6,428,106 12,393,721
<u>\$ 262,986</u>	<u>\$ 4,830,801</u>	<u>\$ 18,821,827</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
Revenues:			
Charges for services	\$ 1,182,066	\$ 1,203,518	\$ 3,504,986
Other revenues	743		
Total Operating Revenues	<u>1,182,809</u>	<u>1,203,518</u>	<u>3,504,986</u>
Expenses:			
Maintenance and operation	1,087,043	1,306,754	99,653
Administration	29,500		
Insurance costs and claims			
Depreciation	<u>44,486</u>	<u>5,689</u>	<u>1,324,587</u>
Total Expenses	<u>1,161,029</u>	<u>1,312,443</u>	<u>1,424,240</u>
Operating Income (Loss)	21,780	(108,925)	2,080,746
Non-Operating Revenues (Expenses)			
Interest income	30,729	30,438	248,212
Interest expense			(22,592)
Gain on sale of capital assets			<u>34,985</u>
Net income before transfers	52,509	(78,487)	2,341,351
Transfers in			<u>2,834</u>
Change in Net Assets	52,509	(78,487)	2,344,185
Net Assets, July 1, 2006	<u>1,063,681</u>	<u>811,973</u>	<u>9,534,179</u>
Net Assets, June 30, 2007	<u>\$ 1,116,190</u>	<u>\$ 733,486</u>	<u>\$ 11,878,364</u>

Building Maintenance	Insurance	Totals
\$ 1,041,660	\$ 1,720,771 330,911	\$ 8,653,001 331,654
<u>1,041,660</u>	<u>2,051,682</u>	<u>8,984,655</u>
1,028,569		3,522,019
70,800	463,901	564,201
3,355	2,637,896	2,637,896
<u>1,102,724</u>	<u>3,101,797</u>	<u>8,102,233</u>
(61,064)	(1,050,115)	882,422
12,427	271,168	592,974 (22,592) 34,985
<u>(48,637)</u>	<u>(778,947)</u>	<u>1,487,789</u>
		2,834
(48,637)	(778,947)	1,490,623
<u>311,623</u>	<u>5,609,748</u>	<u>17,331,204</u>
<u>\$ 262,986</u>	<u>\$ 4,830,801</u>	<u>\$ 18,821,827</u>

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007**

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 809,982	\$ 1,203,518	\$ 3,506,288
Payments to suppliers and users	(809,366)	(520,895)	(218,675)
Payments to employees	(328,780)	(724,372)	
Net Cash Provided (Used) by Operating Activities	<u>(328,164)</u>	<u>(41,749)</u>	<u>3,287,613</u>
Cash flows from Non-Capital Financing Activities:			
Principal received on loans receivable			69,339
Transfers in			2,834
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>72,173</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on long-term debt			(120,506)
Interest paid			(25,352)
Acquisitions of capital assets			(2,688,035)
Proceeds from sales of capital assets			72,279
Net Cash Used by Capital and Related Financing Activities			<u>(2,761,614)</u>
Cash Flows from Investing Activities:			
Interest received	29,654	32,334	238,280
Net Cash Provided by Investing Activities	<u>29,654</u>	<u>32,334</u>	<u>238,280</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(298,510)	(9,415)	836,452
Cash and Cash Equivalents, July 1, 2006	<u>705,261</u>	<u>829,272</u>	<u>4,935,020</u>
Cash and Cash Equivalents, June 30, 2007	<u>\$ 406,751</u>	<u>\$ 819,857</u>	<u>\$ 5,771,472</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 21,780	\$ (108,925)	\$ 2,080,746
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,486	5,689	1,324,587
(Increase) Decrease in Operating Assets:			
Accounts receivable	(372,827)		1,302
Prepaid items	21,680		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(53,375)	(951)	(119,022)
Compensated absences	10,092	62,438	
Claims payable			
Net Cash Provided (Used) by Operating Activities	<u>\$ (328,164)</u>	<u>\$ (41,749)</u>	<u>\$ 3,287,613</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 1,041,660	\$ 2,051,682	\$ 8,613,130
(387,122)	(2,491,569)	(4,427,627)
(683,197)	(373,666)	(2,110,015)
<u>(28,659)</u>	<u>(813,553)</u>	<u>2,075,488</u>
		69,339
		2,834
		<u>72,173</u>
		(120,506)
		(25,352)
		(2,688,035)
		72,279
		<u>(2,761,614)</u>
<u>11,783</u>	<u>272,529</u>	<u>584,580</u>
<u>11,783</u>	<u>272,529</u>	<u>584,580</u>
(16,876)	(541,024)	(29,373)
<u>322,966</u>	<u>5,965,088</u>	<u>12,757,607</u>
<u>\$ 306,090</u>	<u>\$ 5,424,064</u>	<u>\$ 12,728,234</u>
\$ (61,064)	\$ (1,050,115)	\$ 882,422
3,355		1,378,117
		(371,525)
		21,680
4,243	(5,463)	(174,568)
24,807	23,595	120,932
	218,430	218,430
<u>\$ (28,659)</u>	<u>\$ (813,553)</u>	<u>\$ 2,075,488</u>

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AGENCY FUNDS

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 99-2 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

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

2000-02 ASSESSMENT DISTRICT FUND

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

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.

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, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>87-3 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 978,332	\$ 1,808,288	\$ 1,775,416	\$ 1,011,204
Cash and investments with fiscal agents	4,017,253	1,844,226	1,663,061	4,198,418
Interest receivable	7,816	8,447	7,816	8,447
Total assets	<u>\$ 5,003,401</u>	<u>\$ 3,660,961</u>	<u>\$ 3,446,293</u>	<u>\$ 5,218,069</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 5,003,401	\$ 3,660,961	\$ 3,446,293	\$ 5,218,069
Total liabilities	<u>\$ 5,003,401</u>	<u>\$ 3,660,961</u>	<u>\$ 3,446,293</u>	<u>\$ 5,218,069</u>
<u>84-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,283,442	\$ 88,534	\$ 27,292	\$ 1,344,684
Interest receivable	12,423	13,457	12,423	13,457
Total assets	<u>\$ 1,295,865</u>	<u>\$ 101,991</u>	<u>\$ 39,715</u>	<u>\$ 1,358,141</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,295,865	\$ 101,991	\$ 39,715	\$ 1,358,141
Total liabilities	<u>\$ 1,295,865</u>	<u>\$ 101,991</u>	<u>\$ 39,715</u>	<u>\$ 1,358,141</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>89-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 600,040	\$ 2,285,640	\$ 1,225,414	\$ 1,660,266
Cash and investments with fiscal agents	2,203,027	1,285,198	1,265,778	2,222,447
Interest receivable	4,697	6,002	4,697	6,002
Total assets	<u>\$ 2,807,764</u>	<u>\$ 3,576,840</u>	<u>\$ 2,495,889</u>	<u>\$ 3,888,715</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,807,764	\$ 3,576,840	\$ 2,495,889	\$ 3,888,715
Total liabilities	<u>\$ 2,807,764</u>	<u>\$ 3,576,840</u>	<u>\$ 2,495,889</u>	<u>\$ 3,888,715</u>
<u>94-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 329,817	\$ 418,993	\$ 407,970	\$ 340,840
Cash and investments with fiscal agents	652,026	412,607	380,148	684,485
Interest receivable	2,910	3,215	2,910	3,215
Total assets	<u>\$ 984,753</u>	<u>\$ 834,815</u>	<u>\$ 791,028</u>	<u>\$ 1,028,540</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 984,753	\$ 834,815	\$ 791,028	\$ 1,028,540
Total liabilities	<u>\$ 984,753</u>	<u>\$ 834,815</u>	<u>\$ 791,028</u>	<u>\$ 1,028,540</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(Continued)
For the Fiscal Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>93-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,142,920	\$ 509,104	\$ 413,446	\$ 2,238,578
Cash and investments with fiscal agents	470,686	375,372	296,755	549,303
Interest receivable	19,620	22,894	19,620	22,894
Total assets	<u>\$ 2,633,226</u>	<u>\$ 907,370</u>	<u>\$ 729,821</u>	<u>\$ 2,810,775</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,633,226	\$ 907,370	\$ 729,821	\$ 2,810,775
Total liabilities	<u>\$ 2,633,226</u>	<u>\$ 907,370</u>	<u>\$ 729,821</u>	<u>\$ 2,810,775</u>
<u>98-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,539,959	\$ 4,396,159	\$ 4,348,194	\$ 1,587,924
Cash and investments with fiscal agents	1,823,913	4,108,955	4,253,193	1,679,675
Interest receivable	8,942	12,108	8,942	12,108
Total assets	<u>\$ 3,372,814</u>	<u>\$ 8,517,222</u>	<u>\$ 8,610,329</u>	<u>\$ 3,279,707</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,372,814	\$ 8,517,222	\$ 8,610,329	\$ 3,279,707
Total liabilities	<u>\$ 3,372,814</u>	<u>\$ 8,517,222</u>	<u>\$ 8,610,329</u>	<u>\$ 3,279,707</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>98-3 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ 83,148	\$ 575,709	\$ 315,497	\$ 343,360
Cash and investments	270,848	348,300	578,045	41,103
Total assets	\$ 353,996	\$ 924,009	\$ 893,542	\$ 384,463
<u>Liabilities</u>				
Accounts payable	\$ 224,030	\$ -	\$ 224,030	\$ -
Due to assessment district bondholders	129,966	924,009	669,512	384,463
Total liabilities	\$ 353,996	\$ 924,009	\$ 893,542	\$ 384,463
<u>98-4 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 92,815	\$ 217,841	\$ 231,071	\$ 79,585
Cash and investments with fiscal agents	345,639	217,982	183,540	380,081
Interest receivable	777	759	777	759
Total assets	\$ 439,231	\$ 436,582	\$ 415,388	\$ 460,425
<u>Liabilities</u>				
Accounts payable	\$ 30,000	\$ -	\$ 15,000	\$ 15,000
Due to assessment district bondholders	409,231	436,582	400,388	445,425
Total liabilities	\$ 439,231	\$ 436,582	\$ 415,388	\$ 460,425

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007
(Continued)**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>99-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 6,051	\$ 738,972	\$ 740,202	\$ 4,821
Cash and investments with fiscal agents	1,482,012	784,086	724,020	1,542,078
Total assets	\$ 1,488,063	\$ 1,523,058	\$ 1,464,222	\$ 1,546,899
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,488,063	\$ 1,523,058	\$ 1,464,222	\$ 1,546,899
Total liabilities	\$ 1,488,063	\$ 1,523,058	\$ 1,464,222	\$ 1,546,899
<u>99-2 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 92,832	\$ 818,674	\$ 810,410	\$ 101,096
Cash and investments with fiscal agents	1,582,056	859,269	828,736	1,612,589
Interest receivable	658	583	658	583
Total assets	\$ 1,675,546	\$ 1,678,526	\$ 1,639,804	\$ 1,714,268
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,675,546	\$ 1,678,526	\$ 1,639,804	\$ 1,714,268
Total liabilities	\$ 1,675,546	\$ 1,678,526	\$ 1,639,804	\$ 1,714,268

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>2000-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 272,311	\$ 853,374	\$ 847,140	\$ 278,545
Cash and investments with fiscal agents	516,686	831,666	979,578	368,774
Interest receivable	1,894	2,307	1,894	2,307
Total assets	\$ 790,891	\$ 1,687,347	\$ 1,828,612	\$ 649,626
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 790,891	\$ 1,687,347	\$ 1,828,612	\$ 649,626
Total liabilities	\$ 790,891	\$ 1,687,347	\$ 1,828,612	\$ 649,626
<u>2000-02 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,384	\$ 76,012	\$ 77,395	\$ 1
Cash and investments with fiscal agents	107,415	77,161	70,000	114,576
Total assets	\$ 108,799	\$ 153,173	\$ 147,395	\$ 114,577
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 2,290	\$ -	\$ 2,290
Due to assessment district bondholders	108,799	150,883	147,395	112,287
Total liabilities	\$ 108,799	\$ 153,173	\$ 147,395	\$ 114,577
<u>2006-01 NE Industrial # 2</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ -	\$ 2,064,349	\$ 713,199	\$ 1,351,150
Cash and investments	7	734,523	596,481	138,049
Due from assessment district bondholders	263			263
Total assets	\$ 270	\$ 2,798,872	\$ 1,309,680	\$ 1,489,462
<u>Liabilities</u>				
Accounts payable	\$ 270	\$ -	\$ 270	\$ -
Due to assessment district bondholders		2,798,872	1,309,410	1,489,462
Total liabilities	\$ 270	\$ 2,798,872	\$ 1,309,680	\$ 1,489,462

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007
(Continued)

<u>1999 I205 Residential Reassessment District</u>	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Assets:</u>				
Cash and investments	\$ 674,683	\$ 1,019,029	\$ 991,561	\$ 702,151
Cash and investments with fiscal agents	1,430,150	992,896	890,845	1,532,201
Interest receivable	5,827	6,474	5,827	6,474
Total assets	<u>\$ 2,110,660</u>	<u>\$ 2,018,399</u>	<u>\$ 1,888,233</u>	<u>\$ 2,240,826</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,110,660</u>	<u>\$ 2,018,399</u>	<u>\$ 1,888,233</u>	<u>\$ 2,240,826</u>
Total liabilities	<u>\$ 2,110,660</u>	<u>\$ 2,018,399</u>	<u>\$ 1,888,233</u>	<u>\$ 2,240,826</u>
<u>2000-03 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 29,896	\$ 2,126	\$ 660	\$ 31,362
Interest receivable	294	325	294	325
Total assets	<u>\$ 30,190</u>	<u>\$ 2,451</u>	<u>\$ 954</u>	<u>\$ 31,687</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 30,190</u>	<u>\$ 2,451</u>	<u>\$ 954</u>	<u>\$ 31,687</u>
Total liabilities	<u>\$ 30,190</u>	<u>\$ 2,451</u>	<u>\$ 954</u>	<u>\$ 31,687</u>
<u>2003-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 76,882	\$ 76,880	\$ 2
Cash and investments with fiscal agents	116,247	76,122	69,827	122,542
Total assets	<u>\$ 116,247</u>	<u>\$ 153,004</u>	<u>\$ 146,707</u>	<u>\$ 122,544</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,357	\$ 4,515	\$ 2,357	\$ 4,515
Due to assessment district bondholders	113,890	148,489	144,350	118,029
Total liabilities	<u>\$ 116,247</u>	<u>\$ 153,004</u>	<u>\$ 146,707</u>	<u>\$ 122,544</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Cultural Arts</u>				
<u>Assets:</u>				
Restricted cash and investments	\$ 11,740	\$ -	\$ 2,970	\$ 8,770
Total assets	<u>\$ 11,740</u>	<u>\$ -</u>	<u>\$ 2,970</u>	<u>\$ 8,770</u>
<u>Liabilities</u>				
Deposits	\$ 11,740	\$ -	\$ 2,970	\$ 8,770
Total liabilities	<u>\$ 11,740</u>	<u>\$ -</u>	<u>\$ 2,970</u>	<u>\$ 8,770</u>
<u>Regional Transportation Impact</u>				
<u>Assets:</u>				
Cash and investments	\$ 52,747	\$ 537,844	\$ 13,388	\$ 577,203
Interest receivable		2,340		2,340
Total assets	<u>\$ 52,747</u>	<u>\$ 540,184</u>	<u>\$ 13,388</u>	<u>\$ 579,543</u>
<u>Liabilities</u>				
Due to other governments	\$ 13,388	\$ -	\$ 13,388	\$ -
Deposits	39,359	540,184		579,543
Total liabilities	<u>\$ 52,747</u>	<u>\$ 540,184</u>	<u>\$ 13,388</u>	<u>\$ 579,543</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2007
(Continued)**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Totals - All Agency Funds</u>				
<u>Assets:</u>				
Cash and investments, restricted	\$ 11,740	\$ -	\$ 2,970	\$ 8,770
Cash and investments	8,368,084	14,930,295	13,160,965	10,137,414
Cash and investments with fiscal agents	14,830,258	14,505,598	12,634,177	16,701,679
Interest receivable	65,858	78,911	65,858	78,911
Due from assessment district bondholders	263			263
Total assets	<u>\$ 23,276,203</u>	<u>\$ 29,514,804</u>	<u>\$ 25,863,970</u>	<u>\$ 26,927,037</u>
<u>Liabilities</u>				
Due to other governments	\$ 13,388	\$ -	\$ 13,388	\$ -
Accounts payable	256,657	6,805	241,657	21,805
Deposits payable	51,099	540,184	2,970	588,313
Due to assessment district bondholders	22,955,059	28,967,815	25,605,955	26,316,919
Total liabilities	<u>\$ 23,276,203</u>	<u>\$ 29,514,804</u>	<u>\$ 25,863,970</u>	<u>\$ 26,927,037</u>

CITY OF TRACY
Summary of Statistical Section Pages
June 30, 2007

Statistical Section

This part of the City of Tracy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	140
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	148
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	154
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	160
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	164
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the year ended June 30, 2007. The City implemented GASB Statement No. 34 during 1999-2000 fiscal year; schedules presenting government-wide information include information beginning in that year.

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FINANCIAL TRENDS

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

	Fiscal years ended June 30,							
	2007	2006	2005	2004	2003	2002	2001	2000
					(in thousands 000s)			
Governmental activities								
Invested in capital assets, net of related debt	\$ 396,124	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381	\$ 224,599	\$ 184,693	\$ 156,058
Restricted	135,593	139,007	62,021	143,948	146,313	131,156	101,824	88,651
Unrestricted	42,395	15,645	79,527	41,927	25,546	18,682	9,794	123
Total governmental activities net assets	574,112	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	353,095	339,971	288,340	223,792	175,878	164,528	146,890	139,319
Restricted	555	3,344	31,249	766	1,513	766	782	763
Unrestricted	25,827	25,174	5,240	73,175	50,342	44,925	38,184	34,926
Total business-type activities	379,477	368,489	324,829	297,733	227,733	210,219	185,856	175,008
Primary government:								
Invested in capital assets, net of related debt	749,219	697,550	660,248	522,115	482,259	389,127	331,583	295,377
Restricted	136,148	142,351	93,270	144,714	147,826	131,922	102,606	89,414
Unrestricted	68,222	40,819	84,767	115,102	75,888	63,607	47,978	35,049
Total primary government	\$ 953,589	\$ 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 EIGHT FISCAL YEARS
 (Accrual Basis of Accounting)

	Fiscal Years Ended June 30,							
	2007	2006	2005	2004	2003	2002	2001	2000
	(in thousands 000s)							
Expenses								
Governmental activities:								
General government	\$ 6,391	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410	\$ 5,408	\$ 8,493	\$ 3,481
Public safety	30,178	28,434	26,684	23,660	20,699	19,595	16,188	13,762
Public works	29,391	24,821	20,952	79,722	24,083	13,393	15,798	11,681
Culture and leisure	3,929	3,760	4,119	3,607	3,070	4,251	2,261	2,070
Interest on long-term debt	4,084	3,994	3,626	4,306	3,008	2,902	3,053	2,745
Unallocated depreciation	649	506	860	-	-	-	-	-
Total Governmental Activities Expenses	74,622	68,947	62,939	121,066	58,270	45,549	45,793	33,739
Business-type Activities:								
Water	16,106	16,029	9,363	10,076	8,266	8,737	8,455	7,410
Sewer	9,639	10,281	8,987	8,624	7,309	6,379	6,023	5,532
Airport	666	592	471	388	408	433	510	385
Solid waste	16,492	16,367	15,604	13,452	11,916	11,061	10,018	8,762
Transit	1,499	1,438	381	1,361	913	837	683	706
Drainage	3,247	3,957	978	864	762	725	645	446
Total Business-Type Activities	47,649	48,664	35,784	34,755	29,574	28,172	26,334	23,241
Total Primary Government Expenses	\$ 122,271	\$ 117,611	\$ 98,723	\$ 155,821	\$ 87,844	\$ 73,721	\$ 72,127	\$ 56,980
Program revenues:								
Governmental activities:								
Charges for Services:	\$ 4,700	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711	\$ 7,169	\$ 8,297	\$ 4,053
Development fees	7,660	8,660	5,380	3,611	52	40	61	9
Other public works	1,480	3,621	973	804	619	634	719	740
Parks and community services	2,281	1,008	1,064	1,693	658	1,043	615	687
Other activities	11,800	12,621	8,666	5,457	10,492	10,134	10,114	8,830
Operating grants and contributions	49,554	19,936	27,450	74,462	99,521	78,237	45,678	59,837
Capital grants and contributions								
Total Governmental Activities Program Revenues	77,475	51,127	47,563	91,565	119,053	97,257	65,484	74,156
Business-type Activities:								
Water	13,654	12,472	11,723	12,867	11,235	10,699	9,826	9,175
Sewer	12,115	8,471	7,805	7,023	5,594	5,809	5,146	4,945
Airport	265	272	278	221	216	200	194	180
Solid waste	15,006	15,147	13,937	14,402	12,669	11,877	11,218	9,571
Transit	1,231	109	113	92	74	65	53	64
Drainage	545	535	491	465	432	410	394	365
Operating grants and contributions	865	1,038	1,763	1,367	753	705	952	1,169
Capital grants and contributions	13,119	10,063	24,897	55,033	12,443	4,701	218	17,398
Total Business-Type Activities Program Revenues	56,800	48,107	61,007	91,470	43,416	34,466	28,001	42,867
Total Primary Government Program Revenues	\$ 134,275	\$ 99,234	\$ 108,570	\$ 183,035	\$ 162,469	\$ 131,723	\$ 93,485	\$ 117,023

(Continued)

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

	Fiscal Years Ended June 30,							
	2007	2006	2005	2004	2003	2002	2001	2000
Net (expense)/revenue								
Governmental activities	\$ 2,853	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784	\$ 51,709	\$ 19,692	\$ 40,417
Business-type activities	9,149	(557)	25,223	56,715	13,841	6,293	1,668	19,626
Total primary government net (expense) revenue	12,002	(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	23,859	24,613	17,616	15,886	14,155	11,759	9,737	8,303
Franchise taxes	2,010	1,808	1,700					
Sales and use taxes	13,053	12,587	12,162	11,944	9,723	8,618	7,777	6,081
Other taxes	2,373	2,979	1,578	5,362	2,819	3,339	3,202	2,508
Unrestricted motor vehicle in lieu	6,228	437	5,665	3,185	3,759	3,448	2,867	2,456
Investment earnings	10,406	7,934	5,738	2,576	9,608	11,392	11,776	5,377
Miscellaneous	1,098	930	175	2,760	4,240	3,371	3,167	1,478
Transfers	1			545	(1,285)	(15,510)	(7,056)	(150)
Total governmental activities	59,028	51,288	44,634	42,258	43,019	26,417	31,470	26,053
Business-type activities:								
Interest earnings	1,796	1,865	1,220	(271)	2,388	2,561	2,439	1,614
Miscellaneous			652	364				
Transfers	(1)		(545)	(545)	1,285	15,510	7,056	150
Total business-type activities	1,795	1,865	1,872	(452)	3,673	18,071	9,495	1,764
Total primary government	60,823	53,153	46,506	41,806	46,692	44,488	40,965	27,817
Change in net assets								
Governmental activities	61,881	33,469	29,258	12,760	103,803	78,126	51,162	66,470
Business-type activities	10,944	1,308	27,095	56,263	17,514	24,364	11,163	21,390
Total primary government	\$ 72,825	\$ 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
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

Function/Program	Fiscal Years Ended June 30,							
	2007	2006	2005	2004	2003	2002	2001	2000
	(in thousands 000s)							
Governmental activities:								
General government	\$ 1,722	\$ 484	\$ 1,073	\$ 1,121	\$ 215	\$ 631	\$ 281	\$ 1,028
Police	1,760	1,691	1,380	743	1,122	1,237	1,074	931
Fire	7,648	5,635	4,678	3,997	3,192	2,969	2,375	1,674
Development and engineering	5,945	7,969	17,832	5,699	8,862	8,102	9,520	7,348
Public works	55,183	29,807	18,522	77,719	103,443	82,326	49,943	61,136
Parks, recreation, and community services	4,662	4,950	3,488	1,907	2,219	1,992	2,293	2,038
Interest in long-term debt	592	591	-	-	-	-	-	-
Subtotal governmental activities	77,512	51,127	47,564	91,186	119,053	97,257	65,486	74,155
Business-type activities:								
Water	16,050	12,487	17,230	61,390	16,410	11,882	10,152	12,445
Sewer	14,934	17,108	24,414	13,511	9,825	8,848	5,282	6,300
Solid waste	15,006	15,168	13,937	14,424	24,585	11,887	11,218	9,571
Airport	386	615	488	251	249	237	235	435
Transit	3,232	2,194	3,271	1,429	674	621	720	859
Drainage	7,190	535	1,667	465	3,589	991	394	13,257
Subtotal business-type activities	56,798	48,107	61,007	91,470	55,332	34,466	28,001	42,867
Total primary government	\$ 134,310	\$ 99,234	\$ 108,571	\$ 182,656	\$ 174,385	\$ 131,723	\$ 93,487	\$ 117,022

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

	Fiscal Years Ended June 30,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	(in thousands 000s)									
General Fund:										
Reserved	\$ 1,755	\$ 1,028	\$ 762	\$ 911	\$ 1,359	\$ 567	\$ 3,465	\$ 1,305	\$ 160	\$ 268
Unreserved	17,356	19,471	19,038	18,905	15,323	12,478	6,612	8,533	9,628	3,120
Total general fund	\$ 19,111	\$ 20,499	\$ 19,800	\$ 19,816	\$ 16,682	\$ 13,045	\$ 10,077	\$ 9,838	\$ 9,788	\$ 3,388
All other governmental funds										
Reserved	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578	\$ 21,790	\$ 16,466	\$ 6,671	\$ 5,446	\$ 3,965
Unreserved reported in:										
Special revenue funds	30,971	27,491	16,983	12,255	11,105	8,610	5,919	2,125	2,353	2,313
Capital budgets funds	76,671	73,913	104,667	108,748	145,260	125,541	101,070	81,154	53,702	29,876
Debt service funds	-	-	-	-	8,099	6,717	5,707	2,492	1,685	1,627
Total all other governmental funds	\$ 150,602	\$ 151,395	\$ 151,445	\$ 157,815	\$ 186,042	\$ 162,658	\$ 129,162	\$ 92,442	\$ 63,186	\$ 37,781

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,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	(in thousands 000s)									
Revenues:										
Taxes	\$ 48,343	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698	\$ 23,716	\$ 20,716	\$ 16,892	\$ 14,561	\$ 13,176
Licenses, permits, and fees	3,501	3,688	4,944	5,497	24,639	21,614	25,272	26,135	21,261	12,579
Fines and forfeits	1,273	290	302	467	347	307	218	210	193	95
Use of money and property	9,900	7,479	5,361	2,576	8,981	11,038	11,353	5,096	3,688	5,907
Intergovernmental	18,130	16,948	18,537	17,283	13,248	12,962	12,434	10,797	6,400	5,818
Charges for services	4,913	5,041	6,529	6,905	5,886	6,640	6,225	4,590	5,118	3,719
Special assessments	8,845	10,796	20,580	25,163	1,659	1,300	1,386	1,085	867	811
Contributions from assessment districts	12,800	14,296		39,247	25,377	31,942	4,956	10,220	14,927	3,059
Other	1,810	2,684	4,072	5,134	3,236	2,383	2,111	672	1,114	1,728
Total revenues	109,515	101,327	91,152	132,617	110,071	111,902	84,671	75,697	68,129	46,892
Expenditures:										
General government	\$ 6,274	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398	\$ 3,763	\$ 3,427	\$ 2,634	\$ 2,534	\$ 2,922
Police	17,607	15,834	15,210	13,625	12,231	10,461	9,071	8,157	7,530	7,006
Fire	13,594	12,201	11,337	9,589	9,069	8,386	7,264	6,050	3,504	2,969
Community development	7,241	12,105	9,128	7,197	7,740	7,545	6,493	5,217	1,609	1,479
Public works	8,203	3,680	5,322	7,524	5,713	5,469	4,669	5,562	6,235	6,893
Parks and recreation	3,117	3,009	2,864	2,734	2,485	2,430	2,258	2,205	3,207	2,864
Capital outlay	47,363	41,653	38,775	124,383	33,444	16,060	16,533	12,552	10,812	5,039
Debt service-principal	1,430	1,390	5,060	380	1,005	940	895	845	1,079	623
Debt service-interest	3,934	3,849	3,484	3,570	2,801	2,816	2,653	2,031	2,132	1,763
Debt service-issue costs				2,503						844
Intergovernmental	2,931	2,570	1,825	4,516	2,897	1,326	2,394	686	591	440
Total expenditures	111,694	100,991	97,539	181,239	81,783	59,196	55,657	45,939	39,233	32,842
Excess of revenue over (under) expenditures	(2,179)	336	(6,387)	(48,642)	28,288	52,706	29,014	29,758	28,896	14,050
Other financing sources (uses):										
Bond proceeds				55,720			15,000			14,055
Contribution from assessment districts										
Transfers in	22,148	11,595	9,304	4,567	5,125	8,610	11,435	5,680	1,987	5,415
Transfers out	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)	(24,854)	(18,491)	(5,972)	(1,987)	(5,415)
Payment to bond escrow agent				(34,072)						(11,229)
Total other financing sources (uses)	(2)	336	(6,387)	22,134	(1,265)	(16,244)	7,944	(292)	28,896	2,826
Net change in fund balances	\$ (2,181)	\$ 336	\$ (6,387)	\$ (26,508)	\$ 27,023	\$ 36,462	\$ 36,958	\$ 29,466	\$ 28,896	\$ 16,876
Debt service as a percentage of non-capital expenditures	9.10%	9.68%	17.01%	12.80%	8.55%	9.54%	9.97%	9.43%	12.74%	13.14%

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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	Transportation		Total
							Tax and	Other	
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	40,105,437	
* 2007	23,859,318	480,284	816,891	13,298,126	2,010,294	795,223	7,082,375	48,342,511	

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 Year Ended June 30	City of Tracy					Redevelopment Agency				
	Residential Property	Commercial/Industrial Property	Agricultural Exemptions	Total	Taxable Assessed Value	Less Exemptions	Secured	Unsecured	Less Exceptions	Taxable Assessed Value
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	491,527,769	10,479,904	3,182,028,137	3,060,769,991	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	173,466,349	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	7,879,155,722	7,682,058,257	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	9,114,462,169	8,910,751,285	203,710,884	1,064,000,083	118,029,640	8,894,854	1,173,134,869
2007	7,722,515,369	1,926,262,386	28,870,984	9,677,648,739	9,471,621,705	206,027,034	1,153,659,910	129,426,090	8,627,642	1,274,458,358

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>City District rates:</u>										
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 Basic	N/A	N/A	N/A	N/A	0.1800%	0.1500%	0.1209%	0.1206%	0.1207%	0%
Redevelopment Agency	N/A	N/A	N/A	N/A	0.1798%	0.1470%	0.1204%	0.1203%	0.1203%	0%
Total Direct Rate	N/A	N/A	N/A	N/A	1.3598%	1.2970%	1.2413%	1.2409%	1.2410%	1.0000%
<u>Overlapping rates:</u>										
San Joaquin County	N/A	N/A	N/A	N/A	0.2000%	0.2100%	0.1963%	0.1963%	0.1962%	0.1962%
Tracy Unified School District	N/A	N/A	N/A	N/A	0.1500%	0.1600%	0.1925%	0.1998%	0.1998%	0.1920%
ERAF	N/A	N/A	N/A	N/A	0.3000%	27.0000%	0.2793%	0.2801%	0.2801%	0.2790%
Delta Community College District	N/A	N/A	N/A	N/A	0.0300%	0.0400%	0.0339%	0.0352%	0.1984%	0.3390%
All Other Districts	N/A	N/A	N/A	N/A	N/A	N/A	0.1771%	0.1779%	0.1779%	0.1760%

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	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
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
2007	17,529,617	17,529,617	100.00%	0.00	17,529,617	100.00%	9,003,246,048

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

Source:

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

**City of Tracy
Sales Tax Rates
Direct and Overlapping Governments
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
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%
2007	1%	0.50%	0.25%	1%	5%	7.75%

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/Sewer Notes Payable (b)	Sewer Revenue Bonds (b)	Airport Notes Payable (b)			
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	25,870,000	153,395,000	641,339	645,000	8,572,915	33,505,000	171,558	222,807,262	2,769	80,461
2007	23,675,000	158,750,000	520,835	330,000	25,176,853	33,215,000	157,285	241,824,973	2,982	81,107

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		
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	25,870,000	54,070,000	79,940,000	1.00%	994
2007	23,675,000	53,065,000	76,740,000	0.71%	946

Source:

Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2007

2006-07 Assessed Valuation:	\$ 9,003,246,048
Redevelopment Incremental Valuation:	893,641,902
Adjusted Assessed Valuation:	<u>\$ 8,109,604,146</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt		City's Share of
	6/30/07	% Applicable (1)	Debt 6/30/07
San Joaquin Delta Community College District	\$ 82,231,890	13.827 %	\$ 11,370,203
Tracy Unified School District	14,000,000	67.039	9,385,460
Banta School District	775,000	28.883	223,843
City of Tracy Community Facilities District No. 87-1	44,670,000	100.	44,670,000
City of Tracy Community Facilities District No. 89-1	13,375,000	100.	13,375,000
City of Tracy Community Facilities District No. 93-1	3,240,000	100.	3,240,000
City of Tracy Community Facilities District No. 98-1	64,750,000	100.	64,750,000
City of Tracy Community Facilities District No. 98-3	3,520,000	100.	3,520,000
City of Tracy Community Facilities District No. 99-1	8,930,000	100.	8,930,000
City of Tracy Community Facilities District No. 99-2	11,180,000	100.	11,180,000
City of Tracy Community Facilities District No. 2000-1	14,265,000	100.	14,265,000
City of Tracy Community Facilities District No. 2006-1	10,660,000	100.	10,660,000
City of Tracy 1915 Act Bonds (Estimate)	23,870,000	100.	<u>23,870,000</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 219,439,506
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			<u>38,325,000</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 181,114,506
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	121,090,000	15.23 %	\$ 18,442,007
Jefferson School District Certificates of Participation	4,075,000	70.107	2,856,860
City of Tracy General Fund Obligations	12,600,000	100.	<u>12,600,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			33,898,867
 GROSS COMBINED TOTAL DEBT			\$ 253,338,373 (2)
NET COMBINED TOTAL DEBT			\$ 215,013,373

(1) Percentage of overlapping agency's assessed valuation located boundaries of the city.

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

Ratios to 2004-05 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.44%
Total Net Overlapping Tax and Assessment Debt.....	2.01%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$12,600,000).....	0.19%
Gross Combined Total Debt.....	3.12%
Combined Total Debt.....	2.65%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07 \$0

Source: California Municipal Statistics, Inc.

CITY OF TRACY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed Value	\$ 2,653	\$ 2,816	\$ 3,182	\$ 3,793	\$ 4,532	\$ 5,203	\$ 6,769	\$ 7,879	\$ 7,775	\$ 9,003
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	663	704	796	948	1,133	1,301	1,692	1,970	1,944	2,251
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	99	106	119	142	170	195	254	296	292	338
Total net debt applicable to limit	85	82	81	93	86	84	135	130	125	136
Legal debt margin	\$ 14	\$ 24	\$ 38	\$ 49	\$ 84	\$ 111	\$ 119	\$ 166	\$ 167	\$ 202

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
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Water revenue bonds/EOA note										
Water revenue	\$ 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	\$ 14,341,129
Less: operating expenses	(4,081,779)	(4,121,961)	(4,517,270)	(5,677,055)	(5,390,383)	(4,937,301)	(6,047,909)	(5,383,787)	(8,821,723)	(9,384,661)
Net available revenue	4,711,571	5,259,963	5,782,862	5,452,081	6,782,620	7,615,018	6,747,503	6,970,309	4,560,157	4,956,468
Debt service:										
Principal	309,055	323,758	338,831	348,954	369,401	394,439	275,000	1,038,703	938,962	1,960,910
Interest	292,075	273,393	400,453	98,157	233,851	204,831	288,618	568,637	477,056	791,373
Total Debt Service	601,130	597,151	739,284	447,111	603,252	599,270	563,618	1,607,340	1,416,018	2,752,283
Coverage	7.84	8.81	7.82	12.19	11.24	12.71	11.97	4.34	3.22	1.80
Wastewater revenue bonds:										
Wastewater revenue	5,230,586	5,569,372	5,561,647	6,083,665	6,648,515	6,389,490	6,974,031	8,752,321	9,255,199	12,896,719
Less: operating expenses	(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)	(4,666,466)
Net available revenue	2,128,560	3,302,868	2,943,331	3,084,486	3,228,071	1,997,407	2,447,753	4,602,055	4,746,126	8,230,253
Debt service:										
Principal	180,000	185,000	195,000	200,000	210,000	155,000	270,000	280,000	280,000	290,000
Interest	238,535	214,292	203,312	195,106	202,239	277,516	797,849	1,699,361	1,429,186	1,413,783
Total Debt Service	418,535	399,292	398,312	395,106	412,239	432,516	1,067,849	1,979,361	1,709,186	1,703,783
Coverage	5.09	8.27	7.39	7.81	7.83	4.62	2.29	2.33	2.78	4.83
Tax allocation bonds:										
Tax increment	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	9,459,352
Debt service:										
Principal	520,000	550,000	580,000	610,000	645,000	685,000	2,825,622	670,000	980,000	1,005,000
Interest	1,194,962	1,205,674	1,172,189	1,648,996	2,033,794	1,992,586	2,503,186	2,753,317	2,739,269	2,714,677
Total Debt Service	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	3,719,677
Coverage	1.27	1.47	1.80	1.69	1.75	1.98	1.24	1.88	2.14	2.54

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**

Year	Population (2)	Labor Force (1)	Employment (1)	Unem- ployment Rate (1)	# of Returns (2)	Adjusted Gross Income (In thousands) (2)	Per Capita Adjusted Gross Income (2)
1998	47,544	N/A	N/A	N/A	N/A	N/A	N/A
1999	50,533	N/A	N/A	N/A	N/A	N/A	N/A
2000	56,861	29,400	28,200	4.2%	N/A	N/A	N/A
2001	61,180	30,200	28,800	4.5%	N/A	N/A	N/A
2002	65,735	31,100	29,400	5.4%	N/A	N/A	N/A
2003	69,990	31,700	29,900	5.6%	N/A	N/A	N/A
2004	74,080	32,000	30,300	5.3%	N/A	N/A	N/A
2005	78,310	32,500	30,900	4.8%	28,954	1,602,439	20,463
2006	80,461	32,700	31,200	4.5%	29,637	1,637,958	20,357
2007	81,107	32,930	31,310	4.9%	N/A	N/A	N/A

Sources:

(1) California State Department of Finance (data shown is for the City of Tracy)

(2) California Franchise Tax Board (data shown is for all Tracy residents with zip codes 95376 and 95377)

City of Tracy
Principal Employers
Fiscal Year Ended June 30, 2007

Employer Name	Type of Business	Number of Employees	Percent of Total Employment of 31,310 for 2007
Summit Logistics (Safeway Dist.)	Distribution-Grocery	2,100	6.71%
United State Defense Depot	Federal Government Agency	1,644	5.25%
Tracy Unified School District	Education	1,500	4.79%
Deuel Vocational Institution	State Prison Facility	1,050	3.35%
Diversified Collection Service, Inc.	Collection Services	575	1.84%
City of Tracy	Municipal Government	475	1.52%
Sutter Tracy Community Hospital	Medical Care	465	1.49%
Barbosa Cabinets	Cabinet Maker	360	1.15%
Owens-Brockway	Glass Container Manufacturing	350	1.12%
Leprino Foods	Cheese Factory	315	1.01%
Pacific Pre-Cut Produce	Food Processing	300	0.96%
Yellow Freight	Trucking Services	300	0.96%
Costco Wholesale Co.	Distribution-Grocery	255	0.81%
Musco Olive Products, Inc.	Ripe Olive Processing	250	0.80%

Source:
Tracy Chamber of Commerce

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	3	3	3	4	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	6	6	6	6	6	6	7	7	9
Finance	14	16	18	20	24	24	24	24	25	25
Police	82	91	101	107	118	122	123	126	132	141
Fire	49	99 (1)	98	99	101	101	104	104	107	81
Development and Engineering	46	54	50	54	61	66	66	66	64	80
Public Works	20	22	20	20	19	19	19	18	18	40
Parks and Community Services	33	32	33	34	35	37	37	38	38	40
Water	18	18	19	20	21	23	23	24	24	25
Wastewater	1	1	1	1	1	1	1	1	1	1
Airport	1	1	1	1	1	1	1	2	1	1
Solid waste	1	1	1	1	1	1	1	2	2	2
Transit	1	1	1	1	1	1	1	2	2	2
Drainage	2	2	2	2	2	2	2	2	2	2
Total	336	407	414	431	458	473	475	482	491	515

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

Source: City of Tracy, Finance and Administrative Services Department-Budget Division

OPERATING INFORMATION

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Arrests	4,448	3,561	3,787	3,367	2,957	2,634	2,545	2,611	2,308	N/A
Parking citations issued	2,292	2,107	2,282	1,956	2,395	2,559	N/A	N/A	N/A	N/A
Traffic violations	8,059	6,132	6,959	6,662	9,423	7,768	5,670	N/A	N/A	N/A
Fire:										
Number of emergency calls	6,580	5,907	5,135	5,092	4,620	4,662	4,299	3,296	2,613	2,031
Inspections	3,586	2,316	2,106	2,590	2,444	2,945	2,530	1,555	1,390	1,019
Water:										
Water Mains (miles)	400	395	390	380	370	355	340	320	305	295
New Connections	40	600	1,200	1,500	1,800	1,600	1,500	1,300	1,200	1,200
Maximum Daily Capacity (gallons)	57	57	57	42	42	42	42	42	42	42
(thousands of gallons)										
Average Daily consumption (gallons)	16	16	16	16	15	14	13	12	12	11
(thousands of gallons)										
Sewer:										
Sanitary Sewer (miles)	400	395	390	380	370	355	295	305	320	340
New connections	40	600	1,200	1,500	1,800	1,600	1,600	1,500	1,300	1,200
Average daily treatment (in gallons)	9	9	9	8	7	7	7	7	6	6
Airport:										
Hangar rentals	76	76	76	76	76	76	76	35	35	32
Solid waste:										
Refuse collected (tons per day)	329	325	339	326	319	304	294	277	225	201
Recyclables collected (tons per day)	25	27	27	12	12	12	12	10	9	8
Transit:										
Average daily passengers	325	318	361	381	293	325	N/A	N/A	N/A	N/A
Total route miles	236,689	231,928	206,975	213,210	205,593	198,438	N/A	N/A	N/A	N/A

Source: City of Tracy, Finance and Administrative Services Department

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	2	6	6	6	6	7	7	7	7	7
Public works:										
Streets (miles)					3,433	3,600	3,693	3,967	4,658	4,752
Number of street lights	2,301	2,434	2,697	3,007						
Number of traffic signals	38	39	42	44	48	51	55	60	62	65
Parks and recreation:										
Number of parks	41	44	51	54	61	66	68	69	74	74
Number of community centers	2	2	2	2	2	3	3	3	3	3
Water:										
Water mains (miles)	295	305	320	340	355	370	380	390	395	395
Wastewater										
Sanitary sewers (miles)	295	305	320	340	355	370	380	390	395	395
Airport:										
Number of hangars	32	35	35	76	76	76	76	76	76	76
Transit:										
Number of vehicles	N/A	6	6	8	8	8	8	8	8	7

Source: City of Tracy, Finance and Administrative Services Department

City of Tracy Vicinity Map

