

GRAND

CITY OF TRACY CA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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ONLY

About the Cover:

In September 2007, the City of Tracy opened the fabulous Grand Theatre Center for the Arts. Although the grand marquee may look like a painting or an artists rendering, this budget cover is an actual photograph. The Grand Theatre Center was a \$20 million project funded by the City's Community Development Agency (redevelopment). The facility is actually comprised of the 5 historic buildings, the original Grand Theatre, and 2 old hotels, storefront and the City's old jail. As part of the construction project, the buildings were completely renovated and linked together with a modern atrium interior /exterior lobby. Also new was the construction of a new "black box" theatre for small stage performance in place of the old firehouse.

The Grand Theatre Center for the Arts boasts 37,000 square feet of space. Today the Center operates 3 main types of programs - performance, art exhibition, and arts instruction. Musical and theatrical performances can take place in either the 547 seat EKT Theatre or the 110 seat studio theatre. The City offers an annual performance series and either theater may be rented. Art exhibition is offered in the Grand Galleries with 1800 square feet of exhibit space. A variety of arts instruction takes place in the Center within the music, art, ceramics and dance studios as well as the children's art studio.

The Grand Theatre Center for the Arts is the cornerstone of the City of Tracy's ongoing commitment to keep its historic downtown district alive and vibrant.



CITY OF TRACY

COMPREHENSIVE ANNUAL FINANCE REPORT

JUNE 30, 2008

Prepared by

Finance and Administrative Services Department

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2008

Prepared by the Finance and
Administrative Services Department

ZANE H. JOHNSTON

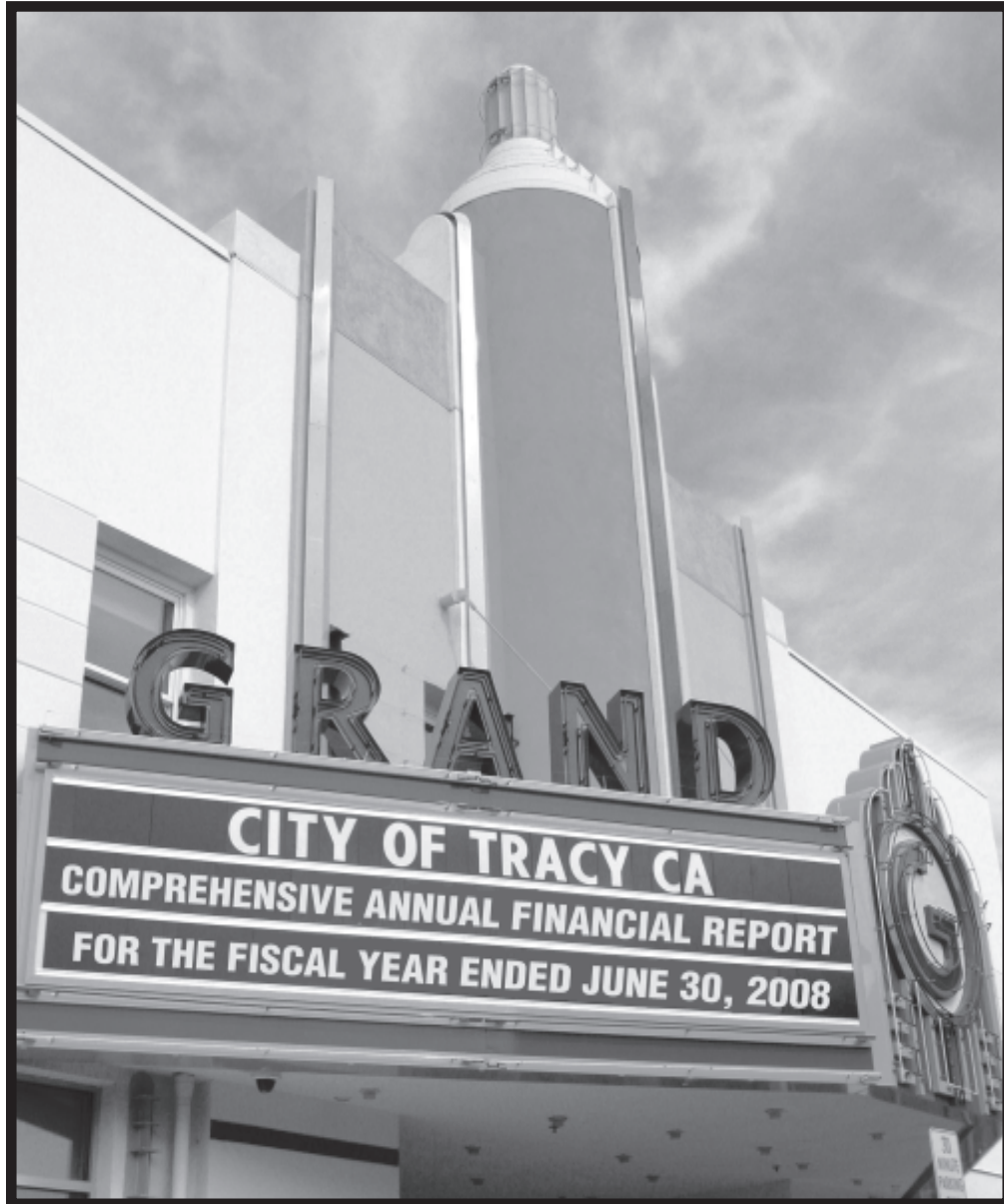
Director of Finance and Administrative Services

LINDA L. BISCOCHO

Accounting Officer

ROCKI CHAPARRO - Accounting Technician
ALLAN J. BORWICK - Budget Officer
LINDA DASSE - Executive Assistant
CAROL GORRIE - Accounting Technician
DON HIGGINS - Accounting Assistant
PHYLLIS KIESTER - Accounting Assistant
LINDA MONIZ - Accounting Technician
DEBBIE PINE - Payroll Coordinator
PEGGY POTKONJAK - Accounting Technician
ROSEMARIE MARQUEZ - Accounting Assistant
GRACE SEGURA - Senior Accounting Assistant
EILEEN SOLARIO - Senior Accounting Assistant
CANDICE VALADAO - Accounting Technician
RAQUEL VOTAW - Accounting Assistant
ISABEL YAMADA - Accounting Assistant

Introductory Section



CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2008

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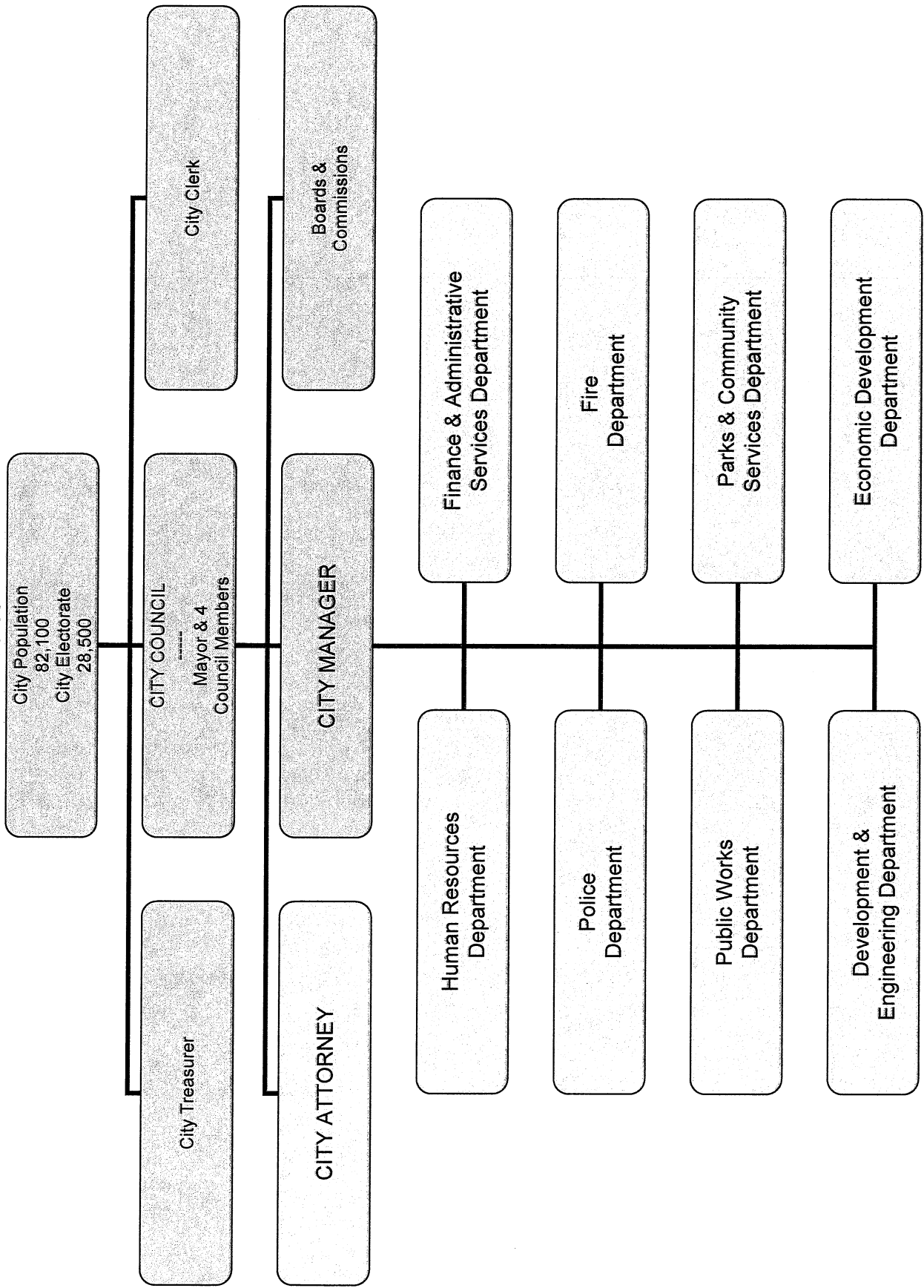
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City of Tracy
 Organization Chart
 FY08-09



CITY OF TRACY, CALIFORNIA
COUNCIL – MANAGER FORM OF GOVERNMENT
JUNE 30, 2008



Brent Ives
Mayor



Suzanne Tucker
Mayor Pro Tem



Irene Sundberg
Council Member



Evelyn Tolbert
Council Member



Steve Abercrombie
Council Member



Ray McCray
Treasurer



Deborah Corbett
City Attorney



Sandra Edwards
City Clerk

City of Tracy, California

List of Principal Officials

Leon Churchill

City Manager

Maria Hurtado

Assistant City Manager

David Krauss

Police Chief

Chris Bosch

Fire Chief

Zane Johnston

Finance & Administrative Services Director

Andrew Malik

Development & Engineering Services Director

Kevin Tobeck

Public Works Director

Rod Buchanan

Interim Parks & Community Services Director

Maria Olvera

Human Resources Director

Ursula Luna-Reynosa

Economic Development Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tracy
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



Think Inside the Triangle™

CITY OF TRACY

Office of City Manager
333 Civic Center Plaza
Tracy, CA 95376

Telephone: (209) 831-6000
Fax: (209) 831-6120

December 9, 2008

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, 2008.

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 81,548 and 21 square miles in 2008. 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, 2008. The independent auditor’s report is located at the front of the financial section of this report.

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

Local Economy

California’s economy including Northern California and Tracy has not been immune to the dismal national economy. The already slowing economy was rocked by continued upheaval in the financial markets. This in turn has led to an economy headed for a deep recession and all that comes with that – reduced consumer spending and increased unemployment. Over the past few months, consumer spending has pulled back substantially. Notably, sales of automobiles and light trucks collapsed in October. Would-be buyers appear to have discouraged by tight credit standards. Household purchases were likely curtailed by declines in stock market wealth, low levels of consumer sentiment, and a deteriorating labor market. Nationally employment fell 240,000 jobs last month with major declines in all sectors. So far in 2008 the economy has lost 1.2 million jobs, and almost half of the past two months.

Nationally the unemployment rate jumped to 6.5 percent in October and this is already higher than the peak unemployment in the last recession. It appears unemployment will likely climb in even higher. The Federal Reserve Bank forecasts the economy will continue to be dragged down by a variety of factors over the next few quarters: the credit crunch, the turmoil in financial markets, lower equity and residential wealth, and the weakening outlook for the global economy.

Unemployment in San Joaquin and Stanislaus counties is now in double digits. Because agriculture still remains an important segment of these economies, seasonal unemployment is always much higher than the national average. Tracy however, historically has been much lower in unemployment than San Joaquin County as a whole, with unemployment typically mirroring national averages and not the average for San Joaquin County. This is true because Tracy residents are more likely to work in the East Bay, San Jose, and Livermore Valley areas, where the economy is not greatly influenced by seasonal agriculture production or the more recent negative economic influence in the San Joaquin Valley, the virtual halt to residential construction and the resulting collapse of the housing market. Certainly the East Bay economy is also being pulled down by those influences negatively affecting the U.S. economy as a whole. But this economy is currently more stable than that found in the San Joaquin Valley.

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 decreased as the County Tax Auditor has indicated property tax for the City of Tracy in FY 08-09 will be approximately 5% less than FY 07-08. In addition, sales tax has fallen for two straight years and could be as much as 10% less in FY 08-09 than FY 07-08. As a result the City is moving quickly to implement budget and other cost cutting steps to keep the City in a sound financial position during the next several years which by all indications will be extremely challenging financial times.

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, 2008 is \$18,578,589. In addition to the undesignated fund balance of the General Fund, the City also has an Economic Uncertainty Fund with a balance of \$17,938,924. Together, these two sources total \$36,517,513 and represent approximately 68% of General Fund operating expenses budgeted for FY 08-09. This is an excellent fiscal foundation as we approach new fiscal territory during uncertain times in the economy.

Major Initiatives

Grand Theatre Center for the Arts

This state of the art facility opened to the public on September 14, 2007 and has three major programming efforts, performing arts, arts education, and gallery and exhibitions. While the \$20 million facility was primarily completed with funding from the City's Redevelopment Agency, the operational costs are paid from the City's General Fund. In its first year of operations, the Grand Theatre Center required a General Fund subsidy of \$1.5 million. The required subsidy will likely be addressed in relationship to the City's ongoing budget management process.

New City Manager

Tracy's previous City Manager left the City in October of 2007. The City's Assistant City Manager stepped in and guided the City as Acting City Manager until May of 2008 when the City hired Leon Churchill, Jr. to become Tracy's new City Manager. Mr. Churchill was selected as a result of a comprehensive national search and comes to Tracy with 20 years of experience in municipal management. His most recent experience was the Managing Director for the City of Reading Pennsylvania.

Waste Water Treatment Plant Improvements

The upgrade and expansion to the City's Waste Water Treatment Plant was completed. This project was the single most costly project in City history with a total price tag of about \$75 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 became fully implemented during FY 07-08

Long Term Budget and Fiscal Goals

The dramatic downturn in the economy has affected the City on a number of fronts but most notably by reducing property tax and sales tax to the City. Fortunately, the City has strong reserves to bridge budget gaps. FY 07-08 required a nominal draw of approximately \$2.2 million from reserves. However, with the economy now in a deep recession, the City cannot rely on its reserves. Action must be taken now to stem any structural budget deficit due to declining City revenues. To the end the City has already implemented short term budget cutting measures and hired an outside consulting firm to guide the City in developing long term fiscal management measures. The consulting report is due to be presented to the City Council in December 2008 and implementing measures will considered in FY 08-09 and beyond.

The City enjoyed a 16 year long robust growth period in revenues from FY 91-92 thru FY 06-07. In FY 07-08 City of Tracy tax revenues leveled off resulting in a need to draw upon reserves for the first time since the 90-91 recession. Typically cities use reserve funds to bridge minor periods of economic cycles in which city revenues fluctuate. Under normal circumstances the small draw on reserves in FY 07-08 could be viewed this way. However, the City noted the dramatic downturn in the housing market and resulting fall in home values as highly unusual and therefore, decided that this was not going to be a minor economic down cycle. The City began developing plans in the spring of 2008 to deal with a long term and significant negative economic environment. At the cornerstone of this effort was hiring the firm of Management Partners to assist the City in developing budget savings ideas, as well as an examination of alternative methods of service delivery that may be more efficient. The firm would also identify potential revenue enhancements including new tax revenues that the community would have to approve via the ballot box.

The City has a long reputation for excellent fiscal management. It had the wherewithal to add to its reserve levels during the boom years instead of unwisely using these non-sustainable revenues to fund new programs or services. And noting unusual trends, the City began its long term strategy before the economy deteriorated further in September and October 2008. It is evident the nation is in a recession that will likely be prolonged and significant. Even in the economy starts to improve in 2010, the City will not see improvement until about two years later due to time lags in property tax valuation and timing of tax rolls. As such, the City is looking at a period of 4 to 5 years of economic malaise and planning accordingly. The City is aware that it cannot rely on its reserves to itself during this period. The Management Partners report will be presented to the City Council in December 2008 and the City will consider these recommendations for implementation.

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 implemented its GASB 45 requirement with the FY 06-07 financial 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, 2007. This was the 20th 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.

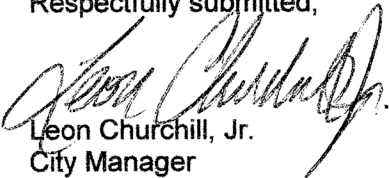
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 07-08. 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,



Leon Churchill, Jr.
City Manager



Zane H. Johnston
Finance & Administrative Services Director

Financial Section





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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, 2008, 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 (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with Government Auditing Standards, we have also issued a report December 8, 2008, 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 Management's Discussion and Analysis on pages 3 through 15, the Schedules of Revenues Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and Community Development Agency Housing Special Revenue 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 93 are not required parts 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, Schedule of Revenue, Expenditures, and Changes in Funds Balance – Budget and Actual – Community Development Agency Debt Service Fund, 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 required parts of the basic financial statements. The Schedule of Revenue, Expenditures, and Changes in Funds Balance – Budget and Actual – Community Development Agency Debt Service Fund, 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 and Hartzheim, LLP
Beverly Hills, California
December 8, 2008

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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, 2008. 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:

- The assets of the City of Tracy exceeded its liabilities by \$1,018,958,154 (net assets). Of this amount, \$80.1 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 \$65.4 million or 6.42% in fiscal year 2007-08 compared to the previous fiscal year. This increase was due mainly to the 26.5% increase in capital assets or \$140.6 million. Of this amount, \$71.7 is in buildings and equipment acquisition in the Sewer Fund. Governmental funds' capital assets increased by 9% or \$44.8 million due to land, buildings and equipment acquisitions.
- The governmental activities reported a combined net asset of \$631.8 million at the end of the fiscal year 2008. This is an increase of 9.13% from last fiscal year. 52% or \$30 million of this increase was due to land acquisition for right of ways and parks that were received by the governmental funds from various developers. The rest of the increase in net assets consists of construction in progress, equipment acquisition and buildings and improvements.
- At the end of the fiscal year, unreserved, undesignated fund balance for the general fund is \$17.1 million compared to last year's \$17.3 million. The city was able to maintain its fund balance level when compared to last year's balance. This unreserved fund balance of the general fund is able to cover 35% of its operating revenues. The slight decrease in the General Fund's fund balance is the anticipated result of the passage of Measure A due to its restriction on growth. During the fiscal year, the Economic Uncertainty Fund transferred \$1.68 million to the General Fund to maintain the general fund's fund balance at the \$17 million level. This transfer left a balance of \$17.9 million in the Economic Uncertainty Fund at year end.
- Revenues from taxes declined the most during FY 2007-08 and was the main reason why revenues decreased by 1.7%. This decrease in property taxes can be attributed to the worsening housing market where properties are declining in value and fewer properties are changing hands.
- During the year, the City created a fund in the Special Revenue Fund group called Interest Stabilization Fund. This fund was created to cushion the volatility of revenues derived from investment earnings. The city's enterprise funds (water, sewer, solid waste and storm drain) designated the Local Agency Investment Fund (LAIF) rates as the basis for the allocation of interest income from the pooled investments. This designation was approved through a resolution by the city council to prevent the enterprise funds from the potential ups and downs in investment rates and also be subject to the gains or losses from the sale of investments.

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 89 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 \$1,018.9 million at the close of fiscal year 2007-2008. Of this amount, \$804.4 million or 79% of the City's net assets are invested in capital assets. These capital assets comprise of land, buildings, infrastructure, 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. 13% 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 \$80.16 or million 7.8% maybe used to meet its ongoing obligations to citizens and creditors.

Description	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Cash & Investments	\$ 211,351	\$ 196,737	\$ 18,784	\$ 16,563	\$ 230,135	\$ 213,300
Other Assets	9,014	8,095	19,704	17,071	28,718	25,166
Capital Assets	498,364	453,560	411,456	411,053	909,820	864,613
Total Assets	718,729	658,392	449,944	444,687	1,168,673	1,103,079
Long-Term Debt Outstanding	67,329	66,065	52,174	56,082	119,503	122,147
Other Liabilities	19,598	18,214	10,614	9,129	30,212	27,343
Total Liabilities	86,927	84,279	62,788	65,211	149,715	149,490
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	451,849	396,124	352,609	353,095	804,458	749,219
Restricted	134,092	135,593	244	555	134,336	136,148
Unrestricted	45,861	42,395	34,303	25,826	80,164	68,221
Total Net Assets	\$ 631,802	\$ 574,112	\$ 387,156	\$ 379,476	\$ 1,018,958	\$ 953,588

In governmental activities, the total net assets increased by 9%. This increase can mainly be attributed to an increase of more 200% in special assessments revenue. These special assessments comprise of fees collected for the Northeast Industrial Plan Area #2 for water, sewer and storm drain improvements from developers.

There was an increase of 2% in total net assets for business activities. This was mainly due to having three funds (Water, Airport and Drainage) that showed losses from operations. Although the water fund's operating revenues increased by over 12%, operating expenditures increased by 17% which greatly contributed to the fund's operating loss of \$2.6 million. The increase in operating expenses was due to a 31% increase in the purchase of water and a 28% increase in depreciation expense due to new assets placed in service. In the case of the drainage fund, the losses were mainly due to an increase of 7.3% in expenditures but revenues increased only by 3%. The drainage fund's maintenance and operations expenses increased by 16% and depreciation increased by 5%.

The Airport fund continues to report an operating loss, however, it managed to increase its revenue by 6% and reduced its operating and maintenance expenses by 6.1% during the year which resulted to a 17% reduction in operating losses compared to last year.

Changes in Net Assets

The Required Supplemental Information (RSI) on pages 88 and 89 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 \$64.3 million or 6.7%. The table shown below will show the key elements of this increase. Since the percentage of total expenditures to total revenues is 57%, in FY 2007-08, governmental activities still managed to report an increase in net assets of \$57.7 million. In business-type activities, the percentage of total expenses to total revenues is almost 89% which resulted to an increase in net assets of only \$6.6 million.

The expenditures of Public Works declined by 35% due to a reduction in capital outlay. Last fiscal year, the total capital outlay expenditures amounted to \$47.3 million while in the current year, these expenditures were only \$28.7 million. This 39% reduction was mainly due to the completion of several major capital projects during the fiscal year. These projects include the Civic Center Expansion, Water Treatment Plant and the Cultural Arts Center projects. The Waste Water Treatment Expansion was completed in October, 2008.

The expenditures of Parks and Community Services increased by 91% due to the opening of the Cultural Arts Center which started its operations in September, 2007.

City of Tracy							
Schedule of Changes in Net Assets							
For the Fiscal Year Ended ' June 30, 2008							
(in Thousands)							
	Governmental Activities		Business-type Activities		Totals		
	2008	2007	2008	2007	2008	2007	
Revenues							
Program Revenues:							
Charges for Services	\$ 34,430	\$ 16,121	\$ 46,705	\$ 42,815	\$ 81,135	\$ 58,936	
Operating contributions and grants	13,091	11,800	1,774	865	14,865	12,665	
Capital grants and contributions	24,426	49,554	10,992	13,119	35,418	62,673	
Total Program revenues	71,947	77,475	59,471	56,799	131,418	134,274	
General Revenues:							
Property Taxes	31,160	23,859			31,160	23,859	
Other Taxes	19,079	23,664			19,079	23,664	
Other General Revenues	14,292	11,505		1,795	14,292	13,300	
Total general revenues & transfers	64,531	59,028		1,795	64,531	60,823	
Total Revenues	136,478	136,503	59,471	58,594	195,949	195,097	
Expenses							
General government	7,183	6,391			7,183	6,391	
Police	20,658	17,296			20,658	17,296	
Fire	14,416	12,882			14,416	12,882	
Development & Engineering	11,135	8,543			11,135	8,543	
Public Works	13,526	20,848			13,526	20,848	
Parks & Community Services	7,502	3,929			7,502	3,929	
Interest on Long-term Debt	3,548	4,084			3,548	4,084	
Unallocated Depreciation	820	649			820	649	
Water			18,786	16,106	18,786	16,106	
Sewer			11,415	9,639	11,415	9,639	
Solidwaste			17,088	16,492	17,088	16,492	
Storm Drainage			3,486	3,247	3,486	3,247	
Airport			542	666	542	666	
Transit			1,531	1,499	1,531	1,499	
Total Expenses	78,788	74,622	52,848	47,649	131,636	122,271	
Increase in Net Assets	57,690	61,881	6,623	10,945	64,313	72,826	
Net Assets, 7-1-2007	574,112	512,231	379,476	368,531	953,588	880,762	
Net Assets, 6-30-2008	\$ 631,802	\$ 574,112	\$ 386,099	\$ 379,476	\$ 1,017,901	\$ 953,588	

Governmental Activities

Total revenues decreased slightly by .02% in FY 2007-08. The highest reduction of revenues was in capital grants and contribution at 50%. Other taxes also declined by 19%. The decrease in other taxes was due to the decline in franchise and sales and use tax. The earnings from investments increased by 25% or \$2.6 million. This increase was due to the city's investments in high yield securities that extended beyond the period when interest rates started to decline. Some of these securities were also sold during the fiscal year at a gain. To protect the governmental activities from the volatility of the interest rates, the gains from the sale of these securities were used to set-up the fund in the Special Revenue group under the fund name of Interest Stabilization Fund.

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 only 1.5%. The Drainage fund suffered the highest decline in revenues attributed to capital grants and contributions. During the year, this fund received only \$1.8 million in contributions while last year, \$6.6 million were reported under this revenue type. This was due to the decline in contributions from developers.

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, 2008, the City's governmental funds presented a combined fund balance of almost \$183.5 million, an increase of \$13.8 million or 8% when compared to that of the prior year. This increase was mainly due to the 30% increase in loans receivable. Loans receivable increased due to a loan extended to a contractor for the building of the Tracy Place for Seniors funded by the Housing Fund. This increase can also be attributed to the 16% increase in the cash balance. This increase came from developers that paid impact fees related to the Northeast Industrial Plan Area 2.

The City of Tracy's general fund has a fund balance of \$18.5 million. Of this amount, \$17.1 million or 92% is unreserved and undesignated. The total unreserved and undesignated fund balance represents almost 34% of the total general fund expenditures.

In the governmental funds, Northeast Industrial Plan Area #1 Fund, a major fund, is the only fund that showed a negative fund balance. Last year's fund balance of (\$0.046) million increased to (\$.205) million. This fund's further decline in fund balance is attributed to the absence of special assessment revenues during the year. Since there are more than 100 acres left to be developed in this area, it is anticipated that more revenues will be generated in the coming years. 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, is now also a major fund. Plan Area 2 is a 249 acre area representing the second phase of the Northeast Industrial Area. This site is planned to absorb light industrial development within an eight year period.

The City of Tracy's debt service funds have a combined fund balance of \$7.2 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by 10% or \$.8 million.

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 \$34.3 million for the year ended June 30, 2008, up by 32% compared to last year's unrestricted net assets of \$25.8 million. This increase is due mainly to the increases in unrestricted net assets posted by all of the Proprietary funds.

Water fund's total operating revenues increased by 12% but its operating expenses went up by 17% due to a sharp rise in the cost of purchased water. These costs increased by \$.8 million or 31%. Due to this, the water fund's net assets increased only by .25%.

The sewer fund posted an increase in total operating revenues by 3% while its operating expense shows an increase of 22%. This upsurge in expenses was mainly contributed by depreciation which increased by \$1.4 million or 41%. Due to this its net assets grew by only 4% at the end of the year.

The combination of a 6% increase in total operating revenues and a 6% decline in operating expenses contributed to the airport fund's increase in net assets by 40%. This fund's expenses for maintenance and operation declined by 36% due to the vacancy of management positions that were not filled.

The solid waste fund's operating expenses increased by 3% but its total operating revenues posted an increase of 19% which resulted in a 32% increase in net assets. This increase in operating revenues can be attributed to the 47% increase (from \$19.95 to \$29.45 per month) in the basic residential rate which became effective in August 2007. Last year's losses from operations in the amount of \$1.5 million were replaced by this year's operating income of \$.86 million.

The transit fund shows a marked improvement from last year's results of operation. This year, this fund posted an operating income of \$6,445 compared to last year's operating loss of \$267,652. During the year, this fund increased its operating revenues by 28%. This increase was due to revenues received from the TDA sales tax and from both the county and federal sources.

The drainage fund's total operating revenues increased only by 3% while its operating expenses increased by 7%. Due to this, its net assets grew by only .01%. Revenues derived from charges for services should be increased to compensate the increasing costs of operations.

General Fund Budgetary Highlights

- The actual revenues of the general fund were less than the estimated amount by \$79,646.
- The actual expenditures reported a favorable variance. The estimated expenditures were higher than the actual by \$4.5 million.
- The net excess of expenditures over revenues for the fiscal year ended June 30, 2008 is \$1.37 million.

The deficiency of actual revenues compared to estimated revenues was due to a 6% decline in sales taxes when compared to prior year. The favorable variance in expenditures can be attributed to various cost savings measures that the city undertook during the year. The city, in anticipation of declining revenues, did not fill vacancies due to retirement or resignations nor added more positions. Despite the city's efforts in cutting costs, expenditures still exceeded revenues but it was kept to a minimum of only \$1.37 million. The city also hired a consultant during the year to look into strategies that could be implemented to enhance revenues and control expenditures.

Capital Asset and Debt Administration

Capital Assets. The City of Tracy's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$909.8 million (net of accumulated depreciation). These capital assets include the asset descriptions shown on the table below. The total increase in the city's investments in capital assets increased by 8% for governmental activities and a 33% increase in business-type activities. More detailed information of the City's capital assets can be found in Note 6.

Asset Description	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 153,356	\$ 124,155	\$ 6,646	\$ 6,646	\$ 160,002	\$ 130,801
Streets and Raods	199,406	196,921			199,406	196,921
Construction in-Progress	10,815	18,387	9,455	129,012	20,270	147,399
Buildings and Improvements	117,857	95,333	368,206	277,790	486,063	373,123
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	26,460	25,367			26,460	25,367
Traffic Signals	14,204	14,238			14,204	14,238
Street Drainage						
Equipment	27,117	20,880	45,759	9,600	72,876	30,480
Infrastructure	4,956	4,956	87,011	81,549	91,967	86,505
Intangible Assets	671	521	63,709	60,229	64,380	60,750
Less: Total Accumulated Depreciation	(56,477)	(47,198)	(169,330)	(153,773)	(225,807)	(200,971)
Total Capital Assets	\$ 498,365	\$ 453,560	\$ 411,456	\$ 411,053	\$ 909,821	\$ 864,613

The City of Tracy's capital assets in governmental activities increased by almost 10% while the capital assets of business-type activities increased by only .1%. One of these increases in governmental activities was in land acquisition. The City received several parcels of land for water, sewer and storm drain lines, streets and roads and for park sites from various developers.

In business-type activities, the largest increase was in equipment. The completion of the Wastewater Treatment Plant Expansion project during the year triggered the purchase of various equipment that are necessary to put the expanded plant in full operation.

There was a total of 86% reduction in both governmental and business-type activities for construction in-progress as major projects were completed during the year. These reductions contributed to the increase of 23% for governmental activities and 32% for business-type activities in buildings and improvements.

Long-term Debt. At the end of fiscal year 2008, the City's total debt shows a reduction of almost 3%. This decrease was mainly due to the full payment of the 1993 Water Revenue bonds and the 1995 Certificates of Participation during the year. In governmental activities, compensated absences increased by 22% while claims and judgment decreased by 85%. Compensated absences increased by a total of 20% and it tends to increase each year as more employees with tenure continue to receive higher benefits in leave time.

A detailed discussion of the entire City's long-term debt can be found under Notes 7 and 8. 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.

Debt Description	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
2003 Tax Allocation Bonds	\$ 52,030	\$ 53,065			\$ 52,030	\$ 53,065
1995 Certificates of Participation		2,140				2,140
1998 Certificates of Participation	10,155	10,460			10,155	10,460
Capital Leases	395	521			395	521
1993 Water Revenue Bonds				\$ 330		330
2003 Wastewater Revenue Bonds			\$ 1,925	2,220	1,925	2,220
2004 Wastewater Revenue Bonds			30,380	30,995	30,380	30,995
U. S. EDA Notes			1,774	1,927	1,774	1,927
Irrigation District Notes			5,000	5,000	5,000	5,000
State of California-Department of Transportation Loan			142	157	142	157
State of California-Department of Health Services			19,605	18,250	19,605	18,250
Claims and Judgments	92	625			92	625
Compensated Absences	2,849	2,334	428	393	3,277	2,727
Total Long Term Liabilities	\$ 65,521	\$ 69,145	\$ 59,254	\$ 59,272	\$ 124,775	\$ 128,417

Economic Outlook and Major Initiatives

Fiscal year 2007-08 was the first year that reflects the signs of the times. Though the City prepared for the decline in revenues as the result of the passage of Measure A, an ordinance that limited the City's growth, there was no preparation made for the decline in property values due to the current housing market. This was the first time that the City dipped into its reserves just to maintain a \$19 million fund balance in the general fund. 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.

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CITY OF TRACY
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 194,625,571	\$ 18,425,028	\$ 213,050,599
Cash and investments with fiscal agents	16,726,066	359,347	17,085,413
Restricted cash and investments	729,858		729,858
Accounts receivable	6,975,984	8,459,096	15,435,080
Interest receivable	1,556,486	139,525	1,696,011
Prepaid items	31,222		31,222
Loans receivable	6,746,396		6,746,396
Internal balances	(10,896,200)	10,896,200	
Deferred charges, net of accumulated amortization	3,869,051	208,310	4,077,361
Capital assets, not being depreciated	363,577,240	16,101,391	379,678,631
Capital assets, being depreciated, net of accumulated depreciation	134,787,371	395,355,162	530,142,533
Total Assets	718,729,045	449,944,059	1,168,673,104
LIABILITIES			
Accounts payable	4,921,541	3,004,353	7,925,894
Deposits payable	8,023,625	1,342,500	9,366,125
Unearned revenue	2,413,878		2,413,878
Accrued interest payable	1,074,954	186,868	1,261,822
Postemployment benefits payable	441,542		441,542
Noncurrent liabilities:			
Due within one year	2,722,292	7,079,890	9,802,182
Due in more than one year	67,329,044	52,174,463	119,503,507
Total Liabilities	86,926,876	63,788,074	150,714,950
NET ASSETS			
Invested in capital assets, net of related debt	451,849,195	352,608,887	804,458,082
Restricted for:			
Debt service	6,155,892	243,659	6,399,551
Public safety	1,280,396		1,280,396
Streets and roads	11,602,104		11,602,104
Community development	690,007		690,007
Special districts	2,431,015		2,431,015
Projects	98,894,583		98,894,583
Housing	13,037,871		13,037,871
Unrestricted	45,861,106	34,303,439	80,164,545
Total Net assets	\$ 631,802,169	\$ 387,155,985	\$ 1,018,958,154

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, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	\$ (426,952)	\$ -	\$ -	\$ -
City attorney	(860,102)			
City treasurer	(334,728)			
Administration	(1,204,908)	500		
Personnel	(1,142,929)			
Finance	(1,797,150)	584,578		
Non-departmental	(1,416,035)	221,604		117,000
Public safety				
Police	(20,658,096)	481,143	941,137	
Fire	(14,416,391)	169,114	7,336,399	
Public works				
Development and engineering	(11,134,899)	5,289,109		187,714
Public works	(13,525,926)	26,478,011	4,221,932	22,682,376
Culture and leisure				
Parks and community services	(7,502,281)	1,206,126		1,438,856
Interest on long-term debt	(3,547,689)		591,229	
Unallocated depreciation	(820,010)			
Total Governmental Activities	<u>(78,788,096)</u>	<u>34,430,185</u>	<u>13,090,697</u>	<u>24,425,946</u>
Business-type Activities:				
Water	(18,785,530)	15,305,456	274,236	3,463,811
Sewer	(11,415,186)	12,512,856	54,599	3,582,882
Airport	(542,152)	281,483		615,937
Solid waste	(17,088,414)	17,949,517		
Transit	(1,531,123)	92,046	1,445,522	1,491,905
Drainage	(3,486,055)	563,332		1,837,602
Total Business-type Activities	<u>(52,848,460)</u>	<u>46,704,690</u>	<u>1,774,357</u>	<u>10,992,137</u>
Total Government	<u>\$ (131,636,556)</u>	<u>\$ 81,134,875</u>	<u>\$ 14,865,054</u>	<u>\$ 35,418,083</u>

General Revenues:

Taxes:

 Property taxes

 Franchise taxes

 Sales and use taxes

 Other taxes

 Motor vehicle in lieu, unrestricted

 Investment earnings

 Miscellaneous

 Total General Revenues

Change in Net Assets

Net Assets July 1, 2007

Net Assets, June 30, 2008

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>
\$ (426,952)	\$ -	\$ (426,952)
(860,102)		(860,102)
(334,728)		(334,728)
(1,204,408)		(1,204,408)
(1,142,929)		(1,142,929)
(1,212,572)		(1,212,572)
(1,077,431)		(1,077,431)
(19,235,816)		(19,235,816)
(6,910,878)		(6,910,878)
(5,658,076)		(5,658,076)
39,856,393		39,856,393
(4,857,299)		(4,857,299)
(2,956,460)		(2,956,460)
(820,010)		(820,010)
<u>(6,841,268)</u>		<u>(6,841,268)</u>
	257,973	257,973
	4,735,151	4,735,151
	355,268	355,268
	861,103	861,103
	1,498,350	1,498,350
	<u>(1,085,121)</u>	<u>(1,085,121)</u>
	6,622,724	6,622,724
<u>(6,841,268)</u>	<u>6,622,724</u>	<u>(218,544)</u>
31,160,397		31,160,397
1,991,444		1,991,444
12,407,253		12,407,253
4,320,836		4,320,836
359,587		359,587
12,016,355	1,038,184	13,054,539
2,275,294	18,427	2,293,721
<u>64,531,166</u>	<u>1,056,611</u>	<u>65,587,777</u>
57,689,898	7,679,335	65,369,233
574,112,271	379,476,650	953,588,921
<u>\$ 631,802,169</u>	<u>\$ 387,155,985</u>	<u>\$ 1,018,958,154</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 2008. 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.

COMMUNITY DEVELOPMENT AGENCY HOUSING

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.

NORTH EAST INDUSTRIAL PLAN AREA # 1

The North East Industrial Plan Area # 1 was 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 AREA # 2

This fund was established to account for projects to support development in the North East Industrial Area of the City.

COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE

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

**CITY OF TRACY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008**

	<u>General Fund</u>	<u>Community Redevelopment Agency Housing</u>	<u>North East Industrial Plan Area #1</u>
ASSETS			
Cash and investments	\$ 19,293,630	\$ 5,229,136	\$ 12,335,778
Cash and investments with fiscal agents			
Restricted cash and investments		729,858	
Accounts receivable	2,411,624		
Interest receivable	760	50,851	104,797
Prepaid items	30,412	495	
Loans receivable	592,729	7,028,161	
Due from other funds	1,895,100		
Advances to other funds	244,057		
Total Assets	<u>\$ 24,468,312</u>	<u>\$ 13,038,501</u>	<u>\$ 12,440,575</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 570,474	\$ 630	\$ 4,441
Due to other funds			
Deposits payable	3,064,935		860,549
Deferred revenue	2,254,314	7,028,161	
Advances from other funds			11,780,657
Total Liabilities	<u>5,889,723</u>	<u>7,028,791</u>	<u>12,645,647</u>
Fund Balances:			
Reserved for projects			
Reserved for encumbrances	518,474	229	115,198
Reserved for prepaid items	30,412	495	
Reserved for debt service			
Reserved for low/moderate income housing		6,008,986	
Reserved for advances	244,057		
Reserved for loans receivable	592,729		
Unreserved reported in:			
General fund	17,192,917		
Special revenue funds			
Capital projects funds			(320,270)
Total Fund Balances	<u>18,578,589</u>	<u>6,009,710</u>	<u>(205,072)</u>
Total Liabilities and Fund Balances	<u>\$ 24,468,312</u>	<u>\$ 13,038,501</u>	<u>\$ 12,440,575</u>

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

North East Industrial Plan Area #2	Community Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 21,098,075	\$ 1,862,616	\$ 123,061,412	\$ 182,880,647
6,993,764	2,816,129	6,916,173	16,726,066
			729,858
	183,028	4,373,194	6,967,846
12,804	29,062	1,358,212	1,556,486
		315	31,222
			7,620,890
		149,673	2,044,773
		82,300	326,357
<u>\$ 28,104,643</u>	<u>\$ 4,890,835</u>	<u>\$ 135,941,279</u>	<u>\$ 218,884,145</u>
\$ 437,442	\$ 679,137	\$ 2,944,861	\$ 4,636,985
		1,404,373	1,404,373
828,763		3,269,378	8,023,625
		159,564	9,442,039
		82,300	11,862,957
<u>1,266,205</u>	<u>679,137</u>	<u>7,860,476</u>	<u>35,369,979</u>
6,993,764		6,047,385	13,041,149
1,048,198		5,698,453	7,380,552
		315	31,222
	4,211,698	3,019,148	7,230,846
			6,008,986
		82,300	326,357
			592,729
			17,192,917
		35,121,439	35,121,439
18,796,476		78,111,763	96,587,969
<u>26,838,438</u>	<u>4,211,698</u>	<u>128,080,803</u>	<u>183,514,166</u>
<u>\$ 28,104,643</u>	<u>\$ 4,890,835</u>	<u>\$ 135,941,279</u>	<u>\$ 218,884,145</u>

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund balances of governmental funds \$ 183,514,166

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

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

Capital assets	\$ 533,834,743	
Less: accumulated depreciation	<u>(45,066,126)</u>	488,768,617

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.

Deferred charges	4,522,513	
Less: accumulated amortization	<u>(653,462)</u>	3,869,051

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (Does not include Internal Service Fund)

(1,066,669)

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

Compensated absences (Does not include Internal Service Fund)	(2,663,185)	
Certificates of participation	(10,155,000)	
Bonds payable	(56,560,000)	
Postretirement benefit accrual	<u>(441,542)</u>	(69,819,727)

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.

20,512,163

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

7,028,161

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

Conditional grant balance allowance		<u>(1,003,593)</u>
-------------------------------------	--	--------------------

Net assets of governmental activities

\$ 631,802,169

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, 2008**

	General	Community Redevelopment Agency Housing	North East Industrial Plan Area #1
REVENUES			
Taxes	\$ 34,655,186	\$ -	\$ -
Licenses, permits, and fees	2,839,229		
Fines and penalties	1,515,274		
Use of money and property	2,268,404	366,937	725,751
Intergovernmental	1,422,094		
Charges for services	4,903,783		
Special assessments	319,500		
Contributions	117,000		15,000
Other revenues	1,685,714		
Total Revenues	49,726,184	366,937	740,751
EXPENDITURES			
Current:			
General government			
Cultural arts	1,938,594		
City clerk	316,577		
City council	111,774		
City attorney	863,132		
City treasurer	335,894		
Administration	1,117,655		
Human resources	1,146,892		
Finance	1,803,443		
Non-departmental	627,799	68,883	
Public safety			
Police	20,138,902		
Fire	7,542,935		
Public works			
Development and engineering	6,993,060	2,318,823	
Public works	4,157,756		
Culture and leisure			
Parks and community services	3,146,194		
Intergovernmental			
Capital outlay	856,668		899,559
Debt service:			
Principal payments			
Interest and fiscal charges			
Debt issuance costs			
Total Expenditures	51,097,275	2,387,706	899,559
Excess of revenues over (under) expenditures	(1,371,091)	(2,020,769)	(158,808)
OTHER FINANCING SOURCES (USES)			
Proceeds from the issuance of long term debt			
Transfers in	2,011,410	1,927,951	
Transfers out	(1,173,000)		
Total Other Financing Sources (Uses)	838,410	1,927,951	
Net Change in Fund Balances	(532,681)	(92,818)	(158,808)
Fund Balances, July 1, 2007	19,111,270	6,102,528	(46,264)
Fund Balances, June 30, 2008	<u>\$ 18,578,589</u>	<u>\$ 6,009,710</u>	<u>\$ (205,072)</u>

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

North East Industrial Plan Area #2	Community Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 10,153,405	\$ 3,239,289	\$ 48,047,880
			2,839,229
			1,515,274
443,776	399,571	7,787,647	11,992,086
	704,941	11,451,250	13,578,285
		282,077	5,185,860
21,727,177		4,522,985	26,569,662
15,000		1,169,154	1,316,154
		372,129	2,057,843
<u>22,185,953</u>	<u>11,257,917</u>	<u>28,824,531</u>	<u>113,102,273</u>
			1,938,594
			316,577
			111,774
			863,132
			335,894
		91,449	1,209,104
			1,146,892
			1,803,443
		307,663	1,004,345
		23,089	20,161,991
		7,059,219	14,602,154
		802,085	10,113,968
		3,923,930	8,081,686
			3,146,194
	3,176,854		3,176,854
3,679,655		23,275,876	28,711,758
	1,035,000	2,585,000	3,620,000
	2,690,489	699,280	3,389,769
		237,043	237,043
<u>3,679,655</u>	<u>6,902,343</u>	<u>39,004,634</u>	<u>103,971,172</u>
<u>18,506,298</u>	<u>4,355,574</u>	<u>(10,180,103)</u>	<u>9,131,101</u>
		4,670,000	4,670,000
		8,740,410	12,679,771
	(5,077,951)	(6,428,820)	(12,679,771)
	(5,077,951)	6,981,590	4,670,000
18,506,298	(722,377)	(3,198,513)	13,801,101
<u>8,332,140</u>	<u>4,934,075</u>	<u>131,279,316</u>	<u>169,713,065</u>
<u>\$ 26,838,438</u>	<u>\$ 4,211,698</u>	<u>\$ 128,080,803</u>	<u>\$ 183,514,166</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, 2008**

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 \$ 13,801,101

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	\$ 1,786,091	
Repayment of loans	<u>(129,420)</u>	1,656,671

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 added back to fund balances	26,765,361	
Depreciation expense not reported in governmental funds	(7,677,255)	
Book value of surplus and disposal of assets	(64,866)	
Capital contributions of assets	<u>23,134,001</u>	42,157,241

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	3,620,000	
Amortization of deferred charges	(145,885)	
Proceeds from the issuance of new debt	(4,670,000)	
Debt issue costs capitalized	<u>237,043</u>	(958,842)

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	5,657	
Accrued interest receivable	60,358	
Compensated absences	<u>(514,473)</u>	(669,229)

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 \$12,620)

1,702,956

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 57,689,898

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 2008.

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, 2008**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	\$ 1,825,512	\$ 12,924,288	\$ 20
Cash and investments with fiscal agents		359,347	
Accounts receivable - net	2,497,445	2,033,875	42,737
Interest receivable	7,337	100,579	
Due from other funds		180,835	
Total current assets	<u>4,330,294</u>	<u>15,598,924</u>	<u>42,757</u>
Noncurrent:			
Loans receivable			
Deferred charges, net of accumulated amortization		208,310	
Advances to other funds	<u>12,862,192</u>		
	<u>12,862,192</u>	<u>208,310</u>	
Capital Assets:			
Nondepreciable			
Land	29,015	932,681	15,826
Construction in progress	4,488,194	2,268,812	
Artwork			
Total nondepreciable capital assets	<u>4,517,209</u>	<u>3,201,493</u>	<u>15,826</u>
Depreciable			
Infrastructure	19,186,363	18,568,344	
Buildings	50,910,401	94,838,710	356,080
Improvements	105,875,198	76,925,385	5,869,540
Equipment	13,987,183	29,505,859	73,529
Intangibles	63,506,722		202,566
Total depreciable capital assets	<u>253,465,867</u>	<u>219,838,298</u>	<u>6,501,715</u>
Less accumulated depreciation	<u>(72,803,951)</u>	<u>(67,207,565)</u>	<u>(3,641,038)</u>
Net depreciable capital assets	<u>180,661,916</u>	<u>152,630,733</u>	<u>2,860,677</u>
Net capital assets	<u>185,179,125</u>	<u>155,832,226</u>	<u>2,876,503</u>
Total noncurrent assets	<u>198,041,317</u>	<u>156,040,536</u>	<u>2,876,503</u>
Total assets	<u>\$ 202,371,611</u>	<u>\$ 171,639,460</u>	<u>\$ 2,919,260</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	
\$ 2,181,736	\$ 7	\$ 1,493,465	\$ 18,425,028	\$ 11,744,924
			359,347	
2,770,780	1,034,948	79,311	8,459,096	8,138
16,934		14,675	139,525	
			180,835	
<u>4,969,450</u>	<u>1,034,955</u>	<u>1,587,451</u>	<u>27,563,831</u>	<u>11,753,062</u>
				129,099
			208,310	
			<u>12,862,192</u>	
			<u>13,070,502</u>	<u>129,099</u>
	1,350,183	4,318,335	6,646,040	
	2,654,898	43,447	9,455,351	
				7,611
	<u>4,005,081</u>	<u>4,361,782</u>	<u>16,101,391</u>	<u>7,611</u>
		49,256,018	87,010,725	
	1,549,367		147,654,558	317,555
	367,930	31,513,245	220,551,298	554,752
42,871	2,130,439	19,624	45,759,505	20,127,475
			63,709,288	
<u>42,871</u>	<u>4,047,736</u>	<u>80,788,887</u>	<u>564,685,374</u>	<u>20,999,782</u>
<u>(39,407)</u>	<u>(1,637,132)</u>	<u>(24,001,119)</u>	<u>(169,330,212)</u>	<u>(11,411,399)</u>
<u>3,464</u>	<u>2,410,604</u>	<u>56,787,768</u>	<u>395,355,162</u>	<u>9,588,383</u>
<u>3,464</u>	<u>6,415,685</u>	<u>61,149,550</u>	<u>411,456,553</u>	<u>9,595,994</u>
<u>3,464</u>	<u>6,415,685</u>	<u>61,149,550</u>	<u>424,527,055</u>	<u>9,725,093</u>
<u>\$ 4,972,914</u>	<u>\$ 7,450,640</u>	<u>\$ 62,737,001</u>	<u>\$ 452,090,886</u>	<u>\$ 21,478,155</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (Continued)
June 30, 2008

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 265,761	\$ 770,521	\$ 24,864
Deposits payable	260,465	4,000	28,900
Due to other funds	180,835		156,500
Accrued interest payable	66,454	115,688	4,726
Claims payable, current portion			
Current portion - long-term debt	<u>6,086,892</u>	<u>934,740</u>	<u>22,257</u>
Total current liabilities	<u>6,860,407</u>	<u>1,824,949</u>	<u>237,247</u>
Noncurrent Liabilities:			
Advances from other funds			1,325,592
Capital lease payable			
Notes payable	20,414,134		126,144
Revenue bonds payable		1,625,000	
Compensated absences	122,188	49,741	6,255
Claims payable			
Certificates of participation payable		<u>29,795,000</u>	
Total noncurrent liabilities	<u>20,536,322</u>	<u>31,469,741</u>	<u>1,457,991</u>
Total Liabilities	<u>27,396,729</u>	<u>33,294,690</u>	<u>1,695,238</u>
NET ASSETS			
Investment in capital assets, net of related debt	158,800,286	123,527,226	2,712,676
Restricted for debt service		243,659	
Unrestricted	<u>16,174,596</u>	<u>14,573,885</u>	<u>(1,488,654)</u>
Total Net Assets	<u>\$ 174,974,882</u>	<u>\$ 138,344,770</u>	<u>\$ 1,224,022</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	
\$ 742,827	\$ 193,576	\$ 6,804	\$ 2,004,353	\$ 284,556
		1,049,135	1,342,500	
	483,900		821,235	
			186,868	8,285
				45,859
2931	3,194	29,876	7,079,890	223,128
745,758	680,670	1,085,815	11,434,846	561,828
			1,325,592	
				265,356
			20,540,278	
			1,625,000	
2,932	3,193	29,876	214,185	92,950
				45,858
			29,795,000	
2,932	3,193	29,876	53,500,055	404,164
748,690	683,863	1,115,691	64,934,901	965,992
3,464	6,415,685	61,149,550	352,608,887	9,200,461
			243,659	
4,220,760	351,092	471,760	34,303,439	11,311,702
\$ 4,224,224	\$ 6,766,777	\$ 61,621,310	\$ 387,155,985	\$ 20,512,163

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended June 30, 2008**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 15,244,286	\$ 12,268,074	\$ 268,993
Other operating revenues	61,170	244,782	12,490
Total Operating Revenues	<u>15,305,456</u>	<u>12,512,856</u>	<u>281,483</u>
Operating Expenses			
Purchase of water	3,507,883		
Maintenance and operation	6,409,650	4,789,800	209,689
Administration	443,340	240,330	
Insurance costs and claims			
Depreciation	7,574,068	5,014,253	325,122
Total Operating Expenses	<u>17,934,941</u>	<u>10,044,383</u>	<u>534,811</u>
Operating Income (Loss)	<u>(2,629,485)</u>	<u>2,468,473</u>	<u>(253,328)</u>
Non-Operating Revenues (Expenses)			
Interest income	128,434	645,157	
Interest expense	(850,589)	(1,370,803)	(7,341)
Grants and subsidies	274,236	54,599	594,878
Gain (Loss) on sale of capital assets	221	22,155	
Total Non-Operating Income (Loss)	<u>(447,698)</u>	<u>(648,892)</u>	<u>587,537</u>
Income (Loss) Before Contributions and Transfers	(3,077,183)	1,819,581	334,209
Transfers in	62,026		
Transfers out		(75,967)	
Contributions	3,463,811	3,582,882	21,059
Change in Net Assets	448,654	5,326,496	355,268
Net Assets, July 1, 2007	<u>174,526,228</u>	<u>133,018,274</u>	<u>868,754</u>
Net Assets, June 30, 2008	<u>\$ 174,974,882</u>	<u>\$ 138,344,770</u>	<u>\$ 1,224,022</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	
\$ 17,900,118	\$ 92,033	\$ 563,332	\$ 46,336,836	\$ 7,880,229
49,399	1,445,535		1,813,376	764,101
17,949,517	1,537,568	563,332	48,150,212	8,644,330
			3,507,883	
17,081,167	1,252,758	737,419	30,480,483	4,289,162
		38,143	721,813	608,756
7,247	278,365	2,710,493	15,909,548	2,247,379
17,088,414	1,531,123	3,486,055	50,619,727	9,006,624
861,103	6,445	(2,922,723)	(2,469,515)	(362,294)
174,826		89,767	1,038,184	23,451
			(2,228,733)	(17,692)
	718,680		1,642,393	
	5,251	(9,200)	18,427	100,474
174,826	723,931	80,567	470,271	106,233
1,035,929	730,376	(2,842,156)	(1,999,244)	(256,061)
		13,941	75,967	
	773,225	1,837,602	(75,967)	1,946,397
1,035,929	1,503,601	(990,613)	7,679,335	1,690,336
3,188,295	5,263,176	62,611,923	379,476,650	18,821,827
\$ 4,224,224	\$ 6,766,777	\$ 61,621,310	\$ 387,155,985	\$ 20,512,163

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 14,463,344	\$ 11,748,480	\$ 432,217
Payments to suppliers and users	(8,051,043)	(3,815,225)	(82,502)
Payments to employees	(3,478,567)	(2,076,167)	(128,412)
Net Cash Provided (Used) by Operating Activities	<u>2,933,734</u>	<u>5,857,088</u>	<u>221,303</u>
Cash Flows from Non-Capital Financing Activities:			
Advances to/from other funds	20,000		(20,000)
Principal received on loans receivable			
Principal paid for new loans			
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>20,000</u>		<u>(20,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	300	544,273	
Capital grants received	274,236	54,599	594,878
Acquisitions of capital assets	(2,503,392)	(3,130,878)	(843,328)
Proceeds from loans payable	1,750,152		
Interest paid	(816,458)	(1,364,922)	(7,844)
Principal payments - long-term debt	(878,166)	(910,000)	(15,138)
Proceeds from sales of capital assets	221	46,903	70,112
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,173,107)</u>	<u>(4,760,025)</u>	<u>(201,320)</u>
Cash Flows from Investing Activities:			
Interest received	121,097	694,826	
Net Cash Provided (Used) by Investing Activities	<u>121,097</u>	<u>694,826</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	901,724	1,791,889	(17)
Cash and Cash Equivalents, July 1, 2007	923,788	11,491,746	37
Cash and Cash Equivalents, June 30, 2008	<u>\$ 1,825,512</u>	<u>\$ 13,283,635</u>	<u>\$ 20</u>
Noncash Transactions			
Capital contributions	\$ 3,463,511	\$ 3,038,609	\$ -
Amortization of deferred charges	\$ -	\$ 7,331	\$ -
Capital transfers	\$ 62,026	\$ (75,967)	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 1,825,512	\$ 12,924,288	\$ 20
Cash and investments with fiscal agents		<u>359,347</u>	
Total Cash and Investments	<u>\$ 1,825,512</u>	<u>\$ 13,283,635</u>	<u>\$ 20</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	
\$ 17,032,936	\$ 1,768,499	\$ 542,079	\$ 45,987,555	\$ 9,069,390
(17,489,309)	(1,357,316)	(628,953)	(31,424,348)	(5,248,555)
(107,109)	(236,758)	(203,970)	(6,230,983)	(2,199,817)
(563,482)	174,425	(290,844)	8,332,224	1,621,018
				39,217
				(124,833)
				(85,616)
			544,573	
	718,680		1,642,393	
	(898,349)	(5,398)	(7,381,345)	(2,592,692)
			1,750,152	
			(2,189,224)	(20,558)
			(1,803,304)	(125,300)
	5,251	99,042	221,529	131,182
	(174,418)	93,644	(7,215,226)	(2,607,368)
191,943		96,408	1,104,274	88,656
191,943		96,408	1,104,274	88,656
(371,539)	7	(100,792)	2,221,272	(983,310)
2,553,275		1,594,257	16,563,103	12,728,234
<u>\$ 2,181,736</u>	<u>\$ 7</u>	<u>\$ 1,493,465</u>	<u>\$ 18,784,375</u>	<u>\$ 11,744,924</u>
\$ -	\$ 773,225	\$ 1,837,602	\$ 9,112,947	\$ 1,946,397
\$ -	\$ -	\$ -	\$ 7,331	\$ -
\$ -	\$ -	\$ 13,941	\$ -	\$ -
\$ 2,181,736	\$ 7	\$ 1,493,465	\$ 18,425,028	\$ 11,744,924
			359,347	
<u>\$ 2,181,736</u>	<u>\$ 7</u>	<u>\$ 1,493,465</u>	<u>\$ 18,784,375</u>	<u>\$ 11,744,924</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008
(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)	\$ (2,629,485)	\$ 2,468,473	\$ (253,328)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	7,574,068	5,014,253	325,122
(Increase) Decrease in Operating Assets:			
Accounts receivable	(923,390)	(764,376)	23,534
Prepaid items		170	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(1,202,085)	(859,686)	(11,288)
Due to other funds			127,200
Compensated absences	33,348	(1,746)	5,475
Deposits payable	81,278		4,588
Claims payable			
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,933,734</u>	<u>\$ 5,857,088</u>	<u>\$ 221,303</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	
\$ 861,103	\$ 6,445	\$ (2,922,723)	\$ (2,469,515)	\$ (362,294)
7,247	278,365	2,710,493	15,909,548	1,861,327
(916,581)	230,931	(25,713)	(2,375,595)	425,060
386		1,468	2,024	
(518,798)	119,011	(3,043)	(2,475,889)	217,776
	(459,296)		(332,096)	
3,161	(1,031)	(4,360)	34,847	12,620
		(46,966)	38,900	
				(533,471)
<u>\$ (563,482)</u>	<u>\$ 174,425</u>	<u>\$ (290,844)</u>	<u>\$ 8,332,224</u>	<u>\$ 1,621,018</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, 2008

	Agency Funds
ASSETS	
Cash and investments	\$ 12,256,067
Cash and investments, restricted	6,264
Cash and investments with fiscal agents	17,482,389
Interest receivable	74,970
Total Assets	29,819,690
 LIABILITIES	
Due to other governments	405,516
Accounts payable	27,253
Deposits payable	1,752,161
Due to assessment district bondholders	27,634,760
Total Liabilities	29,819,690
 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, 2008

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 (police 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, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 48

For the fiscal year ended June 30, 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". The Statement is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the City's basic financial statements for the fiscal year ended June 30, 2008.

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the City implemented GASB Statement No. 50, "Pension Disclosure — an Amendment of GASB Statements No. 25 and No. 27". The Statement is effective for periods beginning after June 15, 2007. This Statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. Implementation of GASB Statement No. 50 did not have an impact on the City's basic financial statements for the fiscal year ended June 30, 2008.

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, except for interfund services provided and used, have been made to minimize double counting or internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

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

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

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

D. Major Funds

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. **Major Funds** (Continued)

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

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

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

Community Development Agency Housing Special Revenue Fund – This fund was established by the California Health and Safety Code and is to account for the portion of property tax increment required to be set aside for low and moderate housing.

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.

North East Industrial Plan Area # 1 and # 2 Capital Projects – These funds were 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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: (Continued)

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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, except for interfund services provided and used, has been eliminated from the government-wide financial statements.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

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).

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008, those costs for 36 retirees totaled \$284,985, and the total liability amount in the medical leave bank is \$1,636,531.

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 North East Industrial Plan Areas # 1 and # 2 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**

Major Funds

A deficit fund balance of \$205,072 exists in the North East Industrial Plan Area # 1 Fund. The deficit is due to the expenditures for Capital outlay prior to receiving the special assessments.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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

B. Deficit Fund Balances (Continued)

Nonmajor Funds

A deficit fund balance of \$13,090 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 \$88,912 exists in the Community Access CTV Fund. The deficit is due to the City incurring costs in excess of revenues.

C. Excess of Expenditures over Appropriations

Major Governmental Fund:	
Community Development Agency Debt Service	\$ 1,162,343
Nonmajor Governmental Funds:	
South County Fire Authority	126,722
Parks COP	1,949,599
2007 Lease Revenue Fund	205,399

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Restricted Cash and Investments	\$ 729,858
Cash and investments	213,050,599
Cash and investments with Fiscal Agents	17,085,413
Fiduciary funds:	
Cash and investments	12,256,067
Cash and investments with Fiscal Agents	17,482,389
Cash and investments, restricted	6,264
Total cash and investments	<u>\$ 260,610,590</u>

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

Cash on hand	\$ 3,460
Deposits with financial institutions	42,898,445
Investments	<u>217,708,685</u>
Total cash and investments	<u>\$ 260,610,590</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

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%

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements (Continued)

<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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>Over 60 Months</u>
U.S. Treasury Notes	\$ 18,882,411	\$ 1,013,750	\$ 9,911,348	\$ 7,957,313	\$ -
Money Market Funds	559,443	559,443			
Federal Agency Securities	113,446,776	47,301,415	53,294,728	12,850,633	
Municipal Bonds	998,280		998,280		
Corporate Medium Term Notes	29,131,070	10,121,631	12,979,583	6,029,856	
Commercial Paper	2,150,000	2,150,000			
Negotiable Time Deposits	386,758	386,758			
State Investment Pool	17,586,144	17,586,144			
Held by Bond Trustees:					
Money Market Funds	23,782,654	23,782,654			
Investment Contracts	10,785,149	3,083,947		1,163,467	6,537,735
	<u>\$ 217,708,685</u>	<u>\$ 105,985,742</u>	<u>\$ 77,183,939</u>	<u>\$ 28,001,269</u>	<u>\$ 6,537,735</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
U.S. Treasury Notes	\$ 18,882,411	N/A	\$ 18,882,411	\$ -	\$ -	\$ -	\$ -
Money Market Funds	559,443	N/A		559,443			
Federal Agency Securities	113,446,776	N/A		113,446,776			
Municipal Bonds	998,280	N/A				998,280	
Corporate Medium Term Notes	29,131,070	N/A		2,757,978	17,456,881	8,916,211	
Commercial Paper	2,150,000	N/A				2,150,000	
Negotiable Time Deposits	386,758	N/A					386,758
State Investment Pool	17,586,144	N/A					17,586,144
Held by Bond Trustees:							
Money Market Funds	23,782,654	N/A		23,782,654			
Investment Contracts	10,785,149	N/A					10,785,149
Total	\$ 217,708,685		\$ 18,882,411	\$ 140,546,851	\$ 17,456,881	\$ 12,064,491	\$ 28,758,051

F. 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	\$ 21,396,865
FNMA	Federal agency securities	27,472,948
Federal Home Loan Bank	Federal agency securities	47,097,296
Federal Farm Credit Bank	Federal agency securities	14,728,043

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk (Continued)

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

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

G. 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, 2008, \$43,978,014 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2008, 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	\$ 18,882,411
Federal Agency Securities	113,446,776
Corporate Medium Term Notes	29,131,070
Commercial Paper	2,150,000
Investment Contracts	10,785,149
Money Market Funds	11,344,592
Municipal Bonds	998,280

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Investment in State Investment Pool

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

NOTE 4 – LOANS RECEIVABLE

A. Residential and Commercial Rehabilitation Loans

The City administers a residential and commercial rehabilitation program using Housing and Urban Development funds. Federal funds received by the City are deposited with a commercial bank. Upon approval of the loans, the funds are disbursed and collected by an outside collection agency. The programs are designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs was \$258,798 at June 30, 2008.

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, 2008, principal and accrued interest totaled \$809,970.

In 1996, the Agency agreed to loan Eden Housing Inc., up to \$2,208,691 to assist in the development and construction of seventy-two low income housing units. The loan is payable over ten years beginning forty years after the project is complete, and accrues interest at 1% per year. As of June 30, 2008, principal and accrued interest totaled \$2,311,180.

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 balance of the outstanding loan as of June 30, 2008 is \$40,093.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – LOANS RECEIVABLE (Continued)

B. Community Development Agency Loans (Continued)

The City loaned 10 individuals \$750,000 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 downpayment assistance program. The Redevelopment Agency is the beneficiary of the promissory notes issued, recorded, and secured by real property. The loans are due when the underlying property is sold.

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, 2008, the developer has drawn \$1,841,764 off the loan.

In November 2007, the Community Development Agency of the City of Tracy (Agency) entered into an Owner Participation and Loan Agreement with DHI Tracy Garden Associates, LP (DHI). DHI will develop and rehabilitate an 88 unit Senior Housing Complex for low income senior households. The maximum amount of loan from the Agency will be \$1,975,000. Simple interest shall accrue annually at 3%. Upon default the rate will increase to the lesser of 10% or the maximum allowed by law. The loan is secured by a trust deed on the underlying property. This trust deed is subordinated to all other loans. Maturity of the loan is November 1, 2064. Payment on the loan is deferred until maturity unless the property is conveyed (other than that approved by the Agency) or there is a default. Total amount disbursed as of June 30, 2008 is \$1,016,356 which includes accrued interest of \$16,356.

C. 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, 2008 was \$1,003,593.

D. 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 when the properties are sold.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – LOANS RECEIVABLE (Continued)

E. 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, 2008, employees had \$129,099 in loans due to the City.

F. Housing Loan (Related Party)

The City of Tracy loaned \$595,000 to its previous 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 (3.11% as of June 30, 2008). The balance of the loan as of June 30, 2008 is \$552,729. The City Manager has separated employment and has two years in which to satisfy this loan.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at July 1, 2007	Additions	Deletions	Transfers	Balance at June 30, 2008
Governmental Activities					
Nondepreciable Capital Assets:					
Land	\$ 124,155,341	\$ 29,647,445	\$ -	\$ (446,625)	\$ 153,356,161
Roads accounted for using the modified approach	196,920,877	2,484,684			199,405,561
Construction in progress	18,387,391	10,302,652		(17,874,525)	10,815,518
Total Nondepreciable Capital Assets	339,463,609	42,434,781		(18,321,150)	363,577,240
Depreciable Capital Assets:					
Buildings and improvements	95,332,765	4,286,338		18,237,734	117,856,837
Grading, curb & gutter, sidewalk, and driveway approaches	25,366,507	1,093,447			26,459,954
Traffic signals	14,237,984		(34,158)		14,203,826
Equipment	20,880,719	6,526,300	(289,802)		27,117,217
Infrastructure	4,955,935				4,955,935
Intangibles	520,833	66,878		83,416	671,127
Total Depreciable Capital Assets	161,294,743	11,972,963	(323,960)	18,321,150	191,264,896

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows:
(Continued)

	Balance at July 1, 2007	Additions	Deletions	Transfers	Balance at June 30, 2008
Governmental Activities					
(Continued)					
Accumulated Depreciation:					
Buildings and improvements	\$ (19,415,813)	\$ (4,455,457)	\$ -	\$ 5,834	\$ (23,865,436)
Grading, curbs & gutters, sidewalks and driveway approaches	(6,444,936)	(650,061)			(7,094,997)
Traffic signals	(6,069,377)	(672,886)			(6,742,263)
Equipment	(14,173,971)	(2,414,419)	259,094	(5,834)	(16,335,130)
Intangibles	(19,238)	(30,597)			(49,835)
Infrastructure	(1,074,702)	(1,315,162)			(2,389,864)
Total Accumulated Depreciation	<u>(47,198,037)</u>	<u>(9,538,582)</u>	<u>259,094</u>		<u>(56,477,525)</u>
Net Depreciable Capital Assets	114,096,706	2,434,381	(64,866)		116,466,221
Net Governmental Capital Assets	<u>\$ 453,560,315</u>	<u>\$ 44,869,162</u>	<u>\$ (64,866)</u>	<u>\$ -</u>	<u>\$ 498,364,611</u>
Business-type Activities					
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 29,015	\$ -	\$ -	\$ -	\$ 29,015
Construction in progress	49,160,283	4,357,859		(49,029,948)	4,488,194
Total Nondepreciable Capital Assets	<u>49,189,298</u>	<u>4,357,859</u>		<u>(49,029,948)</u>	<u>4,517,209</u>
Depreciable Capital Assets:					
Intangibles	60,059,165			3,447,557	63,506,722
Infrastructure	16,829,156	1,172,326		1,184,881	19,186,363
Buildings	21,918,816			28,991,585	50,910,401
Improvements	99,185,169	5,673		6,684,356	105,875,198
Equipment	4,806,869	431,046	(16,878)	8,766,146	13,987,183
Total Depreciable Capital Assets	<u>202,799,175</u>	<u>1,609,045</u>	<u>(16,878)</u>	<u>49,074,525</u>	<u>253,465,867</u>
Accumulated Depreciation:					
Infrastructure	(1,235,981)	(830,329)		464,529	(1,601,781)
Buildings	(17,548,475)	(1,284,029)		(2,160)	(18,834,664)
Improvements	(38,968,842)	(3,345,576)		(441,210)	(42,755,628)
Equipment	(4,127,229)	(610,178)	16,878	(3,710)	(4,724,239)
Intangibles	(3,383,683)	(1,503,956)			(4,887,639)
Total Accumulated Depreciation	<u>(65,264,210)</u>	<u>(7,574,068)</u>	<u>16,878</u>	<u>17,449</u>	<u>(72,803,951)</u>
Net Depreciable Capital Assets	<u>137,534,965</u>	<u>(5,965,023)</u>		<u>49,091,974</u>	<u>180,661,916</u>
Net Water Utility Capital Assets	<u>\$ 186,724,263</u>	<u>\$ (1,607,164)</u>	<u>\$ -</u>	<u>\$ 62,026</u>	<u>\$ 185,179,125</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows: (Continued)

	Balance at July 1, 2007	Additions	Deletions	Transfers	Balance at June 30, 2008
Business-type Activities (Continued)					
Municipal Transit					
Nondepreciable Capital Assets:					
Land	\$ 1,350,183	\$ -	\$ -	\$ -	\$ 1,350,183
Construction in progress	1,535,713	1,174,537		(55,352)	2,654,898
Total Nondepreciable Capital Assets	<u>2,885,896</u>	<u>1,174,537</u>		<u>(55,352)</u>	<u>4,005,081</u>
Depreciable Capital Assets:					
Buildings	1,549,367				1,549,367
Equipment	1,989,927	307,182	(166,670)		2,130,439
Improvements	122,723	189,855		55,352	367,930
Total Depreciable Capital Assets	<u>3,662,017</u>	<u>497,037</u>	<u>(166,670)</u>	<u>55,352</u>	<u>4,047,736</u>
Accumulated depreciation:					
Buildings	(403,977)	(77,469)			(481,446)
Equipment	(1,113,951)	(196,029)	166,670		(1,143,310)
Improvements	(7,509)	(4,867)			(12,376)
Total Accumulated Depreciation	<u>(1,525,437)</u>	<u>(278,365)</u>	<u>166,670</u>		<u>(1,637,132)</u>
Net Depreciable Capital Assets	<u>2,136,580</u>	<u>218,672</u>			<u>2,410,604</u>
Net Transit Capital Assets	<u>\$ 5,022,476</u>	<u>\$ 1,393,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,415,685</u>
Sewer Utility					
Nondepreciable Capital Assets:					
Land	\$ 932,681	\$ -	\$ -	\$ -	\$ 932,681
Construction in progress	78,057,502	5,182,370		(80,971,060)	2,268,812
Total Nondepreciable Capital Assets	<u>78,990,183</u>	<u>5,182,370</u>		<u>(80,971,060)</u>	<u>3,201,493</u>
Depreciable Capital Assets:					
Infrastructure	17,292,691	894,848		380,805	18,568,344
Buildings	49,868,099	12,211		44,958,400	94,838,710
Improvements	68,131,706			8,793,679	76,925,385
Equipment	2,712,074	80,058	(79,872)	26,793,599	29,505,859
Total Depreciable Capital Assets	<u>138,004,570</u>	<u>987,117</u>	<u>(79,872)</u>	<u>80,926,483</u>	<u>219,838,298</u>
Accumulated Depreciation:					
Infrastructure	(1,368,806)	(659,502)		145,382	(1,882,926)
Buildings	(31,167,673)	(1,727,744)		(25,429)	(32,920,846)
Improvements	(27,623,805)	(1,850,588)		(151,343)	(29,625,736)
Equipment	(2,056,763)	(776,419)	55,125		(2,778,057)
Total Accumulated Depreciation	<u>(62,217,047)</u>	<u>(5,014,253)</u>	<u>55,125</u>	<u>(31,390)</u>	<u>(67,207,565)</u>
Net Depreciable Capital Assets	<u>75,787,523</u>	<u>(4,027,136)</u>	<u>(24,747)</u>	<u>80,895,093</u>	<u>152,630,733</u>
Net Sewer Utility Capital Assets	<u>\$ 154,777,706</u>	<u>\$ 1,155,234</u>	<u>\$ (24,747)</u>	<u>\$ (75,967)</u>	<u>\$ 155,832,226</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows: (Continued)

	Balance at July 1, 2007	Additions	Deletions	Transfers	Balance at June 30, 2008
Business-type Activities (Continued)					
Municipal Airport					
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	115,948	604,672		(720,620)	
Total Nondepreciable Capital Assets	131,774	604,672		(720,620)	15,826
Depreciable Capital Assets:					
Buildings	970,510	24,184	(194,473)	(444,141)	356,080
Improvements	4,536,210	235,531		1,097,799	5,869,540
Equipment	28,704			44,825	73,529
Intangibles	169,589			32,977	202,566
Total Depreciable Capital Assets	5,705,013	259,715	(194,473)	731,460	6,501,715
Accumulated Depreciation:					
Buildings	(328,096)	(16,915)	124,361		(220,650)
Improvements	(2,970,837)	(271,442)			(3,242,279)
Equipment	(28,704)	(8,965)			(37,669)
Intangibles	(101,800)	(27,800)		(10,840)	(140,440)
Total Accumulated Depreciation	(3,429,437)	(325,122)	124,361	(10,840)	(3,641,038)
Net Depreciable Capital Assets	2,275,576	(65,407)	(70,112)	720,620	2,860,677
Net Airport Capital Assets	\$ 2,407,350	\$ 539,265	\$ (70,112)	\$ -	\$ 2,876,503
Solid Waste					
Depreciable Capital Assets:					
Equipment	\$ 42,871	\$ -	\$ -	\$ -	\$ 42,871
Accumulated Depreciation:					
Equipment	(32,160)	(7,247)			(39,407)
Net Solid Waste Capital Assets	\$ 10,711	\$ (7,247)	\$ -	\$ -	\$ 3,464
Drainage					
Nondepreciable Capital Assets:					
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	142,943	8,746	(108,242)		43,447
Total Nondepreciable Capital Assets	4,461,278	8,746	(108,242)		4,361,782
Depreciable Capital Assets:					
Improvements	31,507,845	5,400			31,513,245
Infrastructure	47,427,163	1,828,855			49,256,018
Equipment	19,624				19,624
Total Depreciable Capital Assets	78,954,632	1,834,255			80,788,887

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows: (Continued)

	Balance at July 1, 2007	Additions	Deletions	Transfers	Balance at June 30, 2008
Business-type Activities (Continued)					
Drainage (Continued)					
Accumulated Depreciation:					
Improvements	\$ (8,154,327)	\$ (1,490,036)	\$ -	\$ (56,416)	\$ (9,700,779)
Infrastructure	(13,138,466)	(1,218,495)		70,357	(14,286,604)
Equipment	(11,774)	(1,962)			(13,736)
Total Accumulated Depreciation	<u>(21,304,567)</u>	<u>(2,710,493)</u>		<u>13,941</u>	<u>(24,001,119)</u>
Net Depreciable Capital Assets	<u>57,650,065</u>	<u>(876,238)</u>		<u>13,941</u>	<u>56,787,768</u>
Net Drainage Capital Assets	<u>\$ 62,111,343</u>	<u>\$ (867,492)</u>	<u>\$ (108,242)</u>	<u>\$ 13,941</u>	<u>\$ 61,149,550</u>
Total Business-type Activities					
Nondepreciable Capital Assets:					
Land	\$ 6,646,040	\$ -	\$ -	\$ -	\$ 6,646,040
Construction in progress	<u>129,012,389</u>	<u>11,328,184</u>	<u>(108,242)</u>	<u>(130,776,980)</u>	<u>9,455,351</u>
Total Nondepreciable Capital Assets	<u>135,658,429</u>	<u>11,328,184</u>	<u>(108,242)</u>	<u>(130,776,980)</u>	<u>16,101,391</u>
Depreciable Capital Assets:					
Infrastructure	81,549,010	3,896,029		1,565,686	87,010,725
Buildings	74,306,792	36,395	(194,473)	73,505,844	147,654,558
Improvements	203,483,653	436,459		16,631,186	220,551,298
Equipment	9,600,069	818,286	(263,420)	35,604,570	45,759,505
Intangibles	<u>60,228,754</u>			<u>3,480,534</u>	<u>63,709,288</u>
Total Depreciable Capital Assets	<u>429,168,278</u>	<u>5,187,169</u>	<u>(457,893)</u>	<u>130,787,820</u>	<u>564,685,374</u>
Accumulated Depreciation:					
Infrastructure	(15,743,253)	(2,708,326)		692,042	(17,759,537)
Buildings	(49,448,221)	(3,106,157)	124,361	(27,589)	(52,457,606)
Improvements	(77,725,320)	(6,962,509)		(648,969)	(85,336,798)
Equipment	(7,370,581)	(1,600,800)	238,673	(15,484)	(8,748,192)
Intangibles	<u>(3,485,483)</u>	<u>(1,531,756)</u>		<u>(10,840)</u>	<u>(5,028,079)</u>
Total Accumulated Depreciation	<u>(153,772,858)</u>	<u>(15,909,548)</u>	<u>363,034</u>	<u>(10,840)</u>	<u>(169,330,212)</u>
Net Depreciable Capital Assets	<u>275,395,420</u>	<u>(10,722,379)</u>	<u>(94,859)</u>	<u>130,776,980</u>	<u>395,355,162</u>
Net Business-type Capital Assets	<u>\$ 411,053,849</u>	<u>\$ 605,805</u>	<u>\$ (203,101)</u>	<u>\$ -</u>	<u>\$ 411,456,553</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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	\$ 232,255
Police	564,863
Fire	46,156
Development and engineering	1,021,388
Public works	5,657,827
Parks and recreation	1,196,083
Unallocated	820,010
Total Depreciation Expense-Governmental Activities	\$ 9,538,582

Business-type Activities:

Water utility	7,574,068
Sewer utility	5,014,253
Municipal airport	325,122
Solid waste	7,247
Municipal transit	278,365
Drainage	2,710,493
Total Depreciation Expense-Business-type Activities	\$ 15,909,548

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 2008, the City expended \$19,466,614 to preserve its roads. The City estimates that it will be required to expend approximately \$1,667,146 in the fiscal year 2009 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, 2008.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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

A. Current Interfund Balances (Continued)

Receivable Fund	Amount	Payable Fund	Amount
<u>Major Enterprise:</u>		<u>Major Enterprise</u>	
Sewer Utility	\$ 180,835	Water Utility	\$ 180,835
<u>Nonmajor Governmental:</u>		<u>Nonmajor Governmental</u>	
General Projects	\$ 146,300	Community Access CTV	\$ 33,000
State Gas Tax Street	3,373	South County Fire	1,216,000
		TEA	90,700
<u>Major Governmental:</u>		Traffic Congestion Relief	3,373
General	1,895,100	Tracy Gateway	55,600
		Downtown business	5,700
		<u>Major Enterprise:</u>	
		Municipal Transit	483,900
		Municipal Airport	156,500
Totals	\$ 2,044,773		\$ 2,044,773

B. Long-term Interfund Advances

At June 30, 2008, 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	\$ 1,081,535
	Major Governmental Fund: General Fund	244,057
		1,325,592
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
		\$ 13,188,549

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, 2008

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

C. Interfund Transfers

Paying Fund	Transfers out	Receiving Fund	Transfers in
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 1,173,000	General	\$ 2,011,410
Community Development		Community Development	
Debt Service	5,077,951	Agency Housing	1,927,951
<u>Nonmajor Governmental:</u>		<u>Nonmajor Governmental:</u>	
South County Fire	328,410	General Projects	2,548,075
Economic Uncertainty	1,683,000	Community Development Projects	3,150,000
2007 Lease Revenue	4,417,410	Parks COP	1,869,335
<u>Major Enterprise:</u>		<u>Major Enterprise:</u>	
Sewer	75,967	Regional Mall Improvement	889,000
		2007 Lease Revenue	284,000
		Drainage	13,941
		Water	62,026
Totals	\$12,755,738		\$ 12,755,738

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, 2008, total \$2,849,086 for governmental activities and \$428,367 for business-type activities.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008 was \$52,030,000. 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>
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	1,245,000	2,467,612	3,712,612
2014-2018	7,115,000	11,436,732	18,551,732
2019-2023	9,000,000	9,570,599	18,570,599
2024-2028	11,580,000	6,984,899	18,564,899
2029-2033	15,055,000	3,516,795	18,571,795
2034	3,525,000	192,445	3,717,445
	<u>\$ 52,030,000</u>	<u>\$ 44,510,708</u>	<u>\$ 96,540,708</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008 was \$0.

These bonds were refunded by the 2007 Lease Revenue Bonds Series B, issued on October 25, 2007. The 1995 COPs were fully called on October 25, 2007.

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, 2008 was \$10,155,000. 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>
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	375,000	439,222	814,222
2014-2018	2,170,000	1,576,911	3,746,911
2019-2023	2,755,000	1,260,622	4,015,622
2024-2028	3,490,000	464,581	3,954,581
	<u>\$ 10,155,000</u>	<u>\$ 5,666,896</u>	<u>\$ 15,821,896</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation (Continued)

3) 2004 Wastewater Certificates of Participation

The City issued Wastewater Certificates of Participation (COPs) in March 2004. The Wastewater COPs 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 COPs at June 30, 2008 was \$30,380,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	650,000	1,254,027	1,904,027
2014-2018	3,605,000	5,884,341	9,489,341
2019-2023	4,390,000	5,060,815	9,450,815
2024-2028	5,495,000	3,940,513	9,435,513
2029-2033	6,945,000	2,485,439	9,430,439
2034-2037	6,865,000	671,531	7,536,531
	<u>\$ 30,380,000</u>	<u>\$ 24,496,889</u>	<u>\$ 54,876,889</u>

D. Revenue Bonds

1) 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 bonds were fully paid and therefore, the outstanding balance of the 1993 bonds at June 30, 2008 was \$0.

2) 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, 2008 was \$1,925,000. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

2) 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>
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	335,000	17,519	352,519
2014	345,000	6,038	351,038
	<u>\$ 1,925,000</u>	<u>\$ 188,753</u>	<u>\$ 2,113,753</u>

3) 2007 Lease Revenue Bonds – Series A

On October 25, 2007 the City issued \$2,690,000 of 2007 Lease Revenue Bonds Series A. The proceeds of the bonds are to be used to finance the acquisition and construction of a fire station and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest ranging from 4.375% to 4.5%. Principal is payable annually beginning March 1, 2025. Interest is payable semi-annually every March 1 and September 1. Final maturity of the bonds is March 1, 2037. The outstanding balance of the bonds at June 30, 2008 is \$2,690,000. 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>
2009	\$ -	\$ 119,500	\$ 119,500
2010		119,500	119,500
2011		119,500	119,500
2012		119,500	119,500
2013		119,500	119,500
2014-2018		597,500	597,500
2019-2023		597,500	597,500
2024-2028	640,000	560,531	1,200,531
2029-2033	1,040,000	369,950	1,409,950
2034-2037	1,010,000	116,325	1,126,325
	<u>\$ 2,690,000</u>	<u>\$ 2,839,306</u>	<u>\$ 5,529,306</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

4) 2007 Lease Revenue Bonds – Series B

On October 25, 2007 the City issued \$1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2008. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2008 was \$1,840,000.

The proceeds from the bonds along with a reserve fund from the 1995 Certificates were used to immediately call the 1995 bonds. The City has a total overall savings on the refunding of \$281,934 and a net present value savings (economic gain) of \$166,312. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2009	\$ 80,000	\$ 74,980	\$ 154,980
2010	85,000	71,780	156,780
2011	90,000	68,380	158,380
2012	95,000	64,780	159,780
2013	95,000	60,980	155,980
2014-2018	545,000	243,900	788,900
2019-2023	650,000	126,110	776,110
2024-2025	200,000	10,625	210,625
	<u>\$ 1,840,000</u>	<u>\$ 721,535</u>	<u>\$ 2,561,535</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, 2008 was \$1,773,799. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	195,534	54,022	249,556
2014-2017	884,913	113,311	998,224
	<u>\$ 1,773,799</u>	<u>\$ 472,204</u>	<u>\$ 2,246,003</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, 2008 was \$142,147. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	19,464	3,638	23,102
2014-2016	53,478	4,916	58,394
	<u>\$ 142,147</u>	<u>\$ 31,950</u>	<u>\$ 174,097</u>

State of California Department of Health Services Loan – 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 \$628,960 beginning July 1, 2008 with a final maturity date of January 1, 2028. As of June 30, 2008 the City has balance due of \$19,605,040. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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>
2009	\$ 803,837	\$ 454,083	\$ 1,257,920
2010	822,757	435,163	1,257,920
2011	842,122	415,798	1,257,920
2012	861,943	395,977	1,257,920
2013	882,230	375,690	1,257,920
2014-2018	4,732,574	1,557,026	6,289,600
2019-2023	5,316,366	973,234	6,289,600
2024-2028	5,343,211	317,427	5,660,638
	<u>\$ 19,605,040</u>	<u>\$ 4,924,398</u>	<u>\$ 24,529,438</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, 2008 was \$5,000,000. 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>
2009	<u>\$ 5,000,000</u>	<u>\$ 166,664</u>	<u>\$ 5,166,664</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, 2008 was \$70,092. Future installments payable are:

<u>Fiscal Year(s)</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 70,092</u>	<u>\$ 2,662</u>	<u>\$ 72,754</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, 2008 was \$325,441. The future minimum debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

F. Installment Purchase Obligations (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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>\$ 325,441</u>	<u>\$ 40,074</u>	<u>\$ 365,515</u>

G. Changes in Long-Term Liabilities

	Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008	Due Within One Year
Governmental Activities:					
Bonds payable:					
2007 Revenue Bonds A	\$ -	\$ 2,690,000	\$ -	\$ 2,690,000	\$ -
2007 Revenue Bonds B		1,980,000	140,000	1,840,000	80,000
2003 Tax Allocation Bonds	53,065,000		1,035,000	52,030,000	1,065,000
Certificates of Participation					
1995 Certificates of Participation	2,140,000		2,140,000		
1998 Certificates of Participation	10,460,000		305,000	10,155,000	320,000
Capital leases	520,835		125,302	395,533	130,177
Compensated absences	2,334,613	1,681,780	1,167,307	2,849,086	1,081,256
Claims and judgments	625,188		533,471	91,717	45,859
Postretirement benefits	220,771	220,771		441,542	
	<u>\$ 69,366,407</u>	<u>\$ 6,572,551</u>	<u>\$ 5,446,080</u>	<u>\$ 70,492,878</u>	<u>\$ 2,722,292</u>
Governmental activity Long-term liabilities					
Business-type activities:					
Bonds payable:					
1993 Water Revenue Bonds	\$ 330,000	\$ -	\$ 330,000	\$ -	\$ -
2003 Wastewater Revenue Bonds	2,220,000		295,000	1,925,000	300,000
Certificates of Participation					
2004 Wastewater Certificates of Participation	30,995,000		615,000	30,380,000	585,000
Notes Payable:					
U.S. Economic Development	1,927,005		153,206	1,773,799	160,866
Irrigation District Notes	5,000,000			5,000,000	5,000,000
State of California Department of Health Services	18,249,848	1,750,152	394,960	19,605,040	803,837
State of California Department of Transportation	157,285		15,138	142,147	16,003
Compensated absences	393,521	231,608	196,762	428,367	214,184
	<u>\$ 59,272,659</u>	<u>\$ 1,981,760</u>	<u>\$ 2,000,066</u>	<u>\$ 59,254,353</u>	<u>\$ 7,079,890</u>
Business-type activity Long-term liabilities					

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM DEBT (Continued)

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

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

I. Defeased Debt

As of June 30, 2008, 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, 2008, is as follows:

Description	Fiscal Year		Balance Outstanding June 30, 2008
	Issue Year	Maturity Year	
93-1 Community Facilities District	1997	2027	\$ 1,155,000
98-4 Morrison Homes Assessment District	1999	2024	1,940,000
99-1 Community Facilities District, 04 Refunding	2000	2025	8,600,000
99-2 Community Facilities District	2000	2026	3,685,000
2000-02 Assessment District	2000	2026	745,000
2002 Revenue Bonds, Series A	2002	2022	3,690,000
99-2 Community Facilities District, Series 2002	2003	2027	7,340,000
93-1 Community Facilities District, Series 2002	2003	2032	2,030,000
2003-01 Assessment District	2003	2027	900,000
2003-1205 Residential Assessment District, Series A	2003	2022	8,590,000
2003B Junior Lien	2003	2011	430,000
2003C Senior Lien	2003	2011	4,985,000
2003D Junior Lien	2003	2011	1,165,000
89-1 Community Facilities District, Series A	2004	2034	11,525,000
89-1 Community Facilities District, Series B	2004	2034	1,090,000
2005C Revenue bonds (JPA)	2005	2036	14,460,000
2005B Revenue Bonds Junior Lien (JPA)	2005	2036	3,625,000
2005A Revenue Bonds Senior Lien (JPA)	2005	2029	66,870,000
2006-01 NE Industrial Phase II	2006	2036	10,660,000
			\$ 153,485,000

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate \$6.9 million at June 30, 2008.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 9 – CONTINGENCIES AND COMMITMENTS (Continued)

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.

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 12.018% for miscellaneous employees and 24.086% 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 2008, the City's annual pension cost of \$6,217,223 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, 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, 2008, was 29 years for safety, and 22 years for miscellaneous.

Funded Status and Funding Progress: As of June 30, 2007, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 87.7 percent and 80.0 percent funded, respectively. The actual accrued liability for benefits were \$61.7 million (miscellaneous) and \$78.8 million (safety), and the actual value of assets were \$54.1 million (miscellaneous) and \$63.0 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of 7.6 million (miscellaneous) and \$15.8 million (safety). The covered payroll (annual payroll of active employees covered by the plans) were \$17.7 million and \$15.2 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 43.1% and 103.6%, respectively.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2006	\$ 5,080,228	100%	\$ -
6/30/2007	5,534,919	100%	-
6/30/2008	6,217,223	100%	-

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 Governmental Accounting Standards Board Statement No. 45 (GASB 45). The inclusion of the retirees increase 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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, 2008, 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.

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	220,771
Net OPEB obligation - end of year	\$ 441,542

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2006	\$ -	100%	\$ -
6/30/2007	220,771	0%	220,771
6/30/2008	220,771	0%	441,542

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 \$35.7 million, and the ratio of the UAAL to the covered payroll was 4.1 percent.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

A. Net Assets

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008 are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Restricted for Public Safety:		
Asset forfeiture	\$ 75,114	\$ -
Fire protection	<u>1,205,282</u>	
	<u>1,280,396</u>	
Streets and Roads:		
Construction and maintenance	<u>11,602,104</u>	
Community development	<u>690,007</u>	
Housing	<u>13,037,871</u>	
Special Districts:		
Parking	56,034	
Landscaping	<u>2,374,981</u>	
	<u>2,431,015</u>	
Debt Service:		
Redevelopment	3,329,558	
Sewer		243,659
Other	<u>2,826,334</u>	
	<u>6,155,892</u>	
Projects:		
Redevelopment	7,558,098	
Specific areas/locations	<u>91,336,485</u>	
	<u>98,894,583</u>	
Total restricted net assets	<u>\$ 134,091,868</u>	<u>\$ 243,659</u>

Included in total governmental restricted net assets at June 30, 2008 are net assets restricted by enabling legislation of \$92,833,483.

NOTE 15 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 2188

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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.

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, 2008, the City contributed \$2,139,154 for current year coverage and received refunds of \$703,031.

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 17 – RISK MANAGEMENT (Continued)

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.

The City's liability for uninsured claims was estimated by management based on prior year claims experience and the third party JPA where the City as of June 30, 2008 has reserve deposits which cover claims and IBNRS except for \$91,717.

	Worker's Compensation	General Liability	Totals	
			2008	2007
Beginning balance	\$ 331,758	\$ 293,430	\$ 625,188	\$ 406,758
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)				566,634
Claims paid	(283,088)	(250,383)	(533,471)	(348,204)
Ending balance	<u>\$ 48,670</u>	<u>\$ 43,047</u>	<u>\$ 91,717</u>	<u>\$ 625,188</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2008**

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
6/30/2005	\$ 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%
6/30/2007	61,743,710	54,135,201	7,608,509	87.7%	17,659,100	43.1%

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
6/30/2005	\$ 62,570,569	\$48,928,492	\$ 13,642,077	78.2%	\$12,374,018	110.2%
6/30/2006	69,738,408	55,543,596	14,194,812	79.6%	13,271,346	107.0%
6/30/2007	78,759,367	63,039,853	15,719,514	80.0%	15,179,627	103.6%

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, 2008**

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 \$1,667,146 in fiscal year 2009. 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	74	13,605,000	19,466,614
2009	72	1,667,146	-

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 \$19,466,614 for street preservation for fiscal year 2008.

Postemployment Benefit Plans Other Than Pensions

Trend Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH PLAN
BI-ANNUAL

<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
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Data

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of committees and workshops and the final adoption of the budget is scheduled for June of each year.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public meeting is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund where an expenditure control budget policy allows departments to carryover a portion of the unexpended amounts into the next fiscal year.

CITY OF TRACY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Budgetary Data (Continued)

5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.
6. Legally adopted budget appropriations are set for the General, Special Revenue, and Debt Service Funds.
7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.
8. Budgets for General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
REVENUES				
Taxes	\$ 35,878,600	\$ 35,878,600	\$ 34,655,186	\$ (1,223,414)
Licenses, permits, and fees	3,513,550	3,513,550	2,839,229	(674,321)
Fines and forfeitures	936,000	936,000	1,515,274	579,274
Use of money and property	957,000	957,000	2,268,404	1,311,404
Intergovernmental	1,763,600	1,811,050	1,422,094	(388,956)
Charges for services	5,064,630	5,064,630	4,903,783	(160,847)
Other revenues	1,331,000	1,335,000	1,802,714	467,714
Special assessments	310,000	310,000	319,500	9,500
Total revenues	<u>49,754,380</u>	<u>49,805,830</u>	<u>49,726,184</u>	<u>(79,646)</u>
EXPENDITURES				
Current:				
General government:				
Cultural arts	1,701,300	1,916,480	1,938,594	(22,114)
City clerk	288,870	293,310	316,577	(23,267)
City council	109,370	110,870	111,774	(904)
City attorney	855,530	855,530	863,132	(7,602)
City treasurer	349,830	342,730	335,894	6,836
Administration	1,193,390	1,135,650	1,117,655	17,995
Human resources	1,071,280	1,116,980	1,146,892	(29,912)
Finance	1,851,110	1,836,110	1,803,443	32,667
Non-departmental	510,000	453,420	627,799	(174,379)
Public safety:				
Police	21,915,000	21,922,975	20,138,902	1,784,073
Fire	7,456,700	7,613,300	7,542,935	70,365
Public works:				
Development and engineering	7,546,550	7,622,222	6,993,060	629,162
Public works	5,014,670	5,034,670	4,157,756	876,914
Culture and leisure:				
Parks and community services	3,752,390	3,789,190	3,146,194	642,996
Capital outlay	698,340	1,595,928	856,668	739,260
Total expenditures	<u>54,314,330</u>	<u>55,639,365</u>	<u>51,097,275</u>	<u>4,542,090</u>
Excess of revenues over (under) expenditures	<u>(4,559,950)</u>	<u>(5,833,535)</u>	<u>(1,371,091)</u>	<u>4,462,444</u>
Other financing sources (uses):				
Transfers in	5,733,000	5,733,000	2,011,410	(3,721,590)
Transfers out	<u>(1,173,000)</u>	<u>(1,173,000)</u>	<u>(1,173,000)</u>	<u></u>
Total other financing sources (uses)	<u>4,560,000</u>	<u>4,560,000</u>	<u>838,410</u>	<u>(3,721,590)</u>
Net change in fund balance	50	(1,273,535)	(532,681)	740,854
Fund balance at beginning of fiscal year:	<u>19,111,270</u>	<u>19,111,270</u>	<u>19,111,270</u>	<u></u>
Fund balance at end of fiscal year	<u>\$ 19,111,320</u>	<u>\$ 17,837,735</u>	<u>\$ 18,578,589</u>	<u>\$ 740,854</u>

See accompanying notes to required supplemental information

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 42,000	\$ 42,000	\$ 366,937	\$ 324,937
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>366,937</u>	<u>324,937</u>
EXPENDITURES				
Current:				
General government:	67,400	63,243	68,883	(5,640)
Public works:				
Development and engineering	494,350	5,537,616	2,318,823	3,218,793
Total expenditures	<u>561,750</u>	<u>5,600,859</u>	<u>2,387,706</u>	<u>3,213,153</u>
Excess of revenues over (under) expenditures	<u>(519,750)</u>	<u>(5,558,859)</u>	<u>(2,020,769)</u>	<u>3,538,090</u>
Other financing sources (uses):				
Transfers in	1,840,200	1,840,200	1,927,951	87,751
Total other financing sources (uses)	<u>1,840,200</u>	<u>1,840,200</u>	<u>1,927,951</u>	<u>87,751</u>
Net change in fund balance	1,320,450	(3,718,659)	(92,818)	3,625,841
Fund balance at beginning of fiscal year	<u>6,102,528</u>	<u>6,102,528</u>	<u>6,102,528</u>	
Fund balance at end of fiscal year	<u><u>\$ 7,422,978</u></u>	<u><u>\$ 2,383,869</u></u>	<u><u>\$ 6,009,710</u></u>	<u><u>\$ 3,625,841</u></u>

See accompanying notes to required supplemental information

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OTHER SUPPLEMENTAL INFORMATION

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 9,629,400	\$ 10,153,405	\$ 524,005
Use of money and property	21,000	399,571	378,571
Intergovernmental	720,000	704,941	(15,059)
Total revenues	<u>10,370,400</u>	<u>11,257,917</u>	<u>887,517</u>
EXPENDITURES			
Current:			
Intergovernmental	2,011,900	3,176,854	(1,164,954)
Debt service:			
Principal payments	1,035,000	1,035,000	
Interest and fiscal charges	2,693,100	2,690,489	2,611
Total expenditures	<u>5,740,000</u>	<u>6,902,343</u>	<u>(1,162,343)</u>
Excess of revenues over (under) expenditures	<u>4,630,400</u>	<u>4,355,574</u>	<u>(274,826)</u>
Other financing sources (uses):			
Transfers out	(4,990,200)	(5,077,951)	(87,751)
Total other financing sources (uses)	<u>(4,990,200)</u>	<u>(5,077,951)</u>	<u>(87,751)</u>
Net change in fund balance	(359,800)	(722,377)	(362,577)
Fund balance at beginning of fiscal year	<u>4,934,075</u>	<u>4,934,075</u>	
Fund balance at end of fiscal year	<u>\$ 4,574,275</u>	<u>\$ 4,211,698</u>	<u>\$ (362,577)</u>

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.

PROPOSITION 1B FUND

Established to account for the revenues from the State of California generated by the issuance of general obligation bonds. The revenues are to be used for highway safety, traffic reduction, and air quality.

TRANSPORTATION DEVELOPMENT FUND

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

PROPOSITION K TRANSPORTATION FUND

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

STATE GAS TAX STREET FUND

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

TEA GRANT FUND

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

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

LANDSCAPING DISTRICT FUND

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND

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

SOUTH COUNTY FIRE AUTHORITY FUND

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

TRAFFIC CONGESTION RELIEF FUND

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

COMMUNITY ACCESS CTV FUND

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

INTEREST STABILIZATION FUND

This fund was established to account for the excess interest earned on investments to be used for the stabilization of market rate increases or decreases.

DEBT SERVICE FUNDS

PARKS COP FUND

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

REGIONAL MALL IMPROVEMENT FUND

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

2007 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the lease revenue bonds issued to 1) refund the prior Certificates of Participation and 2) finance the acquisition and construction of a fire station.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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.

INFILL PROJECTS FUND

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

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

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.

PLAN C FUND

Plan C is a development area of the City which was approved in 1998. Capital development fees levied on developers in this area and the related expenditures are accounted for in this fund.

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
Assets				
Cash and investments	\$ 17,938,924	\$ 57,058	\$ 21	\$ 75,597
Cash and investments with fiscal agents				
Accounts receivable			40,251	
Interest receivable		546		583
Due from other funds				
Advances to other funds				
Prepaid items				
Total Assets	<u>\$ 17,938,924</u>	<u>\$ 57,604</u>	<u>\$ 40,272</u>	<u>\$ 76,180</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,570	\$ 10,987	\$ 1,066
Due to other funds			5,700	
Deposits payable				
Deferred revenue			36,675	
Advances from other funds				
Total Liabilities		<u>1,570</u>	<u>53,362</u>	<u>1,066</u>
Fund Balances:				
Reserved:				
Prepaid items				
Projects				
Encumbrances				
Debt service				
Advances				
Unreserved:				
Undesignated	<u>17,938,924</u>	<u>56,034</u>	<u>(13,090)</u>	<u>75,114</u>
Total Fund Balances	<u>17,938,924</u>	<u>56,034</u>	<u>(13,090)</u>	<u>75,114</u>
Total Liabilities and Fund Balances	<u>\$ 17,938,924</u>	<u>\$ 57,604</u>	<u>\$ 40,272</u>	<u>\$ 76,180</u>

Special Revenue Funds

Proposition 1b	Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 1,315,720	\$ 1,582,347	\$ 3,569,924	\$ 4,455,530	\$ 81	\$ 72,064	\$ 2,543,778
	10,581	1,101,231 26,702	463,861 35,597 3,373	83,477 32,782	67,363 158	14,028
<u>\$ 1,315,720</u>	<u>\$ 1,592,928</u>	<u>\$ 4,697,857</u>	<u>\$ 4,958,361</u>	<u>\$ 116,340</u>	<u>\$ 139,585</u>	<u>\$ 2,557,806</u>
\$ -	\$ -	\$ 512,046	\$ 464,283	\$ 12,073 90,700	\$ 120,851	\$ 182,825
					16,640	
		<u>512,046</u>	<u>464,283</u>	<u>102,773</u>	<u>137,491</u>	<u>182,825</u>
		47,912	49,780	652,294		76,755
<u>1,315,720</u>	<u>1,592,928</u>	<u>4,137,899</u>	<u>4,444,298</u>	<u>(638,727)</u>	<u>2,094</u>	<u>2,298,226</u>
<u>1,315,720</u>	<u>1,592,928</u>	<u>4,185,811</u>	<u>4,494,078</u>	<u>13,567</u>	<u>2,094</u>	<u>2,374,981</u>
<u>\$ 1,315,720</u>	<u>\$ 1,592,928</u>	<u>\$ 4,697,857</u>	<u>\$ 4,958,361</u>	<u>\$ 116,340</u>	<u>\$ 139,585</u>	<u>\$ 2,557,806</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
Assets				
Cash and investments	\$ 716,090	\$ 24,024	\$ -	\$ 4
Cash and investments with fiscal agents				
Accounts receivable		2,529,945		27,376
Interest receivable	4,711		3,373	
Due from other funds				
Advances to other funds				
Prepaid items		315		
Total Assets	\$ 720,801	\$ 2,554,284	\$ 3,373	\$ 27,380
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,679	\$ 38,904	\$ -	\$ 992
Due to other funds		1,216,000	3,373	33,000
Deposits payable		15,058		
Deferred revenue	27,209	79,040		
Advances from other funds				82,300
Total Liabilities	32,888	1,349,002	3,373	116,292
Fund Balances:				
Reserved:				
Prepaid items		315		
Projects				
Encumbrances		110,469		
Debt service				
Advances				
Unreserved:				
Undesignated	687,913	1,094,498		(88,912)
Total Fund Balances	687,913	1,205,282		(88,912)
Total Liabilities and Fund Balances	\$ 720,801	\$ 2,554,284	\$ 3,373	\$ 27,380

Special Revenue Funds	Debt Service Funds			Capital Projects Funds		
	2007 Lease Revenue Bonds	Parks COP	Regional Mall Improvement	Residential Specific Plan Projects	General Projects	Infill Projects
\$ 1,634,187	\$ 73,622 2,650	\$ 300,176	\$ 1,764,005 866,138	\$ 10,282,829	\$ 11,709,739 6,041,822	\$ 5,395,782
584,333		2,620	9,937	2,678 85,521	146,300 82,300	1,023 48,719
<u>\$ 2,218,520</u>	<u>\$ 76,272</u>	<u>\$ 302,796</u>	<u>\$ 2,640,080</u>	<u>\$ 10,371,028</u>	<u>\$ 17,980,161</u>	<u>\$ 5,445,524</u>
\$ -	\$ -	\$ -	\$ -	\$ 18,474	\$ 201,350	\$ 767
					832,265	
				18,474	1,033,615	767
					6,041,822	
				626,834	1,487,400	13,610
	76,272	302,796	2,640,080		82,300	
<u>2,218,520</u>				<u>9,725,720</u>	<u>9,335,024</u>	<u>5,431,147</u>
<u>2,218,520</u>	<u>76,272</u>	<u>302,796</u>	<u>2,640,080</u>	<u>10,352,554</u>	<u>16,946,546</u>	<u>5,444,757</u>
<u>\$ 2,218,520</u>	<u>\$ 76,272</u>	<u>\$ 302,796</u>	<u>\$ 2,640,080</u>	<u>\$ 10,371,028</u>	<u>\$ 17,980,161</u>	<u>\$ 5,445,524</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008
(Continued)

	Capital Projects Funds			
	I-205 Area Improvements	Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposit
Assets				
Cash and investments	\$ 2,336,396	\$ 7,882,263	\$ 6,449,591	\$ 924,251
Cash and investments with fiscal agents				
Accounts receivable			393	
Interest receivable	16,571	48,967	52,665	9,766
Due from other funds				
Advances to other funds				
Prepaid items				
Total Assets	\$ 2,352,967	\$ 7,931,230	\$ 6,502,649	\$ 934,017
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 13,755	\$ 373,132	\$ 283,995	\$ -
Due to other funds				
Deposits payable	1,188,104		408,951	
Deferred revenue				
Advances from other funds				
Total Liabilities	1,201,859	373,132	692,946	
Fund Balances:				
Reserved:				
Prepaid items				
Projects				
Encumbrances	280,291	229,974	336,913	39,290
Debt service				
Advances				
Unreserved:				
Undesignated	870,817	7,328,124	5,472,790	894,727
Total Fund Balances	1,151,108	7,558,098	5,809,703	934,017
Total Liabilities and Fund Balances	\$ 2,352,967	\$ 7,931,230	\$ 6,502,649	\$ 934,017

Capital Projects Funds

<u>Assessment District 87-3 Improvement</u>	<u>South MacArthur Plan Area</u>	<u>Industrial Specific Plan South</u>	<u>Presidio Plan Area</u>	<u>Tracy Gateway Area</u>	<u>Plan "C"</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 28,768	\$ 7,202,353	\$ 1,888,644	\$ 5,756,837 5,563	\$ 4 55,596	\$ 27,080,803	\$ 123,061,412 6,916,173 4,373,194 1,358,212 149,673 82,300 315
244	63,935	17,261	49,151		239,461	
<u>\$ 29,012</u>	<u>\$ 7,266,288</u>	<u>\$ 1,905,905</u>	<u>\$ 5,811,551</u>	<u>\$ 55,600</u>	<u>\$ 27,320,264</u>	<u>\$ 135,941,279</u>
\$ -	\$ 60,544	\$ 32,267	\$ - 825,000	\$ - 55,600	\$ 609,301	\$ 2,944,861 1,404,373 3,269,378 159,564 82,300
	60,544	32,267	825,000	55,600	609,301	7,860,476
						315 6,047,385 5,698,453 3,019,148 82,300
29,012	7,046,983	1,762,799	4,941,032		25,273,588	113,233,202
29,012	7,205,744	1,873,638	4,986,551		26,710,963	128,080,803
<u>\$ 29,012</u>	<u>\$ 7,266,288</u>	<u>\$ 1,905,905</u>	<u>\$ 5,811,551</u>	<u>\$ 55,600</u>	<u>\$ 27,320,264</u>	<u>\$ 135,941,279</u>

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property		3,783		4,037
Intergovernmental				
Special assessments		307	29,600	
Other revenues			100,400	47,581
Charges for services				
Total Revenues		<u>4,090</u>	<u>130,000</u>	<u>51,618</u>
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental				
Public safety				
Police				23,089
Fire				
Public works				
Development and engineering		15,350	141,841	
Public works				
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Debt issuance costs				
Total Expenditures		<u>15,350</u>	<u>141,841</u>	<u>23,089</u>
Excess of Revenues Over (Under) Expenditures		<u>(11,260)</u>	<u>(11,841)</u>	<u>28,529</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Transfers in				
Transfers out	<u>(1,683,000)</u>			
Total Other Financing Sources (Uses)	<u>(1,683,000)</u>			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,683,000)	(11,260)	(11,841)	28,529
Fund Balances, July 1, 2007	<u>19,621,924</u>	<u>67,294</u>	<u>(1,249)</u>	<u>46,585</u>
Fund Balances, June 30, 2008	<u>\$ 17,938,924</u>	<u>\$ 56,034</u>	<u>\$ (13,090)</u>	<u>\$ 75,114</u>

Special Revenue Funds

Proposition 1b	Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ -	\$ 2,073,186	\$ 1,166,103	\$ -	\$ -	\$ -	\$ -
12,031	73,278	184,910	249,161		1,092	97,149
1,304,551		743,492	1,423,387	219,439	423,982	2,273,642
						9,589
<u>1,316,582</u>	<u>2,146,464</u>	<u>2,094,505</u>	<u>1,672,548</u>	<u>219,439</u>	<u>425,074</u>	<u>2,380,380</u>
	52,850		49,040			96,450
862	150,000 1,682,086	1,411,961	204,000 594,503	219,434	89,816 334,000	1,681,726
<u>862</u>	<u>1,884,936</u>	<u>1,411,961</u>	<u>847,543</u>	<u>219,434</u>	<u>423,816</u>	<u>1,778,176</u>
<u>1,315,720</u>	<u>261,528</u>	<u>682,544</u>	<u>825,005</u>	<u>5</u>	<u>1,258</u>	<u>602,204</u>
1,315,720	261,528	682,544	825,005	5	1,258	602,204
	1,331,400	3,503,267	3,669,073	13,562	836	1,772,777
<u>\$ 1,315,720</u>	<u>\$ 1,592,928</u>	<u>\$ 4,185,811</u>	<u>\$ 4,494,078</u>	<u>\$ 13,567</u>	<u>\$ 2,094</u>	<u>\$ 2,374,981</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, 2008
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	34,514		23,348	
Intergovernmental		7,336,399		
Special assessments				
Other revenues				
Charges for services		168,191		113,886
Total Revenues	<u>34,514</u>	<u>7,504,590</u>	<u>23,348</u>	<u>113,886</u>
EXPENDITURES:				
Current:				
General government				
Administration				91,449
Non-departmental				30,163
Public safety				
Police				
Fire		7,059,219		
Public works				
Development and engineering				
Public works			356,118	
Capital outlay		189,363		
Debt service:				
Principal payments				
Interest and fiscal charges				
Debt issuance costs				
Total Expenditures		<u>7,248,582</u>	<u>356,118</u>	<u>121,612</u>
Excess of Revenues Over (Under) Expenditures	<u>34,514</u>	<u>256,008</u>	<u>(332,770)</u>	<u>(7,726)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Transfers in				
Transfers out		(328,410)		
Total Other Financing Sources (Uses)		<u>(328,410)</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	34,514	(72,402)	(332,770)	(7,726)
Fund Balances, July 1, 2007	<u>653,399</u>	<u>1,277,684</u>	<u>332,770</u>	<u>(81,186)</u>
Fund Balances, June 30, 2008	<u>\$ 687,913</u>	<u>\$ 1,205,282</u>	<u>\$ -</u>	<u>\$ (88,912)</u>

Special Revenue Funds	Debt Service Funds			Capital Projects Funds			
	Interest Stabilization	2007 Lease Revenue Bonds	Parks COP	Regional Mall Improvement	Residential Specific Plan Projects	General Projects	Infill Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,218,520	161	23,700	116,358	623,384	219,458	337,375	
				445,419	1,293 19,673	596,085	
<u>2,218,520</u>	<u>161</u>	<u>23,700</u>	<u>116,358</u>	<u>1,068,803</u>	<u>240,424</u>	<u>933,460</u>	
				489,244	2,756,794	956,306	
	140,000	2,140,000	305,000				
	83,436	91,899	523,945				
	237,043						
	460,479	2,231,899	828,945	489,244	2,756,794	956,306	
2,218,520	(460,318)	(2,208,199)	(712,587)	579,559	(2,516,370)	(22,846)	
	4,670,000						
	284,000	1,869,335	889,000		2,548,075		
	(4,417,410)						
	536,590	1,869,335	889,000		2,548,075		
2,218,520	76,272	(338,864)	176,413	579,559	31,705	(22,846)	
		641,660	2,463,667	9,772,995	16,914,841	5,467,603	
<u>\$ 2,218,520</u>	<u>\$ 76,272</u>	<u>\$ 302,796</u>	<u>\$ 2,640,080</u>	<u>\$ 10,352,554</u>	<u>\$ 16,946,546</u>	<u>\$ 5,444,757</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, 2008
(Continued)

	Capital Project Funds			
	I-205 Area Improvements	Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposits
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	122,508	408,678	364,709	67,623
Intergovernmental				
Special assessments	671,900			
Other revenues	194,687	995,199	157,714	
Charges for services				
Total Revenues	989,095	1,403,877	522,423	67,623
EXPENDITURES:				
Current:				
General government				
Administration				
Non-departmental		79,160		
Public safety				
Police				
Fire				
Public works				
Development and engineering		405,078		
Public works				
Capital outlay	239,924	7,295,368	552,515	494,442
Debt service:				
Principal payments				
Interest and fiscal charges				
Debt issuance costs				
Total Expenditures	239,924	7,779,606	552,515	494,442
Excess of Revenues Over (Under) Expenditures	749,171	(6,375,729)	(30,092)	(426,819)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Transfers in		3,150,000		
Transfers out				
Total Other Financing Sources (Uses)		3,150,000		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	749,171	(3,225,729)	(30,092)	(426,819)
Fund Balances, July 1, 2007	401,937	10,783,827	5,839,795	1,360,836
Fund Balances, June 30, 2008	<u>\$ 1,151,108</u>	<u>\$ 7,558,098</u>	<u>\$ 5,809,703</u>	<u>\$ 934,017</u>

Capital Projects Funds

Assessment District 87-3 Improvement	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Tracy Gateway Area	Plan "C"	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,239,289
1,689	474,229	119,526	348,209		1,658,217	7,787,647
	39,257	34,864			430,618	11,451,250
				16,440		4,522,985
						1,541,283
						282,077
1,689	513,486	154,390	348,209	16,440	2,088,835	28,824,531
						91,449
						307,663
						23,089
						7,059,219
						802,085
						3,923,930
	2,643,627	322,884	973,700	16,440	3,784,509	23,275,876
						2,585,000
						699,280
						237,043
	2,643,627	322,884	973,700	16,440	3,784,509	39,004,634
1,689	(2,130,141)	(168,494)	(625,491)		(1,695,674)	(10,180,103)
						4,670,000
						8,740,410
						(6,428,820)
						6,981,590
1,689	(2,130,141)	(168,494)	(625,491)		(1,695,674)	(3,198,513)
27,323	9,335,885	2,042,132	5,612,042		28,406,637	131,279,316
\$ 29,012	\$ 7,205,744	\$ 1,873,638	\$ 4,986,551	\$ -	\$ 26,710,963	\$ 128,080,803

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, 2008

	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		3,783	3,783			
Intergovernmental						
Special assessments		307	307	34,350	29,600	(4,750)
Other revenues				139,660	100,400	(39,260)
Charges for services						
Total Revenues		<u>4,090</u>	<u>4,090</u>	<u>174,010</u>	<u>130,000</u>	<u>(44,010)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering	35,440	15,350	20,090	166,230	141,841	24,389
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Debt issuance costs						
Total Expenditures	<u>35,440</u>	<u>15,350</u>	<u>20,090</u>	<u>166,230</u>	<u>141,841</u>	<u>24,389</u>
Excess of revenues over (under) expenditures	<u>(35,440)</u>	<u>(11,260)</u>	<u>24,180</u>	<u>7,780</u>	<u>(11,841)</u>	<u>(19,621)</u>
Other Financing Sources (Uses):						
Proceeds from issuance of long term debt						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (35,440)</u>	<u>(11,260)</u>	<u>\$ 24,180</u>	<u>\$ 7,780</u>	<u>(11,841)</u>	<u>\$ (19,621)</u>
Fund Balances, July 1, 2007		<u>67,294</u>			<u>(1,249)</u>	
Fund Balances, June 30, 2008		<u>\$ 56,034</u>			<u>\$ (13,090)</u>	

Asset Forfeiture			Transportation Development			Proposition K Transportation Tax		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 2,300,000	\$ 2,073,186	\$ (226,814)	\$ 1,294,000	\$ 1,166,103	\$ (127,897)
	4,037	4,037		73,278	73,278		184,910	184,910
						2,290,977	743,492	(1,547,485)
5,000	47,581	42,581						
<u>5,000</u>	<u>51,618</u>	<u>46,618</u>	<u>2,300,000</u>	<u>2,146,464</u>	<u>(153,536)</u>	<u>3,584,977</u>	<u>2,094,505</u>	<u>(1,490,472)</u>
			43,600	52,850	(9,250)			
28,461	23,089	5,372						
			155,000	150,000	5,000			
			2,088,050	1,682,086	405,964			
						3,060,977	1,411,961	1,649,016
<u>28,461</u>	<u>23,089</u>	<u>5,372</u>	<u>2,286,650</u>	<u>1,884,936</u>	<u>401,714</u>	<u>3,060,977</u>	<u>1,411,961</u>	<u>1,649,016</u>
<u>(23,461)</u>	<u>28,529</u>	<u>51,990</u>	<u>13,350</u>	<u>261,528</u>	<u>248,178</u>	<u>524,000</u>	<u>682,544</u>	<u>158,544</u>
<u>\$ (23,461)</u>	<u>28,529</u>	<u>\$ 51,990</u>	<u>\$ 13,350</u>	<u>261,528</u>	<u>\$ 248,178</u>	<u>\$ 524,000</u>	<u>682,544</u>	<u>\$ 158,544</u>
	<u>46,585</u>			<u>1,331,400</u>			<u>3,503,267</u>	
	<u>\$ 75,114</u>			<u>\$ 1,592,928</u>			<u>\$ 4,185,811</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, 2008
(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		249,161	249,161			
Intergovernmental	1,552,800	1,423,387	(129,413)	1,732,718	219,439	(1,513,279)
Special assessments						
Other revenues						
Charges for services						
Total Revenues	<u>1,552,800</u>	<u>1,672,548</u>	<u>119,748</u>	<u>1,732,718</u>	<u>219,439</u>	<u>(1,513,279)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental	48,350	49,040	(690)			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works	202,300	204,000	(1,700)			
Intergovernmental						
Capital outlay	1,688,000	594,503	1,093,497	1,732,718	219,434	1,513,284
Debt service:						
Principal payments						
Interest and fiscal charges						
Debt issuance costs						
Total Expenditures	<u>1,938,650</u>	<u>847,543</u>	<u>1,091,107</u>	<u>1,732,718</u>	<u>219,434</u>	<u>1,513,284</u>
Excess of revenues over (under) expenditures	<u>(385,850)</u>	<u>825,005</u>	<u>1,210,855</u>		<u>5</u>	<u>5</u>
Other Financing Sources (Uses):						
Proceeds from issuance of long term debt						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (385,850)</u>	<u>825,005</u>	<u>\$ 1,210,855</u>	<u>\$ -</u>	<u>5</u>	<u>\$ 5</u>
Fund Balances, July 1, 2007		<u>3,669,073</u>			<u>13,562</u>	
Fund Balances, June 30, 2008		<u>\$ 4,494,078</u>			<u>\$ 13,567</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
411,585	1,092 423,982	1,092 12,397	7,000	97,149	90,149	7,148,720	7,336,399	187,679
			2,277,970	2,273,642 9,589	(4,328) 9,589	206,600	168,191	(38,409)
411,585	425,074	13,489	2,284,970	2,380,380	95,410	7,355,320	7,504,590	149,270
			93,400	96,450	(3,050)			
						6,903,812	7,059,219	(155,407)
92,120	89,816	2,304	1,903,460	1,681,726	221,734			
334,135	334,000	135				218,048	189,363	28,685
426,255	423,816	2,439	1,996,860	1,778,176	218,684	7,121,860	7,248,582	(126,722)
(14,670)	1,258	15,928	288,110	602,204	314,094	233,460	256,008	22,548
							(328,410)	(328,410)
							(328,410)	(328,410)
<u>\$ (14,670)</u>	1,258	<u>\$ 15,928</u>	<u>\$ 288,110</u>	602,204	<u>\$ 314,094</u>	<u>\$ 233,460</u>	(72,402)	<u>\$ (305,862)</u>
	836			1,772,777			1,277,684	
	<u>\$ 2,094</u>			<u>\$ 2,374,981</u>			<u>\$ 1,205,282</u>	

(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, 2008
(Continued)

	Community Access CTV			Parks COP		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Use of money and property					23,700	23,700
Intergovernmental						
Special assessments						
Other revenues						
Charges for services	123,500	113,886	(9,614)			
Total Revenues	<u>123,500</u>	<u>113,886</u>	<u>(9,614)</u>		<u>23,700</u>	<u>23,700</u>
Expenditures:						
Current:						
General government						
Administration	100,980	91,449	9,531			
Non-departmental	22,080	30,163	(8,083)			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments				135,000	2,140,000	(2,005,000)
Interest and fiscal charges				147,300	91,899	55,401
Debt issuance costs						
Total Expenditures	<u>123,060</u>	<u>121,612</u>	<u>1,448</u>	<u>282,300</u>	<u>2,231,899</u>	<u>(1,949,599)</u>
Excess of revenues over (under) expenditures	<u>440</u>	<u>(7,726)</u>	<u>(8,166)</u>	<u>(282,300)</u>	<u>(2,208,199)</u>	<u>(1,925,899)</u>
Other Financing Sources (Uses):						
Proceeds from issuance of long term debt						
Transfers in				284,000	1,869,335	1,585,335
Transfers out						
Total Other Financing Sources (Uses)				<u>284,000</u>	<u>1,869,335</u>	<u>1,585,335</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 440</u>	<u>(7,726)</u>	<u>\$ (8,166)</u>	<u>\$ 1,700</u>	<u>(338,864)</u>	<u>\$ (340,564)</u>
Fund Balances, July 1, 2007		<u>(81,186)</u>			<u>641,660</u>	
Fund Balances, June 30, 2008		<u>\$ (88,912)</u>			<u>\$ 302,796</u>	

Regional Mall Improvement			2007 Lease Revenue Bonds		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	116,358	116,358		161	161
	<u>116,358</u>	<u>116,358</u>		<u>161</u>	<u>161</u>

305,000	305,000			140,000	(140,000)
				83,436	(83,436)
<u>582,700</u>	<u>523,945</u>	<u>58,755</u>	<u>255,080</u>	<u>237,043</u>	<u>18,037</u>
<u>887,700</u>	<u>828,945</u>	<u>58,755</u>	<u>255,080</u>	<u>460,479</u>	<u>(205,399)</u>
<u>(887,700)</u>	<u>(712,587)</u>	<u>175,113</u>	<u>(255,080)</u>	<u>(460,318)</u>	<u>(205,238)</u>
			4,670,000	4,670,000	
889,000	889,000			284,000	284,000
			<u>(4,414,920)</u>	<u>(4,417,410)</u>	<u>(2,490)</u>
<u>889,000</u>	<u>889,000</u>		<u>255,080</u>	<u>536,590</u>	<u>281,510</u>
<u>\$ 1,300</u>	176,413	<u>\$ 175,113</u>	<u>\$ -</u>	76,272	<u>\$ 76,272</u>
	<u>2,463,667</u>				
	<u>\$ 2,640,080</u>			<u>\$ 76,272</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, 2008**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
ASSETS			
Current assets:			
Cash and investments	\$ 801,870	\$ 527,433	\$ 5,131,645
Accounts receivable - net			
	<u>801,870</u>	<u>527,433</u>	<u>5,131,645</u>
Total current assets			
Noncurrent Assets:			
Loans receivable			129,099
Capital Assets:			
Nondepreciable:			
Artwork			7,611
Depreciable:			
Buildings	266,462		51,093
Improvements	545,513	9,239	
Equipment	81,896	92,919	19,906,284
	<u>893,871</u>	<u>102,158</u>	<u>19,957,377</u>
Total depreciable capital assets			
Less accumulated depreciation	<u>(582,457)</u>	<u>(66,406)</u>	<u>(10,716,160)</u>
Depreciable capital assets, net	<u>311,414</u>	<u>35,752</u>	<u>9,241,217</u>
Total capital assets, net	<u>311,414</u>	<u>35,752</u>	<u>9,248,828</u>
Total Assets	<u>\$ 1,113,284</u>	<u>\$ 563,185</u>	<u>\$ 14,509,572</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 463,128	\$ 4,820,848 8,138	\$ 11,744,924 8,138
<u>463,128</u>	<u>4,828,986</u>	<u>11,753,062</u>
		<u>129,099</u>
		<u>7,611</u>
		317,555 554,752 <u>20,127,475</u>
<u>28,157</u>	<u>18,219</u>	
28,157	18,219	20,999,782
<u>(28,157)</u>	<u>(18,219)</u>	<u>(11,411,399)</u>
		<u>9,588,383</u>
		<u>9,595,994</u>
<u>\$ 463,128</u>	<u>\$ 4,828,986</u>	<u>\$ 21,478,155</u>

(Continued)

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2008
(Continued)

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 25,065	\$ 14,559	\$ 217,727
Claims and judgments payable			
Accrued interest payable			8,285
	<u>25,065</u>	<u>14,559</u>	<u>226,012</u>
Total current liabilities			
Noncurrent Liabilities:			
Capital lease payable			395,533
Compensated absences	27,293	117,198	
Claims and judgments payable			
	<u>27,293</u>	<u>117,198</u>	<u>395,533</u>
Total noncurrent liabilities			
Total Liabilities	<u>52,358</u>	<u>131,757</u>	<u>621,545</u>
NET ASSETS			
Investment in capital assets, net of related debt	311,414	35,752	8,853,295
Unrestricted	<u>749,512</u>	<u>395,676</u>	<u>5,034,732</u>
Total Net Assets	<u>\$ 1,060,926</u>	<u>\$ 431,428</u>	<u>\$ 13,888,027</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 12,015	\$ 15,190 45,859	\$ 284,556 45,859 8,285
<u>12,015</u>	<u>61,049</u>	<u>338,700</u>
		395,533
26,128	15,282 45,858	185,901 45,858
<u>26,128</u>	<u>61,140</u>	<u>627,292</u>
<u>38,143</u>	<u>122,189</u>	<u>965,992</u>
		9,200,461
<u>424,985</u>	<u>4,706,797</u>	<u>11,311,702</u>
<u>\$ 424,985</u>	<u>\$ 4,706,797</u>	<u>\$ 20,512,163</u>

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008**

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,271,177	\$ 1,299,450	\$ 2,086,202
Other revenues	44	\$ 881	
Total Operating Revenues	<u>1,271,221</u>	<u>1,300,331</u>	<u>2,086,202</u>
Expenses:			
Maintenance and operation	1,253,991	1,597,636	309,908
Administration	28,220		
Insurance costs and claims			
Depreciation	<u>45,474</u>	<u>5,689</u>	<u>1,806,809</u>
Total Expenses	<u>1,327,685</u>	<u>1,603,325</u>	<u>2,116,717</u>
Operating Income (Loss)	(56,464)	(302,994)	(30,515)
Non-Operating Revenues (Expenses)			
Interest income	1,200	936	10,999
Interest expense			(17,692)
Gain on sale of capital assets			<u>100,474</u>
Net income before contributions	(55,264)	(302,058)	63,266
Contributions			<u>1,946,397</u>
Change in Net Assets	(55,264)	(302,058)	2,009,663
Net Assets, July1, 2007	<u>1,116,190</u>	<u>733,486</u>	<u>11,878,364</u>
Net Assets, June 30, 2008	<u>\$ 1,060,926</u>	<u>\$ 431,428</u>	<u>\$ 13,888,027</u>

Building Maintenance	Insurance	Totals
\$ 1,348,050	\$ 1,875,350	\$ 7,880,229
	763,176	764,101
<u>1,348,050</u>	<u>2,638,526</u>	<u>8,644,330</u>
1,115,627	12,000	4,289,162
67,650	512,886	608,756
3,355	2,247,379	2,247,379
<u>1,186,632</u>	<u>2,772,265</u>	<u>9,006,624</u>
161,418	(133,739)	(362,294)
581	9,735	23,451
		(17,692)
		<u>100,474</u>
161,999	(124,004)	(256,061)
		<u>1,946,397</u>
161,999	(124,004)	1,690,336
<u>262,986</u>	<u>4,830,801</u>	<u>18,821,827</u>
<u>\$ 424,985</u>	<u>\$ 4,706,797</u>	<u>\$ 20,512,163</u>

**CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,644,048	\$ 1,306,152	\$ 2,140,752
Payments to suppliers and users	(874,829)	(827,461)	(98,594)
Payments to employees	(380,933)	(772,051)	
Net Cash Provided (Used) by Operating Activities	<u>388,286</u>	<u>(293,360)</u>	<u>2,042,158</u>
Cash flows from Non-Capital Financing Activities:			
Principal received on loans receivable			39,217
Principal paid for new loans			(124,833)
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>(85,616)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on long-term debt			(125,300)
Interest paid			(20,558)
Acquisitions of capital assets			(2,592,692)
Proceeds from sales of capital assets			131,182
Net Cash Used by Capital and Related Financing Activities			<u>(2,607,368)</u>
Cash Flows from Investing Activities:			
Interest received	6,833	936	10,999
Net Cash Provided by Investing Activities	<u>6,833</u>	<u>936</u>	<u>10,999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	395,119	(292,424)	(639,827)
Cash and Cash Equivalents, July 1, 2007	406,751	819,857	5,771,472
Cash and Cash Equivalents, June 30, 2008	<u>\$ 801,870</u>	<u>\$ 527,433</u>	<u>\$ 5,131,645</u>
Noncash Transactions:			
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,397</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (56,464)	\$ (302,994)	\$ (30,515)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	45,474	5,689	1,806,809
(Increase) Decrease in Operating Assets:			
Accounts receivable	372,827	5,821	54,550
Increase (Decrease) in Operating Liabilities:			
Accounts payable	24,400	(31,916)	211,314
Compensated absences	2,049	30,040	
Claims payable			
Net Cash Provided (Used) by Operating Activities	<u>\$ 388,286</u>	<u>\$ (293,360)</u>	<u>\$ 2,042,158</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 1,348,050	\$ 2,630,388	\$ 9,069,390
(530,899)	(2,916,772)	(5,248,555)
(663,517)	(383,316)	(2,199,817)
<u>153,634</u>	<u>(669,700)</u>	<u>1,621,018</u>
		39,217
		(124,833)
		(85,616)
		(125,300)
		(20,558)
		(2,592,692)
		131,182
		(2,607,368)
<u>3,404</u>	<u>66,484</u>	<u>88,656</u>
<u>3,404</u>	<u>66,484</u>	<u>88,656</u>
157,038	(603,216)	(983,310)
<u>306,090</u>	<u>5,424,064</u>	<u>12,728,234</u>
<u>\$ 463,128</u>	<u>\$ 4,820,848</u>	<u>\$ 11,744,924</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,397</u>
\$ 161,418	\$ (133,739)	\$ (362,294)
3,355		1,861,327
	(8,138)	425,060
17	13,961	217,776
(11,156)	(8,313)	12,620
	(533,471)	(533,471)
<u>\$ 153,634</u>	<u>\$ (669,700)</u>	<u>\$ 1,621,018</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.

MEDICAL LEAVE BANK FUND

Established to account for amounts deposited from employees converted sick leave.

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>87-3 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,011,204	\$ 1,797,094	\$ 1,774,526	\$ 1,033,772
Cash and investments with fiscal agents	4,198,418	1,891,186	1,725,144	4,364,460
Interest receivable	8,447	7,622	8,447	7,622
Total assets	\$ 5,218,069	\$ 3,695,902	\$ 3,508,117	\$ 5,405,854
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,348	\$ -	\$ 1,348
Due to assessment district bondholders	5,218,069	3,694,554	3,508,117	5,404,506
Total liabilities	\$ 5,218,069	\$ 3,695,902	\$ 3,508,117	\$ 5,405,854
 <u>84-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,344,684	\$ 85,315	\$ -	\$ 1,429,999
Interest receivable	13,457	12,127	13,457	12,127
Total assets	\$ 1,358,141	\$ 97,442	\$ 13,457	\$ 1,442,126
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,358,141	\$ 97,442	\$ 13,457	\$ 1,442,126
Total liabilities	\$ 1,358,141	\$ 97,442	\$ 13,457	\$ 1,442,126

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>89-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,660,266	\$ 1,369,436	\$ 1,236,870	\$ 1,792,832
Cash and investments with fiscal agents	2,222,447	1,350,112	1,282,766	2,289,793
Interest receivable	6,002	13,176	6,002	13,176
Total assets	\$ 3,888,715	\$ 2,732,724	\$ 2,525,638	\$ 4,095,801
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,206	\$ -	\$ 1,206
Due to assessment district bondholders	3,888,715	2,731,518	2,558,638	4,061,595
Total liabilities	\$ 3,888,715	\$ 2,732,724	\$ 2,558,638	\$ 4,062,801
 <u>94-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 340,840	\$ 421,956	\$ 397,378	\$ 365,418
Cash and investments with fiscal agents	684,485	420,290	391,236	713,539
Interest receivable	3,215	2,814	3,215	2,814
Total assets	\$ 1,028,540	\$ 845,060	\$ 791,829	\$ 1,081,771
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,171	\$ -	\$ 1,171
Due to assessment district bondholders	1,028,540	843,889	791,829	1,080,600
Total liabilities	\$ 1,028,540	\$ 845,060	\$ 791,829	\$ 1,081,771

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008
(Continued)**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>93-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,238,578	\$ 503,110	\$ 359,300	\$ 2,382,388
Cash and investments with fiscal agents	549,303	271,025	261,890	558,438
Interest receivable	22,894	19,907	22,894	19,907
Total assets	\$ 2,810,775	\$ 794,042	\$ 644,084	\$ 2,960,733
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,485	\$ -	\$ 1,485
Due to assessment district bondholders	2,810,775	792,557	644,084	2,959,248
Total liabilities	\$ 2,810,775	\$ 794,042	\$ 644,084	\$ 2,960,733
<u>98-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,587,924	\$ 4,499,248	\$ 4,396,134	\$ 1,691,038
Cash and investments with fiscal agents	1,679,675	4,336,442	4,276,228	1,739,889
Interest receivable	12,108	10,621	12,108	10,621
Total assets	\$ 3,279,707	\$ 8,846,311	\$ 8,684,470	\$ 3,441,548
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,242	\$ -	\$ 3,242
Due to assessment district bondholders	3,279,707	8,843,069	8,684,470	3,438,306
Total liabilities	\$ 3,279,707	\$ 8,846,311	\$ 8,684,470	\$ 3,441,548

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>98-3 Community Facilities District</u>				
Assets:				
Cash and investments with fiscal agents	\$ 343,360	\$ 430,919	\$ 320,991	\$ 453,288
Cash and investments	41,103	430,778	427,986	43,895
Total assets	\$ 384,463	\$ 861,697	\$ 748,977	\$ 497,183
Liabilities				
Accounts payable	\$ -	\$ 692	\$ -	\$ 692
Due to assessment district bondholders	384,463	861,005	748,977	496,491
Total liabilities	\$ 384,463	\$ 861,697	\$ 748,977	\$ 497,183
 <u>98-4 Assessment District</u>				
Assets:				
Cash and investments	\$ 79,585	\$ 202,485	\$ 214,903	\$ 67,167
Cash and investments with fiscal agents	380,081	136,456	209,340	307,197
Interest receivable	759	512	759	512
Total assets	\$ 460,425	\$ 339,453	\$ 425,002	\$ 374,876
Liabilities				
Accounts payable	\$ 15,000	\$ 1,525	\$ 15,000	\$ 1,525
Due to assessment district bondholders	445,425	337,928	410,002	373,351
Total liabilities	\$ 460,425	\$ 339,453	\$ 425,002	\$ 374,876

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008
(Continued)**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>99-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 4,821	\$ 743,356	\$ 739,189	\$ 8,988
Cash and investments with fiscal agents	1,542,078	788,153	732,626	1,597,605
Total assets	\$ 1,546,899	\$ 1,531,509	\$ 1,471,815	\$ 1,606,593
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,100	\$ -	\$ 1,100
Due to assessment district bondholders	1,546,899	1,530,409	1,471,815	1,605,493
Total liabilities	\$ 1,546,899	\$ 1,531,509	\$ 1,471,815	\$ 1,606,593
<u>99-2 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 101,096	\$ 836,426	\$ 825,265	\$ 112,257
Cash and investments with fiscal agents	1,612,589	885,606	816,293	1,681,902
Interest receivable	583	258	583	258
Total assets	\$ 1,714,268	\$ 1,722,290	\$ 1,642,141	\$ 1,794,417
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 2,194	\$ -	\$ 2,194
Due to assessment district bondholders	1,714,268	1,720,096	1,642,141	1,792,223
Total liabilities	\$ 1,714,268	\$ 1,722,290	\$ 1,642,141	\$ 1,794,417

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>2000-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 278,545	\$ 872,460	\$ 851,946	\$ 299,059
Cash and investments with fiscal agents	368,774	858,060	833,216	393,618
Interest receivable	2,307	2,042	2,307	2,042
Total assets	<u>\$ 649,626</u>	<u>\$ 1,732,562</u>	<u>\$ 1,687,469</u>	<u>\$ 694,719</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,702	\$ -	\$ 1,702
Due to assessment district bondholders	649,626	1,730,860	1,687,469	693,017
Total liabilities	<u>\$ 649,626</u>	<u>\$ 1,732,562</u>	<u>\$ 1,687,469</u>	<u>\$ 694,719</u>
<u>2000-02 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1	\$ 79,898	\$ 79,487	\$ 412
Cash and investments with fiscal agents	114,576	82,880	76,163	121,293
Total assets	<u>\$ 114,577</u>	<u>\$ 162,778</u>	<u>\$ 155,650</u>	<u>\$ 121,705</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,290	\$ 1,454	\$ 2,290	\$ 1,454
Due to assessment district bondholders	112,287	161,324	153,360	120,251
Total liabilities	<u>\$ 114,577</u>	<u>\$ 162,778</u>	<u>\$ 155,650</u>	<u>\$ 121,705</u>
<u>2006-01 NE Industrial # 2</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ 1,351,150	\$ 781,967	\$ 619,035	\$ 1,514,082
Cash and investments	138,049	746,355	744,531	139,873
Due from assessment district bondholders	263		263	
Total assets	<u>\$ 1,489,462</u>	<u>\$ 1,528,322</u>	<u>\$ 1,363,829</u>	<u>\$ 1,653,955</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,435	\$ -	\$ 1,435
Due to assessment district bondholders	1,489,462	1,526,887	1,363,829	1,652,520
Total liabilities	<u>\$ 1,489,462</u>	<u>\$ 1,528,322</u>	<u>\$ 1,363,829</u>	<u>\$ 1,653,955</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008
(Continued)**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>1999 I205 Residential Reassessment District</u>				
Assets:				
Cash and investments	\$ 702,151	\$ 1,014,301	\$ 979,260	\$ 737,192
Cash and investments with fiscal agents	1,532,201	1,025,994	935,776	1,622,419
Interest receivable	6,474	5,608	6,474	5,608
Total assets	<u>\$ 2,240,826</u>	<u>\$ 2,045,903</u>	<u>\$ 1,921,510</u>	<u>\$ 2,365,219</u>
Liabilities				
Accounts payable	\$ -	\$ 4,429	\$ -	\$ 4,429
Due to assessment district bondholders	2,240,826	2,041,474	1,921,510	2,360,790
Total liabilities	<u>\$ 2,240,826</u>	<u>\$ 2,045,903</u>	<u>\$ 1,921,510</u>	<u>\$ 2,365,219</u>
<u>2000-03 Assessment District</u>				
Assets:				
Cash and investments	\$ 31,362	\$ 2,002	\$ -	\$ 33,364
Interest receivable	325	283	325	283
Total assets	<u>\$ 31,687</u>	<u>\$ 2,285</u>	<u>\$ 325</u>	<u>\$ 33,647</u>
Liabilities				
Due to assessment district bondholders	\$ 31,687	\$ 2,285	\$ 325	\$ 33,647
Total liabilities	<u>\$ 31,687</u>	<u>\$ 2,285</u>	<u>\$ 325</u>	<u>\$ 33,647</u>
<u>2003-01 Assessment District</u>				
Assets:				
Cash and investments	\$ 2	\$ 75,118	\$ 75,120	\$ -
Cash and investments with fiscal agents	122,542	78,680	76,356	124,866
Total assets	<u>\$ 122,544</u>	<u>\$ 153,798</u>	<u>\$ 151,476</u>	<u>\$ 124,866</u>
Liabilities				
Accounts payable	\$ 4,515	\$ 4,270	\$ 4,515	\$ 4,270
Due to assessment district bondholders	118,029	149,528	146,961	120,596
Total liabilities	<u>\$ 122,544</u>	<u>\$ 153,798</u>	<u>\$ 151,476</u>	<u>\$ 124,866</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Cultural Arts</u>				
<u>Assets:</u>				
Restricted cash and investments	\$ 8,770	\$ -	\$ 2,506	\$ 6,264
Total assets	<u>\$ 8,770</u>	<u>\$ -</u>	<u>\$ 2,506</u>	<u>\$ 6,264</u>
<u>Liabilities</u>				
Deposits	\$ 8,770	\$ -	\$ 2,506	\$ 6,264
Total liabilities	<u>\$ 8,770</u>	<u>\$ -</u>	<u>\$ 2,506</u>	<u>\$ 6,264</u>
<u>Regional Transportation Impact</u>				
<u>Assets:</u>				
Cash and investments	\$ 577,203	\$ 2,001,268	\$ 427,613	\$ 2,150,858
Interest receivable	2,340		2,340	
Total assets	<u>\$ 579,543</u>	<u>\$ 2,001,268</u>	<u>\$ 429,953</u>	<u>\$ 2,150,858</u>
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 405,516	\$ -	\$ 405,516
Deposits	579,543	1,595,752	429,953	1,745,342
Total liabilities	<u>\$ 579,543</u>	<u>\$ 2,001,268</u>	<u>\$ 429,953</u>	<u>\$ 2,150,858</u>
<u>Medical Leave Bank</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 555	\$ -	\$ 555
Total assets	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ 555</u>
<u>Liabilities</u>				
Deposits	\$ -	\$ 555	\$ -	\$ 555
Total liabilities	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ 555</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008
(Continued)**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Totals - All Agency Funds</u>				
<u>Assets:</u>				
Cash and investments, restricted	\$ 8,770	\$ -	\$ 2,506	\$ 6,264
Cash and investments	10,137,414	15,681,161	13,562,508	12,256,067
Cash and investments with fiscal agents	16,701,679	13,337,770	12,557,060	17,482,389
Interest receivable	78,911	74,970	78,911	74,970
Due from assessment district bondholders	263		263	
Total assets	<u>\$ 26,927,037</u>	<u>\$ 29,093,901</u>	<u>\$ 26,201,248</u>	<u>\$ 29,819,690</u>
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 405,516	\$ -	\$ 405,516
Accounts payable	21,805	27,253	21,805	27,253
Deposits payable	588,313	1,596,307	432,459	1,752,161
Due to assessment district bondholders	26,316,919	27,064,825	25,746,984	27,634,760
Total liabilities	<u>\$ 26,927,037</u>	<u>\$ 29,093,901</u>	<u>\$ 26,201,248</u>	<u>\$ 29,819,690</u>

Statistical Section



CITY OF TRACY
 Summary of Statistical Section Pages
 June 30, 2008

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.

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity.....154

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity160

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.

Demographic & Economic Information166

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

Operating Information170

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

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, 2008. 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
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Accrual Basis of Accounting)
(In thousands)

	Fiscal years ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	
					(in thousands 000s)					
Governmental activities										
Invested in capital assets, net of related debt	\$ 451,849	\$ 396,124	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381	\$ 224,599	\$ 184,693	\$ 156,058	
Restricted	134,092	135,593	139,007	62,021	143,948	146,313	131,156	101,824	88,651	
Unrestricted	45,861	42,395	15,645	79,527	41,927	25,546	18,682	9,794	123	
Total governmental activities net assets	631,802	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	352,609	353,095	339,971	288,340	223,792	175,878	164,528	146,890	139,319	
Restricted	244	555	3,344	31,249	766	1,513	766	782	763	
Unrestricted	34,303	25,827	25,174	5,240	73,175	50,342	44,925	38,184	34,926	
Total business-type activities	387,156	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	804,458	749,219	697,550	660,248	522,115	482,259	389,127	331,583	295,377	
Restricted	134,336	136,148	142,351	93,270	144,714	147,826	131,922	102,606	89,414	
Unrestricted	80,164	68,222	40,819	84,767	115,102	75,888	63,607	47,978	35,049	
Total primary government	\$ 1,018,958	\$ 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 NINE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
(in thousands 000s)									
Expenses:									
Governmental activities:									
General government	\$ 7,183	\$ 6,391	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410	\$ 5,408	\$ 8,493	\$ 3,481
Public safety	35,074	30,178	28,434	26,684	23,660	20,699	19,595	16,188	13,762
Public works	24,661	29,391	24,821	20,952	79,722	24,083	13,393	15,798	11,681
Culture and leisure	7,502	3,929	3,760	4,119	3,607	3,070	4,251	2,261	2,070
Interest on long-term debt	3,548	4,084	3,994	3,626	4,306	3,008	2,902	3,053	2,745
Unallocated depreciation	820	649	506	860	-	-	-	-	-
Total Governmental Activities Expenses	78,788	74,622	68,947	62,939	121,066	58,270	45,549	45,793	33,739
Business-type Activities:									
Water	18,786	16,106	16,029	9,363	10,076	8,266	8,737	8,455	7,410
Sewer	11,415	9,639	10,281	8,987	8,624	7,309	6,379	6,023	5,532
Airport	542	666	592	471	388	408	433	510	365
Solid waste	17,088	16,492	16,367	15,604	13,452	11,916	11,061	10,018	8,762
Transit	1,531	1,499	1,438	381	1,361	913	837	683	706
Drainage	3,486	3,247	3,957	978	854	762	725	645	446
Total Business-Type Activities	52,848	47,649	48,664	35,784	34,755	29,574	28,172	26,334	23,241
Total Primary Government Expenses	\$ 131,636	\$ 122,271	\$ 117,611	\$ 98,723	\$ 155,821	\$ 87,844	\$ 73,721	\$ 72,127	\$ 56,980
Program revenues:									
Governmental activities:									
Charges for Services:	\$ 5,289	\$ 4,700	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711	\$ 7,169	\$ 8,297	\$ 4,053
Development fees	26,478	7,660	8,660	5,380	3,611	52	40	61	9
Other public works	1,206	1,480	3,621	973	804	619	634	719	740
Parks and community services	1,457	2,281	1,008	1,064	1,693	658	1,043	615	687
Other activities	13,091	11,800	12,621	8,666	5,457	10,492	10,134	10,114	8,830
Operating grants and contributions	24,426	49,554	19,936	27,450	74,462	99,521	78,237	45,678	59,837
Capital grants and contributions	71,947	77,475	51,127	47,563	91,565	119,053	97,257	65,484	74,156
Total Governmental Activities Program Revenues	15,305	13,654	12,472	11,723	12,867	11,235	10,699	9,826	9,175
Business-type Activities:									
Water	12,513	12,115	8,471	7,805	7,023	5,594	5,809	5,146	4,945
Sewer	281	265	272	278	200	216	200	194	180
Airport	17,950	15,006	15,147	13,937	14,402	12,669	11,877	11,218	9,571
Solid waste	92	1,231	109	113	92	74	65	53	64
Transit	563	545	535	491	465	432	410	394	365
Drainage	1,774	865	1,038	1,763	1,367	753	705	952	1,169
Operating grants and contributions	10,992	13,119	10,063	24,897	55,033	12,443	4,701	218	17,398
Capital grants and contributions	59,470	56,800	48,107	61,007	91,470	43,416	34,466	28,001	42,867
Total Business-Type Activities Program Revenues	\$ 131,417	\$ 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 NINE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net (expense)/revenue									
Governmental activities	\$ (6,841)	\$ 2,853	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784	\$ 51,709	\$ 19,692	\$ 40,417
Business-type activities	6,622	9,149	(557)	25,223	56,715	13,841	6,293	1,668	19,626
Total primary government net (expense) revenue	(219)	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	31,160	23,859	24,613	17,616	15,886	14,155	11,759	9,737	8,303
Franchise taxes	1,991	2,010	1,808	1,700					
Sales and use taxes	12,407	13,053	12,587	12,162	11,944	9,723	8,618	7,777	6,081
Other taxes	4,321	2,373	2,979	1,578	5,362	2,819	3,339	3,202	2,508
Unrestricted motor vehicle in lieu	360	6,228	437	5,665	3,185	3,759	3,448	2,867	2,456
Investment earnings	12,016	10,406	7,934	5,738	2,576	9,608	11,392	11,776	5,377
Miscellaneous	2,275	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	64,530	59,028	51,288	44,634	42,258	43,019	26,417	31,470	26,053
Business-type activities:									
Interest earnings	1,038	1,796	1,865	1,220	(271)	2,388	2,561	2,439	1,614
Miscellaneous	19			652	364				
Transfers		(1)			(545)	1,285	15,510	7,056	150
Total business-type activities	1,057	1,795	1,865	1,872	(452)	3,673	18,071	9,495	1,764
Total primary government	65,587	60,823	53,153	46,506	41,806	46,692	44,488	40,965	27,817
Change in net assets									
Governmental activities	57,689	61,881	33,469	29,258	12,760	103,803	78,126	51,162	66,470
Business-type activities	7,679	10,944	1,308	27,095	56,263	17,514	24,364	11,163	21,390
Total primary government	\$ 65,368	\$ 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 NINE FISCAL YEARS
(Accrual Basis of Accounting)

Function/Program	Fiscal Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
	(in thousands 000s)								
Governmental activities:									
General government	\$ 924	\$ 1,722	\$ 484	\$ 1,073	\$ 1,121	\$ 215	\$ 631	\$ 281	\$ 1,028
Police	1,422	1,760	1,691	1,380	743	1,122	1,237	1,074	931
Fire	7,506	7,648	5,635	4,678	3,997	3,192	2,969	2,375	1,674
Development and engineering	5,477	5,945	7,969	17,832	5,699	8,862	8,102	9,520	7,348
Public works	53,382	55,183	29,807	18,522	77,719	103,443	82,326	49,943	61,136
Parks, recreation, and community services	2,645	4,662	4,950	3,488	1,907	2,219	1,992	2,293	2,038
Interest in long-term debt	591	592	591	591	-	-	-	-	-
Subtotal governmental activities	71,947	77,512	51,127	47,564	91,186	119,053	97,257	65,486	74,155
Business-type activities:									
Water	19,044	16,050	12,487	17,230	61,390	16,410	11,882	10,152	12,445
Sewer	16,150	14,934	17,108	24,414	13,511	9,825	8,848	5,282	6,300
Solid waste	17,950	15,006	15,168	13,937	14,424	24,585	11,887	11,218	9,571
Airport	897	386	615	488	251	249	237	235	435
Transit	3,029	3,232	2,194	3,271	1,429	674	621	720	859
Drainage	2,400	7,190	535	1,667	465	3,589	991	394	13,257
Subtotal business-type activities	59,470	56,798	48,107	61,007	91,470	55,332	34,466	28,001	42,867
Total primary government	\$ 131,417	\$ 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,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
	(in thousands 000s)									
General Fund:										
Reserved	\$ 1,386	\$ 1,755	\$ 1,028	\$ 762	\$ 911	\$ 1,359	\$ 567	\$ 3,465	\$ 1,305	\$ 160
Unreserved	17,193	17,356	19,471	19,038	18,905	15,323	12,478	6,612	8,533	9,628
Total general fund	\$ 18,579	\$ 19,111	\$ 20,499	\$ 19,800	\$ 19,816	\$ 16,682	\$ 13,045	\$ 10,077	\$ 9,838	\$ 9,788
All other governmental funds										
Reserved	\$ 33,226	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578	\$ 21,790	\$ 16,466	\$ 6,671	\$ 5,446
Unreserved reported in:										
Special revenue funds	35,121	30,971	27,491	16,983	12,255	11,105	8,610	5,919	2,125	2,353
Capital projects funds	96,588	76,671	73,913	104,667	108,748	145,260	125,541	101,070	81,154	53,702
Debt service funds	-	-	-	-	-	8,099	6,717	5,707	2,492	1,685
Total all other governmental funds	\$ 164,935	\$ 150,602	\$ 151,395	\$ 151,445	\$ 157,815	\$ 186,042	\$ 162,658	\$ 129,162	\$ 92,442	\$ 63,186

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,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
	(in thousands 000s)									
Revenues:										
Taxes	\$ 48,048	\$ 48,343	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698	\$ 23,716	\$ 20,716	\$ 16,892	\$ 14,561
Licenses, permits, and fees	2,839	3,501	3,688	4,944	5,497	24,639	21,614	25,272	26,135	21,261
Fines and forfeits	1,515	1,273	290	302	467	347	307	218	210	193
Use of money and property	11,992	9,900	7,479	5,361	2,576	8,981	11,038	11,353	5,096	3,688
Intergovernmental	13,578	18,130	16,948	18,537	17,283	13,248	12,962	12,434	10,797	6,400
Charges for services	5,186	4,913	5,041	6,529	6,905	5,886	6,640	6,225	4,590	5,118
Special assessments	4,843	8,845	10,796	20,580	25,163	1,659	1,300	1,386	1,085	867
Contributions from assessment districts	23,043	12,800	14,296		39,247	25,377	31,942	4,956	10,220	14,927
Other	2,058	1,810	2,684	4,072	5,134	3,236	2,383	2,111	672	1,114
Total revenues	113,102	109,515	101,327	91,152	132,617	110,071	111,902	84,671	75,697	68,129
Expenditures:										
General government	\$ 8,730	\$ 6,274	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398	\$ 3,763	\$ 3,427	\$ 2,634	\$ 2,534
Police	20,161	17,607	15,834	15,210	13,625	12,231	10,461	9,071	8,157	7,530
Fire	14,602	13,594	12,201	11,337	9,589	9,069	8,386	7,264	6,050	3,504
Community development	10,114	7,241	12,105	9,128	7,197	7,740	7,545	6,493	5,217	1,609
Public works	8,082	8,203	3,680	5,322	7,524	5,713	5,469	4,669	5,562	6,235
Parks and recreation	3,146	3,117	3,009	2,864	2,734	2,485	2,430	2,258	2,205	3,207
Capital outlay	28,712	47,363	41,653	38,775	124,383	33,444	16,060	16,533	12,552	10,812
Debt service-principal	3,620	1,430	1,390	5,060	380	1,005	940	895	845	1,079
Debt service-interest	3,390	3,934	3,849	3,484	3,570	2,801	2,816	2,653	2,031	2,132
Debt service-issue costs	237				2,503					
Intergovernmental	3,177	2,931	2,570	1,825	4,516	2,897	1,326	2,394	686	591
Total expenditures	103,971	111,694	100,991	97,539	181,259	81,783	59,196	55,657	45,939	39,233
Excess of revenue over (under) expenditures	9,131	(2,179)	336	(6,387)	(48,642)	28,288	52,706	29,014	29,758	28,896
Other financing sources (uses):										
Bond proceeds	4,670				55,720			15,000		1,987
Transfers in	12,680	22,148	11,595	9,304	4,567	5,125	8,610	11,435	5,680	1,987
Transfers out	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)	(24,854)	(18,491)	(5,972)	(1,987)
Payment to bond escrow agent					(34,072)					
Total other financing sources (uses)	4,670	(2)	336	(6,387)	22,134	(1,265)	(16,244)	7,944	(292)	\$ 28,896
Net change in fund balances	\$ 13,801	\$ (2,181)	\$ 336	\$ (6,387)	\$ (26,508)	\$ 27,023	\$ 36,462	\$ 36,958	\$ 29,466	\$ 28,896
Debt service as a percentage of non-capital expenditures	10.36%	7.93%	9.68%	17.01%	12.80%	8.55%	9.54%	9.97%	9.43%	12.74%

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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	
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	
2008	30,645,530	243,258	697,667	12,407,253	1,991,444	814,883	3,239,289	50,039,324	

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

Fiscal Year Ended June 30	City of Tracy				Redevelopment Agency				Total Direct Tax Rate		
	Residential Property	Commercial/Industrial Property	Agricultural Exemptions	Total	Taxable Assessed Value	Less Exemptions	Secured	Unsecured		Less Exemptions	Taxable Assessed Value
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	N/A
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	N/A
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	N/A
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	0.3598%
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	0.2970%
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	0.2413%
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	0.2409%
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	0.2410%
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	0.2905%
2008	7,100,460,195	1,802,322,555	29,831,945	8,932,614,695	8,722,158,216	210,456,479	1,064,845,371	119,462,219	8,442,153	1,175,865,437	0.2905%

Source:

1. San Joaquin County -Office of the Auditor-controller and Assessor
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**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<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	0.1800%	0.1500%	0.1209%	0.1206%	0.1207%	0.17029%	0.17028%
Redevelopment Agency	N/A	N/A	N/A	0.1798%	0.1470%	0.1204%	0.1203%	0.1203%	12.0300%	12.0300%
Total Direct Rate	N/A	N/A	N/A	1.3598%	1.2970%	1.2413%	1.2409%	1.2410%	1.2905%	1.2905%
<u>Overlapping rates:</u>										
San Joaquin County	N/A	N/A	N/A	0.2000%	0.2100%	0.1963%	0.1963%	0.1962%	0.1962%	0.1962%
Tracy Unified School District	N/A	N/A	N/A	0.1500%	0.1600%	0.1925%	0.1998%	0.1998%	0.1920%	0.1970%
ERAF	N/A	N/A	N/A	0.3000%	27.0000%	0.2793%	0.2801%	0.2801%	0.2790%	2.7900%
Delta Community College District	N/A	N/A	N/A	0.0300%	0.0400%	0.0339%	0.0352%	0.0134%	0.0183%	0.0131%
All Other Districts	N/A	N/A	N/A	N/A	N/A	0.1771%	0.1779%	0.1779%	0.1760%	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
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
2008	13,551,184	13,551,184	100.00%	0.00	13,551,184	100.00%	8,722,158,216

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

Source:

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

**City of Tracy
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
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%
2008	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)			
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
2008	20,855,000	153,485,000	395,533	-	26,378,839	32,305,000	142,147	233,561,519	2,864	81,548

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		
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
2008	20,855,000	52,030,000	72,885,000	0.74%	894

Source:

Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2008

2007-08 Assessed Valuation:	\$ 9,562,890,555
Redevelopment Incremental Valuation:	994,698,179
Adjusted Assessed Valuation:	<u>\$ 8,568,192,376</u>

	Total Debt 6/30/08	% Applicable (1)	City's Share of Debt 6/30/07
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Delta Community College District	\$ 80,176,115	13.479 %	\$ 10,806,939
Tracy Unified School District	33,020,000	65.326	21,570,645
Banta School District	765,000	29.927	228,942
City of Tracy Community Facilities District No. 87-1	42,400,000	100.	42,400,000
City of Tracy Community Facilities District No. 89-1	12,615,000	100.	12,615,000
City of Tracy Community Facilities District No. 93-1	3,185,000	100.	3,185,000
City of Tracy Community Facilities District No. 98-1	63,560,000	100.	63,560,000
City of Tracy Community Facilities District No. 98-3	3,380,000	100.	3,380,000
City of Tracy Community Facilities District No. 99-1	8,600,000	100.	8,600,000
City of Tracy Community Facilities District No. 99-2	11,025,000	100.	11,025,000
City of Tracy Community Facilities District No. 2000-1	14,090,000	100.	14,090,000
City of Tracy Community Facilities District No. 2006-1	10,660,000	100.	10,660,000
City of Tracy 1915 Act Bonds	20,855,000	100.	20,855,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 222,976,526</u>
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			36,055,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 186,921,526</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	207,495,000	14.817 %	\$ 30,744,534
Jefferson School District Certificates of Participation	3,965,000	69.328	2,748,855
Byron -Bethany Irrigation District General Fund Obligation	5,750,000	14.681	844,158
City of Tracy General Fund Obligations	<u>14,685,000</u>	<u>100.</u>	<u>14,685,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			<u>49,022,547</u>
GROSS COMBINED TOTAL DEBT			\$ 271,999,073 (2)
NET COMBINED TOTAL DEBT			\$ 235,944,073

(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 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.33%
Total Net Overlapping Tax and Assessment Debt.....	1.95%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$14,685,000).....	0.17%
Gross Combined Total Debt.....	3.17%
Combined Total Debt.....	2.75%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08 \$0

Source: California Municipal Statistics, Inc.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value	\$ 2,816	\$ 3,182	\$ 3,793	\$ 4,532	\$ 5,203	\$ 6,769	\$ 7,879	\$ 7,775	\$ 9,003	\$ 9,563
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	704	796	948	1,133	1,301	1,692	1,970	1,944	2,251	2,391
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	106	119	142	170	195	254	296	292	338	359
Total net debt applicable to limit	82	81	93	86	84	135	130	125	136	132
Legal debt margin	\$ 24	\$ 38	\$ 49	\$ 84	\$ 111	\$ 119	\$ 166	\$ 167	\$ 202	\$ 227

Note:

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

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Water revenue bonds/EOA note										
Water revenue	\$ 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	\$ 15,433,890
Less: operating expenses	(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)	(10,360,873)
Net available revenue	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	5,073,017
Debt service:										
Principal	323,758	338,831	348,954	369,401	394,439	275,000	1,038,703	938,962	1,960,910	878,166
Interest	273,393	400,453	98,157	233,851	204,831	288,618	568,637	477,056	791,373	850,589
Total Debt Service	597,151	739,284	447,111	603,252	599,270	563,618	1,607,340	1,416,018	2,752,283	1,728,755
Coverage	8.81	7.82	12.19	11.24	12.71	11.97	4.34	3.22	1.80	2.93
Wastewater revenue bonds:										
Wastewater revenue	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	13,158,013
Less: operating expenses	(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)	(5,030,130)
Net available revenue	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	8,127,883
Debt service:										
Principal	185,000	195,000	200,000	210,000	155,000	270,000	280,000	280,000	290,000	910,000
Interest	214,292	203,312	195,106	202,239	277,516	797,849	1,699,361	1,429,186	1,413,783	1,370,803
Total Debt Service	399,292	398,312	395,106	412,239	432,516	1,067,849	1,979,361	1,709,186	1,703,783	2,280,803
Coverage	8.27	7.39	7.81	7.83	4.62	2.29	2.33	2.78	4.83	2.81
Tax allocation bonds:										
Tax increment	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	10,153,405
Debt service:										
Principal	550,000	580,000	610,000	645,000	685,000	2,825,622	670,000	980,000	1,005,000	1,035,000
Interest	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	2,690,489
Total Debt Service	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	3,725,489
Coverage	1.47	1.80	1.69	1.75	1.98	1.24	1.88	2.14	2.54	2.73

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**

Years	Population (2)	Labor Force (1)	Employment (1)	Unemployment Rate (1)	# of Returns (2)	Adjusted Gross Income (In Thousands) (2)	Per Capita Adjusted Gross Income (2)
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
2008	81,548	34,100	32,000	6.2%	N/A	N/A	N/A

Sources:

(1) California Economic Development Department

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

City of Tracy
Principal Property Taxes
June 30, 2008

	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tracy Mall Partners LP	101,735,600	1	1.10027%			
Leprino Foods Corporation	91,296,532	2	0.98737%			
Central Valley Limited Liability Co.	49,732,737	3	0.53786%			
U.S. Cold Storage of California	30,991,122	4	0.33517%			
Car Corral Hollow, LLC	29,271,069	5	0.31657%			
Kaiser Foundation Health Plan, Inc.	19,455,105	6	0.21041%			
Shirlee M. Queirolo Trust	17,539,443	7	0.18969%			
Save Mart Supermarket	16,318,981	8	0.17649%			
Stuart Limited Partnership	12,736,761	9	0.13775%			
McCurdock Properties LLC	9,843,802	10	0.10646%			
Pak & Pak Hospitality LLC	9,007,362	11	0.09741%			
Pacific World Investment, Inc.	7,906,766	12	0.08551%			
Jay LLC	7,427,914	13	0.08033%			
John Lissberger Trust	6,801,466	14	0.07356%			
Doane Products Company	6,372,513	15	0.06892%			
Pacific Bowie Martin Partnership	6,333,727	16	0.06850%			
Driftwood Apartments	6,197,280	17	0.06702%			
Public Storage, Inc.	5,926,055	18	0.06409%			
BRE/ESA Properties LLC	5,766,196	19	0.06236%			
Essex Trace Development, Inc	5,615,900	20	0.06074%			
Tracy Orchard Plaza LP	4,558,630	21	0.04930%			
Calstone Holdings LLC	3,993,290	22	0.04319%			
Orchard Estates LLC	3,256,454	23	0.03522%			
	458,084,705		4.95417%			
Total Taxable Assessed Value	9,246,450,780					

NOT AVAILABLE
The City of Tracy started compiling
this information in 2008

Source: San Joaquin County Assessor's Office

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	3	3	4	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	17
Personnel	6	6	6	6	6	6	7	7	9	9
Finance	16	18	20 (2)	24	24	24	24	25	25	27
Police	91	101	107	118	122	123	126	132	141	155
Fire	99 (1)	98	99	101	101	104	104	107	81	84
Development and Engineering	49	49	50	52	54	52	52	54	52	55
Public Works	54	50	54	61	66	66	66	64	80	74
Parks and Community Services	22	20	20	19	19	19	18	18	40	49
Water	32	33	34	35	37	37	38	38	40	44
Wastewater	18	19	20	21	23	23	24	24	25	29
Airport	1	1	1	1	1	1	1	1	1	2
Solid waste	1	1	1	1	1	1	2	1	1	1
Transit	1	1	1	1	1	1	2	2	2	2
Drainage	2	2	2	2	2	2	2	2	2	2
Total	407	414	431	458	473	475	482	491	515	560

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

OPERATING INFORMATION

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Arrests	2,308	2,611	2,545	2,634	2,957	3,367	3,787	3,561	4,448	4,450
Parking citations issued	N/A	N/A	N/A	2,559	2,395	1,956	2,282	2,107	2,292	2,916
Traffic violations	N/A	N/A	5,670	7,768	9,423	6,662	6,959	6,132	8,059	6,867
Fire:										
Number of emergency calls	2,613	3,296	4,299	4,662	4,620	5,092	5,135	5,907	6,580	6,165
Inspections	1,390	1,555	2,530	2,945	2,444	2,590	2,106	2,316	3,586	3,814
Water:										
Water Mains	305	320	340	355	370	380	390	395	400	402
New connections	1200	1300	1500	1600	1800	1500	1200	600	40	40
Maximum Daily Capacity (gallons) (thousands of gallons)	42	42	42	42	42	42	57	57	57	57
Average daily consumptions (gallons) (thousands of gallons)	12	12	13	14	15	16	16	16	16	16
Sewer:										
Sanitary Sewer (miles)	305	320	340	355	370	380	390	395	400	400
New connections	1200	1300	1500	1600	1800	1500	1200	600	40	40
Average daily treatment (in gallons)	6	7	7	7	7	8	9	9	9	9
Airport:										
Hangar rentals	35	35	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	225	277	294	304	319	326	329	334	339	342
Recyclables collected (tons per day)	9	10	12	12	12	12	27	27	27	27
Transit:										
Average daily passengers	N/A	N/A	N/A	325	293	381	361	318	325	329
Total route miles	N/A	N/A	N/A	198,438	205,593	213,210	206,975	231,928	236,689	236,864

Source: City of Tracy, Finance and Administrative Services Department

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	6	6	6	6	7	7	7	7	7	7
Public works:										
Number of street lights	2,434	2,697	3,007	3,433	3,600	3,693	3,967	4,658	4,752	4,763
Number of traffic signals										
Parks and recreation:										
Number of parks	44	51	54	61	66	68	69	74	74	76
Number of community centers	2	2	2	2	3	3	3	3	3	3
Water:										
Water mains (miles)	305	320	340	355	370	380	390	395	395	395
Wastewater										
Sanitary sewers (miles)	305	320	340	355	370	380	390	395	395	395
Airport:										
Number of hangars	35	35	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	6	8	8	8	8	8	8	8	8	6

Source: City of Tracy, Finance and Administrative Services Department



TRACY, CALIFORNIA

Located in Northern California, 60 miles east of San Francisco, 70 miles south of Sacramento, 20 miles south of Stockton, and 343 miles north of Los Angeles

Located within a triangle formed by Interstate 5, Interstate 205, and Interstate 580