



**City of Tracy, California
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2010**

About the Cover:

The Tracy Transit Station, located at the corner of 6th Street and Central Avenue in Historical Downtown Tracy, serves as a hub for both local and regional public transportation in the City of Tracy. The building itself is 9,000 square feet and houses offices for City staff as well as the contractor who operates the TRACER bus system. The building has three conference rooms and a spacious lobby, all of which are available to rent for meetings or other special events. In and around the facility, you will find a variety of civic art pieces which tie in the history and geography of Tracy and the surrounding area. All the art pieces were designed and built by local artists. Connections to travel around town as well as to other parts of San Joaquin County can be made at this facility via the TRACER bus system or the San Joaquin Regional Transit District. The Transit Station also has 12 bike lockers for those who wish to bike to downtown and spend the day at one of the many restaurants and shops.

The Tracy Transit Station opened in early 2010. The cost of the project including the building and surrounding parking lots was \$12.2 million. Grant funding paid for virtually all of the costs. State grants totaled \$7.9 million and Measure K (San Joaquin County transportation sales tax) grants totaled \$4.1 million.

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

CITY OF TRACY, CALIFORNIA

for the fiscal year ended
June 30 2010

Prepared by the Finance and
Administrative Services Department

ZANE H. JOHNSTON

Director of Finance and Administrative Services

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Accounting Officer

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PEGGY BARNES - Accounting Technician
ROCKI CHAPARRO - Accounting Technician
LINDA DASSE - Executive Assistant
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DON HIGGINS - Accounting Assistant
PHYLLIS KIESTER - Accounting Assistant
ROSEMARIE MARQUEZ - Accounting Assistant
LINDA MONIZ - Accounting Technician
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, 2010

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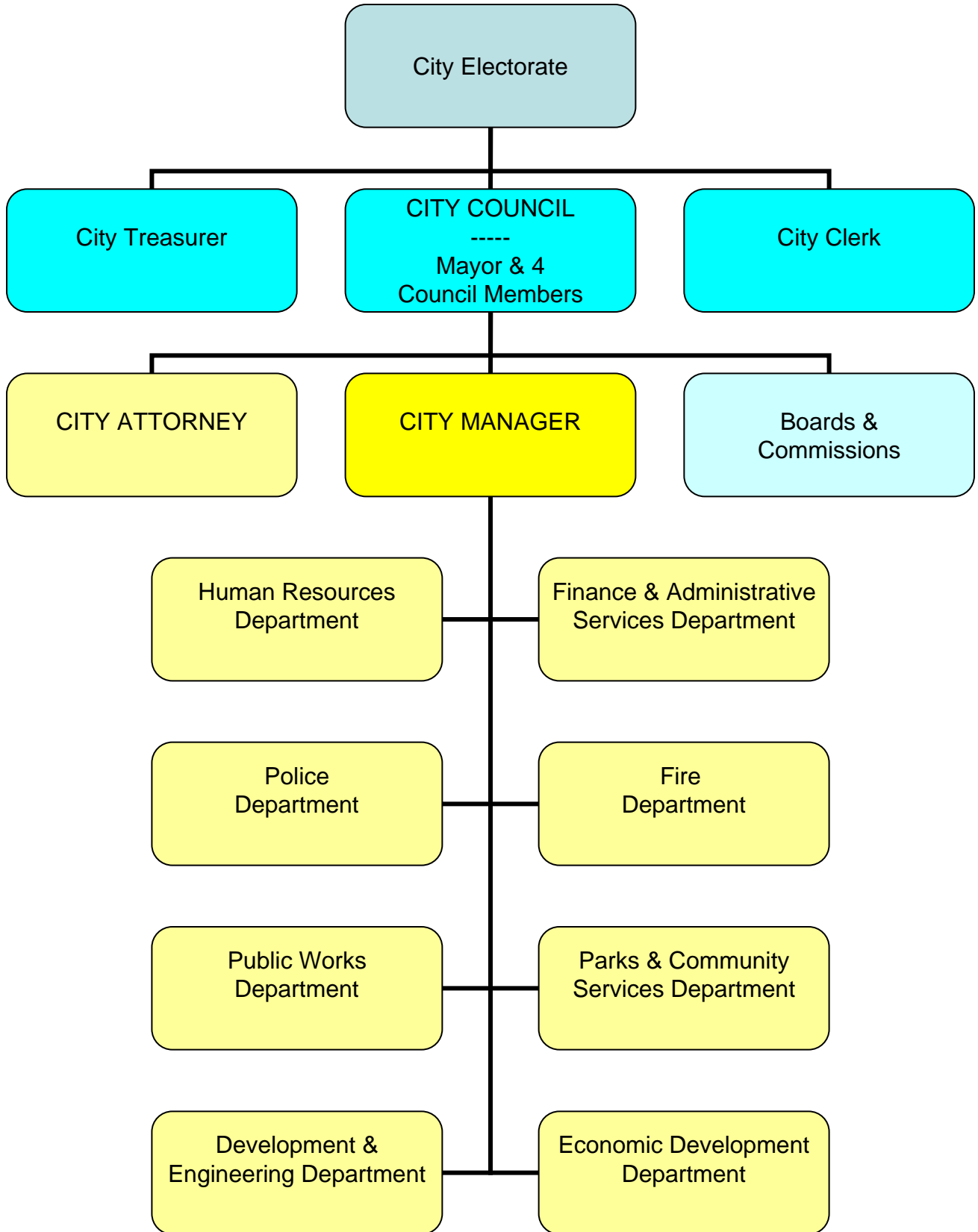
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City of Tracy
Organization Chart
FY09-10



CITY OF TRACY, CALIFORNIA
COUNCIL - MANAGER FORM OF GOVERNMENT

June 30,2010

BRENT IVES
Mayor

SUZANNE TUCKER
Mayor Pro Tem

STEVE ABERCROMBIE
Council Member

EVELYN TOLBERT
Council Member

MICHAEL MACIEL
Council Member

RAYMOND McCRAY
City Treasurer

SANDRA EDWARDS
City Clerk

Dan Sodergren
City Attorney

OTHER CITY OFFICIALS

R. Leon Churchill
City Manager

Maria Hurtado
Assistant City Manager

Zane H. Johnston
Finance & Administrative Services Director

CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2010

Leon Churchill, Jr.
City Manager

Maria Hurtado
Assistant City Manager

Zane H. Johnston
Finance & Administrative Services Director

Janet Thiessen
Police Chief

David Bramell
Interim Fire Chief

Kevin Tobeck
Public Works Director

Maria Olvera
Human Resources Director

Rod Buchanan
Parks and Community Services Director

Ursula Luna-Reynoso
Economic Development Director

Andrew Malik
Development & Engineering Services Director

Dan Sodergren
City Attorney

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, 2009

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enow".

Executive Director



CITY OF TRACY

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

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

Think Inside the Triangle™

December 11, 2010

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, 2010.

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 82,107 and 23 square miles in 2010.

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

Moss, Levy and Hartzheim, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Tracy’s financial statements for the fiscal year ended June 30, 2010. 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 economic recovery is trying to gain traction along with the nation, despite an unemployment rate problem, and state and local budget problems that far outstrip those faced by the nation at large. The California unemployment rate is still above 12% but there are signs of an improving economy. Personal income levels are beginning to rise and consumer spending is up.

Unemployment in San Joaquin County was 16.3% in October 2010. Because agriculture still remains an important segment of the San Joaquin Valley 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 closer to the national average. Tracy’s unemployment stood at 10.3% in October 2010. 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 influences (housing market collapse) in the San Joaquin Valley. Certainly the East Bay economy is being held down by those influences negatively affecting the U.S. economy as a whole. But this economy is more stable than that found in the San Joaquin Valley.

The local economy has presented significant challenges to the City of Tracy during the past several years. Because of declining real estate values, property tax to the City of Tracy has fallen 27% over three years. It is hoped values have now stabilized since last year’s decline was just 2.5%. Sales tax also fell for three years but the most recent two quarters have seen increases, the last quarter being a 7% increase. Perhaps there is finally a light at the end of the tunnel to this dismal economic recession. Due to these challenges the City made significant organizational changes which allowed the City to slash its General Fund budget from \$54 million to \$47 million. But the new reality of General Fund revenue remains in the \$42 million range. Rather than significantly cut essential services, the citizens of Tracy approved a half cent sales tax measure in November 2010. This tax will begin April 1, 2011 and continue for 5 years. This should provide additional funding of approximately \$5 million a year. This tax together with some additional minor budget cutting should provide a fiscally stable situation for the near term (5 years). The City will continue to examine the cost and methods of service delivery.

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 has significantly been impacted by the economic recession as evidenced in declining General Fund tax revenues and the draw on reserves. The ending General Fund balance as of June 30, 2010 is \$18,985,106 and the Economic Uncertainty Fund had a balance of \$10,550,972. Together, these two sources total \$29,536,078. While this is a decrease of \$5,265,707 in reserves from the year before, it compares favorably to an original budget for FY 09-10 that expected reserves to be reduced by \$7.4 million. Furthermore reserves remain at about 63% of expected General Fund expenses.

Major Initiatives

Lowering City Operating Costs

The City substantially completed its efforts to restructure and re-engineer City operations in order to make efficiencies while yet maintaining quality services. In this regard the City has reduced its General Fund budget from \$53.8 million (FY 09-10) to \$47.2 (FY 10-11) - a 13% reduction while maintaining or improving services.

Public Fiscal Presentations

The City established a speakers bureau of 11 City officials to present information to community and business groups about the City's fiscal situation (declining tax revenues) and what the City is doing to respond to such (see above). A total of 33 presentations were made with an estimated 800 in attendance. In 2011 the speakers bureau will continue with the presentation topic of how Tracy is a business friendly City.

"Emerald Green" Program

The City was selected as one of two pilot cities in the State Department of Conservation's "Emerald City" Program. To be selected for this pilot program the City committed to pursue sustainable development goals that incorporate those identified by the State of California to be characteristic of a sustainable community in California. The City has developed a Sustainability Action Plan which is anticipated to be adopted in early 2011.

Business Attraction Efforts

The City continued its significant business attraction efforts. The most notable effort concerned the successful attraction of Macy's to occupy the former Gottschalks store in the West Valley Mall. Through a unique and innovative loan program the City provided \$2.7 million in funds which were used to rehabilitate the vacant store. The mall owner also put up funding for this effort. The new Macy's store in the West Valley Mall opened October 15, 2010. This effort was important as the West Valley mall provides close to 20% of the City's entire sales tax base.

Implementation of City Council Strategic Plans

In February 2008 the City Council established six priority strategic plan areas. Teams were organized to guide the implementation of the strategic plans. Most plans had a 12-18 month timeline for implementation with some as long as 24 months. Most work efforts toward these plans have now been completed. The strategic plan areas are: Public Safety, Land Use/General Plan, Economic Development/Revenue Enhancement, Infrastructure, Organizational Development and Leisure Services. With 2 new City Council Members elected in November 2010, it is anticipated the Council will meet in early 2011 to update, revise and develop new strategic plans.

The City enjoyed a 16 year long robust growth period in revenues from FY 91-92 thru FY 06-07 and used this opportunity to build significant reserves including creation of the Economic Uncertainty Fund. 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. 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. The City implemented most of these expense reduction plans during FY 09-10 with full annual savings expected for FY 10-11.

In addition to expense reductions, the City also anticipated that new revenues would be necessary if additional cuts that could potentially disrupt the delivery of essential public safety services were to be avoided. In this regard, Tracy voters approved Measure E (a half cent sales tax with a 5 year sunset) on the November 2010 ballot. This tax will begin on April 1, 2011. This new revenue together with already implemented expense reductions should provide a stable fiscal period for the next 5 years. During this time the City will continue to look for new opportunities to continue its commitment to provide efficient yet quality services to the community.

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 during FY 09-10. We are pleased the citizens of Tracy affirmed their confidence in the fiscal management of the City by approving Measure E.

GASB 45

Much attention has been given to the unfunded liability of "Other Post Employment Benefits" (OPEB) of government employees. In response the Governmental Accounting Standards Board (GASB) issued statement #45 which 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 implemented its GASB 45 requirement with the FY 06-07 financial report - two years before it would have been required. The City took 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.

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 (including spouse or family coverage) 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 retiree, 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 \$310,883 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, 2009. This was the 22nd 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 09-10. 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.

We 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, 2010, 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.

As discussed in Note 1 of the notes to the basis financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report December 2, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 16, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tracy's basic financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is 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", has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Beverly Hills, California
December 2, 2010

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The 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, 2010. 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 \$1,018,910,146 (net assets). Of this amount, \$92.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$7.2 million or .7% in fiscal year 2009-10 compared to the previous fiscal year. This negligible decrease was due mainly to the continued decline in revenues in both governmental and business-type activities.
- The governmental activities reported a combined net asset of \$631.6 million at the end of the fiscal year 2010. This is a decrease of 1.36% from last fiscal year.
- At the end of the fiscal year, unreserved, undesignated fund balance for the general fund is \$17.6 million compared to last year's \$16.7 million. This is an increase of 5.5%. The increase was due mainly to fund transfers that were made from the Economic Uncertainty Fund in the amount of \$6.6 million and another fund transfer from the Interest Stabilization Fund in the amount of \$.946 million. These transfers left a balance of \$10.5 million in the Economic Uncertainty Fund and zeroed out the balance of the Interest Stabilization Fund at year end.
- All sources of revenues declined in FY 2009-10 except the revenues of the Water Fund for interest income and the general fund's franchise fees which increased by 3%. The additional interest income came from the partial collection of advances made to the Northeast Industrial Plan Area #1 (a major fund). The total reduction in revenues for FY 2009-10 is 13%. This decrease in revenues over the previous fiscal year was primarily due to the reduced taxes and various other sources of revenues, an effect of the current economic crisis that is presently plaguing the whole nation.
- This fiscal year, the City created a fund in the Special Revenue Fund group called Grow Tracy Fund. This fund was created to establish a business loan fund to help small local business owners in obtaining loans. This unanticipated economic recession which is serious in its depth and scope threatens many existing businesses. These funds will be used to guarantee loans. The amount of \$1 million was deposited with the Grow America Fund, Inc. in conjunction with the National Development Council and the United States Small Business Administration.

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 deteriorating.

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, proprietary, and fiduciary funds as discussed below.

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

Enterprise and Internal Service (proprietary) 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.

Fund Financial Statements (Continued)

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

Notes to the Financial Statements

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

Required Supplementary Information

This report also includes supplementary information related to the City of Tracy's progress in maintaining its infrastructure assets and is shown on pages 88 and 89. The City of Tracy 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. With a rating of 73 (good or better condition 70-100) as of the end of the fiscal year, the condition of the pavement was 8 points higher than the City's administrative policy to achieve a minimum rating of 65 (fair condition 50-69). This year's rating was 1 point higher than that of the previous year.

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 2009-2010. Of this amount, \$804.9 million or 79% of the City's net assets are invested in capital assets. These capital assets are comprised of land, buildings, infrastructure, intangible assets, 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. 12% 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 \$92.8 million or 9% maybe used to meet its ongoing obligations to citizens and creditors.

Table 1
City of Tracy
Schedule of Net Assets
June 30, 2010
(in Thousands)

Description	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Cash & Investments	\$ 173,101	\$ 206,825	\$ 37,326	\$ 23,285	\$ 210,427	\$ 230,110
Other Assets	26,468	21,211	12,349	19,602	38,817	40,813
Capital Assets	517,766	502,824	396,999	403,821	914,765	906,645
Total Assets	717,335	730,860	446,674	446,708	1,164,009	1,177,568
Long-Term Debt Outstanding	75,016	76,133	52,336	54,274	127,352	130,407
Other Liabilities	10,698	14,394	7,048	6,564	17,746	20,958
Total Liabilities	85,714	90,527	59,384	60,838	145,098	151,365
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	463,949	448,841	340,944	346,861	804,893	795,702
Restricted	120,961	157,162	222	183	121,183	157,345
Unrestricted	46,711	34,330	46,123	38,826	92,834	73,156
Total Net Assets	\$ 631,621	\$ 640,333	\$ 387,289	\$ 385,870	\$ 1,018,910	\$ 1,026,203

Government-wide Financial Analysis (Continued)

Net Assets (Continued)

In governmental activities, the total net assets decreased by \$8.7 million while the net assets for business activities increased by \$1.4 million. The slight increase of .31% in business activities was due to the partial collection of advances which includes principal and interest by the Water fund from the Northeast Industrial Plan Area #1.

In this fiscal year, the Water Fund's operating revenues decreased by almost 14% but its operating expenditures increased by 3% which greatly contributed to this fund's operating loss of \$5.2 million. The increase in operating expenses was mainly due to a 2.7% increase in depreciation expense.

The Sewer Fund incurred an operating loss in the amount of \$2 million for the fiscal year ended June 30, 2010. The operating income decreased by 1.5% but operating expenses decreased by 3.5% which resulted in an operating loss that is \$.3 million less compared to the losses of last year's operations.

The decline in revenues for both water and sewer funds can be greatly attributed to the number of customer accounts that have been written off during the year. The current economic down turn has resulted to a higher rate of bad debts. In the past, the city's bad debt rate was approximately 5% but during the year it went up to 12%. It was identified that customers who are occupying the properties as tenants have a higher tendency to default in their utility payments and 16% of the utility customers are tenants. Also due to the increase of foreclosures and vacant property during the year, the amount of water usage has decreased.

Although the Airport fund continues to report an operating loss, this year's loss was 23% lower compared to last year's loss of \$.467 million. During this fiscal year, its revenues increased by 45% while the expenses increased by almost 1%, thus decreasing its operating loss when compared to the loss incurred last year.

The Transit Fund also incurred an operating loss in the amount of \$.437 million during the year. The operating loss for the year increased by 30% compared to the loss incurred last fiscal year. Last year's loss was in the amount of \$.337 million. This loss was due to increases in operating expenses by 36%. This increase was in the costs of maintenance and operations.

This fund posted a change in net assets amounting to \$3.1 million. This was mainly due to grants received from the State of California's State Transit Assistance fund in the amount of \$2.5 million and from the Federal Transit Administration in the amount of \$.811 million.

Changes in Net Assets

The City's net assets decreased by \$7.2 million or .7%. The table shown on the following page will show the key elements of this decrease. The percentage of total expenditures to total revenues is 112% in FY 2009-10 in governmental activities. This resulted in a decrease in net assets by \$8.6 million by the end of the year. In business-type activities, the percentage of total expenses to total revenues is 98% which resulted in an increase in net assets of \$1.4 million.

The expenditures of Parks and Community Services show the highest increase in governmental activities. The increase of 40% in expenditures was due mainly to various programs and services that were provided during the year. This include employees' salaries and benefits and the on-going overhead expenses of the newly opened Cultural Arts Center at the Grand Theatre.

The other department that showed an increase in expenditures is the police department. This slight increase of 2% was due to the payment of accumulated leave of employees who either retired or were laid off. All of the other departments showed decreases in expenditures due to furloughs and lay offs that the City implemented during the fiscal year. The total expenditures of governmental activities declined by 7% or \$6.3 million.

Table 2
City of Tracy
Schedule of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$ 16,677	\$ 17,666	\$ 44,727	\$ 46,007	\$ 61,404	\$ 63,673
Operating contributions and grants	9,305	12,766		20	9,305	12,786
Capital grants and contributions	11,069	12,965	6,132	9,160	17,201	22,125
Total Program revenues	37,051	43,397	50,859	55,187	87,910	98,584
General Revenues:						
Property Taxes	24,013	29,323			24,013	29,323
Other Taxes	13,292	15,264			13,292	15,264
Other General Revenues	5,289	9,550	1,676	638	6,965	10,188
Transfers	(5,563)		5,563			
Total general revenues & transfers	37,031	54,137	7,239	638	44,270	54,775
Total Revenues	74,082	97,534	58,098	55,825	132,180	153,359
Expenses						
General government	7,384	9,195			7,384	9,195
Police	22,027	21,580			22,027	21,580
Fire	14,541	15,082			14,541	15,082
Development & Engineering	9,127	9,882			9,127	9,882
Public Works	12,728	19,610			12,728	19,610
Parks & Community Services	12,202	9,159			12,202	9,159
Interest on Long-term Debt	4,062	4,201			4,062	4,201
Unallocated Depreciation	631	295			631	295
Water			19,580	19,173	19,580	19,173
Sewer			14,874	15,380	14,874	15,380
Solid waste			16,962	17,893	16,962	17,893
Storm Drainage			2,618	2,646	2,618	2,646
Airport			912	742	912	742
Transit			1,733	1,277	1,733	1,277
Total Expenses	82,702	89,004	56,679	57,111	139,381	146,115
Increase (decrease) in Net Assets	(8,620)	8,530	1,419	(1,286)	(7,201)	7,244
Net Assets, 7-1-2009	640,332	631,802	385,870	387,156	1,026,202	1,018,958
Prior Period Adjustments	(91)				(91)	
Net Assets, 7-1-2009, Restated	640,241	631,802	385,870	387,156	1,026,111	1,018,958
Net Assets, 6-30-2010	\$ 631,621	\$ 640,332	\$ 387,289	\$ 385,870	\$ 1,018,910	\$ 1,026,202

Governmental Activities

Total revenues decreased drastically by 24% in FY 2009-10. The two highest reductions of revenues from taxes were in other general revenues at 44% and operating contributions and grants at 27%. All types of revenues decreased during the fiscal year. Investment earnings showed a reduction of \$4.1 million compared to last year's earnings due to declining interest rates.

Business-type Activities

The City of Tracy maintains six different types of enterprise 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.

Unlike the revenues of governmental activities, the revenues of business-type activities increased. The revenue source that showed the highest increase is general revenues and transfers which increased by 1034%. This huge increase was due to partial collection of principal and interest for advances made to the Northeast Industrial Plan Area #1 and Plan "C" funds.

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, 2010, the City's governmental funds presented a combined fund balance of almost \$166.1 million, a decrease of \$23.4 million when compared to that of the prior year. This fiscal year, only the TEA Grant fund and Tracy Gateway Area fund posted a negative fund balance. This negative balance was the result of having capital outlay expenditures exceeding the revenues for both funds. It is anticipated that these expenditures will be offset by future revenues from State grants and various developers.

The City of Tracy's general fund has a fund balance of \$18.9 million. Of this amount, \$17.6 million or 93% is unreserved and undesignated. The total unreserved and undesignated fund balance represents almost 36% of the total general fund expenditures.

Financial Analysis of the Government's Funds (Continued)

The City of Tracy's debt service funds have a combined fund balance of \$5.4 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by \$2.68 million or a reduction of 33%.

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 \$46.1 million for the year ended June 30, 2010, up by 20% compared to last year's unrestricted net assets of \$38.5 million. This increase is due mainly to the increases in transfers and other revenues in unrestricted net assets posted by all of the Proprietary funds.

Although the Water Fund's total operating revenues decreased by 13.5%, its operating expenses increased only by 3% which resulted in an operating loss of \$5.2 million. This year's losses are higher by 200% compared to the losses of the previous year.

The losses for this year's operations were mainly due to a 13.5% reduction in revenues from charges for services. This decline was due to the increasing rates of delinquent utility customer accounts that were written off, and reduced usage due to foreclosures and vacant properties.

The Sewer Fund also posted an operating loss of \$2 million. Just like the water fund the decrease in total operating revenues was due to an increase in utility receivables that were written off. Due to the implementation of cost saving policies such as lay offs and furloughs, the sewer fund managed to lower its operating expenses by \$.496 million. These reductions in operating expenses resulted in an operating loss that is less by \$.325 million compared to last year's loss of \$2.34 million.

The Airport Fund posted a 45% increase in total operating revenues and an increase of only less than 1% in operating expenses. However, interest charges on advances that were granted by the water utility and general fund contributed to the airport fund's decrease in net assets by \$.181 million.

The Solid Waste Fund's operating expenses decreased by 5% while its total operating revenues posted a reduction of 3% which resulted in an operating income of \$.357 million. This increase in operating revenues was due to one time insurance reimbursements for losses that were incurred in prior years.

The operations of the Transit Fund posted an operating loss that is 30% higher compared to last year's losses of \$.337 million. This can be attributed to an increase of 64% in the costs of maintenance and operations which includes salaries and wages, fringe benefits, and materials and services.

Financial Analysis of the Proprietary Funds (Continued)

The Drainage Fund's net assets decreased by 2.9%. This is the result of a .5% increase in operating expenses and an increase in revenues of 2.63%. Since the drainage fund is relying on revenues derived from utility customers just like the water, sewer, and solid waste funds, it is also burdened by the current declining economy which triggers the increasing rates of write offs of customer receivables.

General Fund Budgetary Highlights

- The actual revenues of the general fund were less than the estimated amount by \$4.6 million.
- The actual expenditures reported a favorable variance. The estimated expenditures were higher than the actual by \$6.2 million.
- The net excess of revenues over expenditures for the fiscal year ended June 30, 2010 is \$1.6 million.

The deficiency of actual revenues compared to estimated revenues was due to a 17.9% decline in taxes when compared to last year's. The favorable variance in expenditures can be attributed to various cost savings measures that the City undertook during the year. The City continued to follow last year's cost saving measures by not filling vacancies in anticipation of declining revenues due to retirement or resignations and not adding more positions. The City implemented more drastic measures during the year by laying off almost 13% of its work force. Despite the City's efforts in cutting costs, expenditures still exceeded revenues but it was kept to a minimum of \$5.3 million.

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, 2010, amounts to \$914.8 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 was 2.6% for governmental activities while business-type activities experienced a decline of 1.7%. More detailed information of the City's capital assets can be found in Note 5.

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2010
(in Thousands)

Asset Description	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 156,139	\$ 152,987	\$ 6,724	\$ 6,647	\$ 162,863	\$ 159,634
Streets and Roads	209,548	207,748			209,548	207,748
Construction in-Progress	12,809	5,476	6,371	11,355	19,180	16,831
Buildings and Improvements	132,085	126,582	383,754	369,168	515,839	495,750
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	26,675	26,675			26,675	26,675
Traffic Signals	14,243	14,243			14,243	14,243
Equipment	28,681	27,645	46,562	45,668	75,243	73,313
Infrastructure	9,905	4,971	94,582	94,142	104,487	99,113
Intangible Assets	714	422	63,848	63,699	64,562	64,121
Less: Total Accumulated Depreciation	(73,033)	(61,925)	(204,843)	(186,858)	(277,876)	(248,783)
Total Capital Assets	\$ 517,766	\$ 504,824	\$ 396,998	\$ 403,821	\$ 914,764	\$ 908,645

Construction-in-Progress increased by 134% in government activities due to various street and road projects that are currently on-going. One of these major road projects is the widening of Grant Line Road from Tracy Boulevard to MacArthur Drive. This project has an estimated cost of \$9.7 million. It is expected to be completed in the later part of next year.

In business type activities, the decrease in construction-in-progress this year was due to the completion of the multi-modal station at 6th Street which is now included in the buildings and improvements of the Transit Fund.

Long-term Debt. At the end of fiscal year 2010, the City's total debt showed a reduction of 3% or \$3.29 million. This decline was due to scheduled principal payments of on the long term debt during the year. Compensated absences also declined due to the payment of leave to employees who have left the City either by retirement or lay off.

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.

Table 4
City of Tracy
Schedule of Long Term Debt
June 30, 2010
(in Thousands)

Debt Description	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
2008 Lease Revenue Bonds	\$ 19,465	\$ 19,765				
2007 Lease Revenue Bonds-A	2,690	2,690				
2007 Lease Revenue Bonds-B	1,675	1,760				
2003 Tax Allocation Bonds	49,860	50,965			\$ 49,860	\$ 50,965
1998 Certificates of Participation						
Capital Leases	203	265			203	265
2003 Wastewater Revenue Bonds			\$ 1,315	\$ 1,625	1,315	1,625
2004 Wastewater Revenue Bonds			29,195	29,795	29,195	29,795
U. S. EDA Notes			1,444	1,613	1,444	1,613
Irrigation District Notes			5,000	5,000	5,000	5,000
State of California-Department of Transportation Loan			109	126	109	126
State of California-Department of Health Services Loan			17,978	18,801	17,978	18,801
Compensated Absences	2,727	2,911	423	465	3,150	3,376
Claims and Judgments	113	92			113	92
Post Retirement Benefits	674	468				
Total Long Term Liabilities	\$ 77,407	\$ 78,916	\$ 55,464	\$ 57,425	\$ 108,367	\$ 111,658

Economic Outlook and Major Initiatives

As the current economic crisis continues, fiscal year 2009-10 clearly shows its effects. As unemployment lowers the purchasing power of the City's population, property values continue to decline together with the revenues related to it such as property transfer taxes and property taxes. 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. The City dipped again into its reserves just to maintain a \$18.9 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.

CITY OF TRACY
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 148,917,902	\$ 36,992,186	\$ 185,910,088
Cash and investments with fiscal agents	23,199,799	334,010	23,533,809
Restricted cash and investments	983,858		983,858
Accounts receivable	8,444,746	11,481,557	19,926,303
Interest receivable	782,065	185,996	968,061
Prepaid items	1,066,443	286,919	1,353,362
Loans receivable	11,665,190		11,665,190
Internal balances	(201,207)	201,207	
Deferred charges, net of accumulated amortization	4,710,443	193,648	4,904,091
Capital assets, not being depreciated	378,495,751	13,094,637	391,590,388
Capital assets, being depreciated, net of accumulated depreciation	139,270,312	383,903,368	523,173,680
Total Assets	717,335,302	446,673,528	1,164,008,830
LIABILITIES			
Accounts payable	3,064,800	2,438,910	5,503,710
Deposits payable	3,768,305	1,302,528	5,070,833
Unearned revenue	275,852	50,000	325,852
Accrued interest payable	1,198,168	128,094	1,326,262
Noncurrent liabilities:			
Due within one year	2,391,275	3,129,368	5,520,643
Due in more than one year	75,015,807	52,335,577	127,351,384
Total Liabilities	85,714,207	59,384,477	145,098,684
NET ASSETS			
Invested in capital assets, net of related debt	463,949,055	340,943,685	804,892,740
Restricted for:			
Debt service	4,244,930	222,049	4,466,979
Public safety	1,927,597		1,927,597
Streets and roads	7,617,661		7,617,661
Community development	1,028,879		1,028,879
Special districts	3,650,618		3,650,618
Projects	86,717,934		86,717,934
Housing	15,773,248		15,773,248
Unrestricted	46,711,173	46,123,317	92,834,490
Total Net assets	\$ 631,621,095	\$ 387,289,051	\$ 1,018,910,146

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, 2010

	Expenses	Program Revenues	
		Charges for Services	Operating Contributions and Grants
Governmental Activities:			
General government			
Legislative	\$ (392,068)	\$ -	\$ -
City attorney	(705,805)		
City treasurer	(393,014)		
Administration	(1,015,823)		
Personnel	(606,258)		
Finance	(1,852,451)		
Non-departmental	(2,013,746)	3,121,654	375,685
Economic development	(404,469)	105,365	431,886
Public safety			
Police	(22,026,598)	442,637	1,050,714
Fire	(14,540,764)	138,086	6,247,695
Public works			
Development and engineering	(9,126,987)	6,924,772	9,775,526
Public works	(12,728,179)	4,401,028	1,416,024
Culture and leisure			
Cultural arts	(2,228,193)	336,099	
Parks and community services	(9,974,187)	1,207,629	465,630
Interest on long-term debt	(4,062,789)		590,830
Unallocated depreciation	(630,858)		
Total Governmental Activities	(82,702,189)	16,677,270	9,305,263
Business-type Activities:			
Water	(19,579,536)	13,693,051	1,840,542
Sewer	(14,874,285)	11,489,880	4,103
Airport	(911,703)	373,482	356,282
Solid waste	(16,961,767)	17,319,665	10,121
Transit	(1,733,373)	1,295,498	3,575,510
Drainage	(2,617,959)	555,496	344,979
Total Business-type Activities	(56,678,623)	44,727,072	6,131,537
Total Government	\$ (139,380,812)	\$ 61,404,342	\$ 9,305,263

General Revenues:

Taxes:

- Property taxes
- Franchise taxes
- Sales and use taxes
- Transit occupancy tax
- Business license taxes
- Transfer tax
- Motor vehicle in lieu, unrestricted
- Investment earnings
- Miscellaneous
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets July 1, 2009

Prior Period Adjustments

Net Assets July 1, 2009, restated

Net Assets, June 30, 2010

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>
\$ (392,068)	\$ -	\$ (392,068)
(705,805)		(705,805)
(393,014)		(393,014)
(1,015,823)		(1,015,823)
(606,258)		(606,258)
(1,852,451)		(1,852,451)
1,483,593		1,483,593
132,782		132,782
(20,513,308)		(20,513,308)
(8,154,983)		(8,154,983)
7,573,311		7,573,311
(6,911,127)		(6,911,127)
(1,892,094)		(1,892,094)
(8,300,928)		(8,300,928)
(3,471,959)		(3,471,959)
(630,858)		(630,858)
<u>(45,650,990)</u>		<u>(45,650,990)</u>
	(4,045,943)	(4,045,943)
	(3,380,302)	(3,380,302)
	(181,939)	(181,939)
	368,019	368,019
	3,137,635	3,137,635
	(1,717,484)	(1,717,484)
	<u>(5,820,014)</u>	<u>(5,820,014)</u>
<u>(45,650,990)</u>	<u>(5,820,014)</u>	<u>(51,471,004)</u>
24,013,053		24,013,053
2,222,845		2,222,845
9,224,814		9,224,814
642,794		642,794
670,572		670,572
290,940		290,940
239,957		239,957
4,839,927	1,675,975	6,515,902
448,937		448,937
<u>(5,562,891)</u>	<u>5,562,891</u>	
<u>37,030,948</u>	<u>7,238,866</u>	<u>44,269,814</u>
<u>(8,620,042)</u>	<u>1,418,852</u>	<u>(7,201,190)</u>
640,332,598	385,870,199	1,026,202,797
(91,461)		(91,461)
<u>640,241,137</u>	<u>385,870,199</u>	<u>1,026,111,336</u>
<u>\$ 631,621,095</u>	<u>\$ 387,289,051</u>	<u>\$ 1,018,910,146</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 2010. 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.

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, 2010**

	<u>General Fund</u>	<u>Community Development Agency Housing</u>	<u>North East Industrial Plan Area #1</u>
ASSETS			
Cash and investments	\$ 17,045,252	\$ 3,907,232	\$ 6,623,072
Cash and investments with fiscal agents			
Restricted cash and investments		755,434	
Accounts receivable	927,145		
Interest receivable	176,412	14,434	33,994
Prepaid items	20,618		
Deposits			
Loans receivable	584,141	11,943,140	
Due from other funds	1,617,501		
Advances to other funds	244,057		
	<u>\$ 20,615,126</u>	<u>\$ 16,620,240</u>	<u>\$ 6,657,066</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 376,875	\$ 3,013	\$ 225,286
Due to other funds			
Deposits payable	1,021,608		
Deferred revenue	231,537	11,943,140	
Advances from other funds			4,320,168
	<u>1,630,020</u>	<u>11,946,153</u>	<u>4,545,454</u>
Fund Balances:			
Reserved for projects			
Reserved for encumbrances	510,739	1,747	241,488
Reserved for prepaid items	20,618		
Reserved for debt service			
Reserved for low/moderate income housing		4,672,340	
Reserved for advances	244,057		
Reserved for loans receivable	584,141		
Unreserved reported in:			
General fund	17,625,551		
Special revenue funds			
Capital projects funds			1,870,124
	<u>18,985,106</u>	<u>4,674,087</u>	<u>2,111,612</u>
Total Fund Balances	<u>18,985,106</u>	<u>4,674,087</u>	<u>2,111,612</u>
Total Liabilities and Fund Balances	<u>\$ 20,615,126</u>	<u>\$ 16,620,240</u>	<u>\$ 6,657,066</u>

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

Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 110,530,008	\$ 138,105,564
3,717,943	19,481,856	23,199,799
	228,424	983,858
230,155	7,287,446	8,444,746
6,807	550,418	782,065
	45,825	66,443
	1,000,000	1,000,000
	141,502	12,668,783
	6,675,841	8,293,342
		244,057
<u>\$ 3,954,905</u>	<u>\$ 145,941,320</u>	<u>\$ 193,788,657</u>
\$ 612,774	\$ 1,729,128	\$ 2,947,076
185,279	4,233,159	4,418,438
	2,746,697	3,768,305
	44,315	12,218,992
		4,320,168
<u>798,053</u>	<u>8,753,299</u>	<u>27,672,979</u>
	29,156,160	29,156,160
	5,147,232	5,901,206
	45,825	66,443
3,156,852	2,286,246	5,443,098
		4,672,340
		244,057
	141,502	725,643
		17,625,551
	20,748,575	20,748,575
	79,662,481	81,532,605
<u>3,156,852</u>	<u>137,188,021</u>	<u>166,115,678</u>
<u>\$ 3,954,905</u>	<u>\$ 145,941,320</u>	<u>\$ 193,788,657</u>

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010

Fund balances of governmental funds \$ 166,115,678

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	\$ 567,602,961	
Less: accumulated depreciation	<u>(58,744,174)</u>	508,858,787

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	5,685,961	
Less: accumulated amortization	<u>(975,518)</u>	4,710,443

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)

(1,193,871)

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)	(2,619,388)	
Bonds payable	(73,690,000)	
Postretirement benefit accrual	<u>(674,276)</u>	(76,983,664)

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.

19,174,175

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

11,943,140

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

\$ 631,621,095

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	General	Community Development Agency Housing	North East Industrial Plan Area #1	Community Development Agency Debt Service
REVENUES				
Taxes	\$ 25,900,791	\$ -	\$ -	\$ 8,854,067
Licenses, permits, and fees	2,886,482			
Fines and penalties	1,714,754			
Use of money and property	1,928,080	74,781	75,365	47,995
Intergovernmental	1,447,998			701,171
Charges for services	8,386,064			
Special assessments	341,171			
Contributions				
Other revenues	1,396,063			
Total Revenues	44,001,403	74,781	75,365	9,603,233
EXPENDITURES				
Current:				
General government				
Economic development	344,874			
General government	3,723,039			
Finance and AS	2,275,623			
Non-departmental	261,486			
Public safety				
Police	21,826,116			
Fire	8,135,944			
Public works				
Development and engineering	6,194,743	839,005		
Public works	2,837,710			
Culture and leisure				
Cultural arts	632,368			
Parks and community services	2,687,502			
Intergovernmental				6,280,729
Capital outlay	425,727		2,513,422	
Debt service:				
Principal payments				1,105,000
Interest and fiscal charges				2,613,989
Total Expenditures	49,345,132	839,005	2,513,422	9,999,718
Excess of revenues over (under) expenditures	(5,343,729)	(764,224)	(2,438,057)	(396,485)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,578,362	1,752,554	8,351,000	
Transfers out	(1,173,000)		(3,000,000)	(2,152,554)
Total Other Financing Sources (Uses)	6,405,362	1,752,554	5,351,000	(2,152,554)
Net Change in Fund Balances	1,061,633	988,330	2,912,943	(2,549,039)
Fund Balances, July 1, 2009	17,923,473	3,685,757	(801,331)	5,705,891
Prior Period Adjustments				
Fund Balances, July 1, 2009, Restated	17,923,473	3,685,757	(801,331)	5,705,891
Fund Balances, June 30, 2010	\$ 18,985,106	\$ 4,674,087	\$ 2,111,612	\$ 3,156,852

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

Other Governmental Funds	Total Governmental Funds
\$ 2,309,196	\$ 37,064,054
153,389	3,039,871
	1,714,754
2,070,980	4,197,201
13,132,625	15,281,794
138,720	8,524,784
4,357,791	4,698,962
2,914,880	2,914,880
260,639	1,656,702
<u>25,338,220</u>	<u>79,093,002</u>
69,648	414,522
38,548	3,761,587
	2,275,623
341,177	602,663
9,725	21,835,841
6,527,930	14,663,874
756,740	7,790,488
4,489,453	7,327,163
	632,368
	2,687,502
	6,280,729
20,212,781	23,151,930
385,000	1,490,000
1,379,592	3,993,581
<u>34,210,594</u>	<u>96,907,871</u>
<u>(8,872,374)</u>	<u>(17,814,869)</u>
4,145,739	21,827,655
(21,064,992)	(27,390,546)
<u>(16,919,253)</u>	<u>(5,562,891)</u>
<u>(25,791,627)</u>	<u>(23,377,760)</u>
163,071,109	189,584,899
(91,461)	(91,461)
162,979,648	189,493,438
<u>\$ 137,188,021</u>	<u>\$ 166,115,678</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, 2010**

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 \$ (23,377,760)

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	\$ 148,840	
Repayment of loans	<u>(15,772)</u>	133,068

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	23,151,930	
Depreciation expense not reported in governmental funds	(8,915,241)	
Book value of surplus and disposal of assets	(39,838)	
Capital contributions of assets	<u>195,520</u>	14,392,371

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	1,490,000	
Amortization of deferred charges	<u>(193,186)</u>	1,296,814

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	(205,919)	
Interest payable	133,583	
Accrued interest receivable	160,803	
Compensated absences	<u>85,066</u>	173,533

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

(1,238,068)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (8,620,042)

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 2010.

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, 2010**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	\$ 15,564,084	\$ 18,859,815	\$ -
Cash and investments with fiscal agents		334,010	
Accounts receivable - net	2,248,664	1,928,662	44,496
Interest receivable	79,389	87,990	
Prepaid expenses			
Total current assets	<u>17,892,137</u>	<u>21,210,477</u>	<u>44,496</u>
Noncurrent:			
Deferred charges, net of accumulated amortization		193,648	
Advances to other funds	<u>5,583,789</u>		
	<u>5,583,789</u>	<u>193,648</u>	
Capital Assets:			
Nondepreciable			
Land	29,015	933,732	15,826
Construction in progress	<u>2,693,346</u>	<u>2,892,898</u>	<u>329,116</u>
Total nondepreciable capital assets	<u>2,722,361</u>	<u>3,826,630</u>	<u>344,942</u>
Depreciable			
Infrastructure	24,154,549	20,964,072	
Buildings	50,905,779	95,405,239	356,080
Improvements	108,540,314	77,319,743	5,869,540
Equipment	14,010,862	30,132,209	91,467
Intangibles	<u>63,631,722</u>	<u>24,500</u>	<u>191,726</u>
Total depreciable capital assets	261,243,226	223,845,763	6,508,813
Less accumulated depreciation	<u>(88,757,000)</u>	<u>(81,622,824)</u>	<u>(4,227,461)</u>
Net depreciable capital assets	<u>172,486,226</u>	<u>142,222,939</u>	<u>2,281,352</u>
Net capital assets	<u>175,208,587</u>	<u>146,049,569</u>	<u>2,626,294</u>
Total noncurrent assets	<u>180,792,376</u>	<u>146,243,217</u>	<u>2,626,294</u>
Total assets	<u>\$ 198,684,513</u>	<u>\$ 167,453,694</u>	<u>\$ 2,670,790</u>

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
\$ 1,362,996	\$ 250,757	\$ 954,534	\$ 36,992,186	\$ 10,812,338
			334,010	
3,130,612	4,046,331	82,792	11,481,557	
12,993		5,624	185,996	
555		286,364	286,919	
<u>4,507,156</u>	<u>4,297,088</u>	<u>1,329,314</u>	<u>49,280,668</u>	<u>10,812,338</u>
			193,648	
			<u>5,583,789</u>	
			<u>5,777,437</u>	
	1,427,226	4,318,335	6,724,134	
	17,265	437,878	<u>6,370,503</u>	
	<u>1,444,491</u>	<u>4,756,213</u>	<u>13,094,637</u>	
		49,463,084	94,581,705	
	9,998,446		156,665,544	314,063
	3,851,531	31,507,845	227,088,973	554,752
44,219	2,264,240	19,624	46,562,621	21,763,609
			<u>63,847,948</u>	<u>563,685</u>
44,219	16,114,217	80,990,553	588,746,791	23,196,109
<u>(43,105)</u>	<u>(2,151,697)</u>	<u>(28,041,336)</u>	<u>(204,843,423)</u>	<u>(14,288,833)</u>
<u>1,114</u>	<u>13,962,520</u>	<u>52,949,217</u>	<u>383,903,368</u>	<u>8,907,276</u>
<u>1,114</u>	<u>15,407,011</u>	<u>57,705,430</u>	<u>396,998,005</u>	<u>8,907,276</u>
<u>1,114</u>	<u>15,407,011</u>	<u>57,705,430</u>	<u>402,775,442</u>	<u>8,907,276</u>
<u>\$ 4,508,270</u>	<u>\$ 19,704,099</u>	<u>\$ 59,034,744</u>	<u>\$ 452,056,110</u>	<u>\$ 19,719,614</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 989,103	\$ 435,338	\$ 791
Deposits payable	333,804	4,000	27,789
Due to other funds			429,904
Accrued interest payable	12,500	111,961	3,633
Claims payable, current portion			
Current portion - long-term debt	2,099,166	993,010	21,179
Deferred revenue			
Total current liabilities	<u>3,434,573</u>	<u>1,544,309</u>	<u>483,296</u>
Noncurrent Liabilities:			
Advances from other funds			1,507,678
Capital lease payable			
Notes payable	22,402,993		91,541
Revenue bonds payable		1,000,000	
Compensated absences	120,840	100,926	10,698
Claims payable			
Certificates of participation payable		28,580,000	
Total noncurrent liabilities	<u>22,523,833</u>	<u>29,680,926</u>	<u>1,609,917</u>
Total Liabilities	<u>25,958,406</u>	<u>31,225,235</u>	<u>2,093,213</u>
NET ASSETS			
Investment in capital assets, net of related debt	150,786,117	116,067,227	2,517,019
Restricted for debt service		222,049	
Unrestricted	21,939,990	19,939,183	(1,939,442)
Total Net Assets	<u>\$ 172,726,107</u>	<u>\$ 136,228,459</u>	<u>\$ 577,577</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	
\$ 831,673	\$ 168,984	\$ 13,021	\$ 2,438,910	\$ 117,724
		936,935	1,302,528	
	3,445,000		3,874,904	
			128,094	4,297
				56,247
3,110	7,607	5,296	3,129,368	
	50,000		50,000	
<u>834,783</u>	<u>3,671,591</u>	<u>955,252</u>	<u>10,923,804</u>	<u>178,268</u>
			1,507,678	
				202,867
			22,494,534	
			1,000,000	
2,287	18,427	7,865	261,043	108,057
				56,247
			28,580,000	
<u>2,287</u>	<u>18,427</u>	<u>7,865</u>	<u>53,843,255</u>	<u>367,171</u>
<u>837,070</u>	<u>3,690,018</u>	<u>963,117</u>	<u>64,767,059</u>	<u>545,439</u>
1,114	15,407,011	57,705,430	342,483,918	8,704,409
			222,049	
3,670,086	607,070	366,197	44,583,084	10,469,766
<u>\$ 3,671,200</u>	<u>\$ 16,014,081</u>	<u>\$ 58,071,627</u>	<u>\$ 387,289,051</u>	<u>\$ 19,174,175</u>

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 13,591,542	\$ 11,481,288	\$ 369,866
Other operating revenues	101,509	8,592	3,616
Total Operating Revenues	<u>13,693,051</u>	<u>11,489,880</u>	<u>373,482</u>
Operating Expenses			
Purchase of water	3,283,685		
Maintenance and operation	7,314,943	6,222,299	404,005
Administration	142,210	27,570	58,820
Insurance costs and claims			
Depreciation	8,172,888	7,257,658	268,561
Total Operating Expenses	<u>18,913,726</u>	<u>13,507,527</u>	<u>731,386</u>
Operating Income (Loss)	<u>(5,220,675)</u>	<u>(2,017,647)</u>	<u>(357,904)</u>
Non-Operating Revenues (Expenses)			
Interest income	1,343,858	205,244	
Interest expense	(665,810)	(1,366,758)	(180,317)
Grants and subsidies			73,359
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	<u>678,048</u>	<u>(1,161,514)</u>	<u>(106,958)</u>
Income (Loss) Before Capital Contributions and Transfers	(4,542,627)	(3,179,161)	(464,862)
Capital Contributions	1,840,542	4,103	282,923
Transfers in	2,637,000	3,000,000	
Transfers out		(74,109)	
Change in Net Assets	(65,085)	(249,167)	(181,939)
Net Assets, July 1, 2009	<u>172,791,192</u>	<u>136,477,626</u>	<u>759,516</u>
Net Assets, June 30, 2010	<u>\$ 172,726,107</u>	<u>\$ 136,228,459</u>	<u>\$ 577,577</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	
\$ 16,625,072	\$ 87,086	\$ 555,496	\$ 42,710,350	\$ 7,409,095
694,593	1,208,412		2,016,722	614,763
17,319,665	1,295,498	555,496	44,727,072	8,023,858
			3,283,685	
16,954,594	1,394,835	579,542	32,870,218	4,383,395
6,940	75,490	15,470	326,500	100,520
				2,711,128
233	263,048	2,022,947	17,985,335	2,433,626
16,961,767	1,733,373	2,617,959	54,465,738	9,628,669
357,898	(437,875)	(2,062,463)	(9,738,666)	(1,604,811)
125,328		1,545	1,675,975	
			(2,212,885)	(9,605)
10,121	2,905,085		2,988,565	118,183
135,449	2,905,085	1,545	2,451,655	108,578
493,347	2,467,210	(2,060,918)	(7,287,011)	(1,496,233)
	670,425	344,979	3,142,972	258,165
			5,637,000	
			(74,109)	
493,347	3,137,635	(1,715,939)	1,418,852	(1,238,068)
3,177,853	12,876,446	59,787,566	385,870,199	20,412,243
\$ 3,671,200	\$ 16,014,081	\$ 58,071,627	\$ 387,289,051	\$ 19,174,175

**CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2010

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 14,130,482	\$ 11,517,975	\$ 356,530
Payments to suppliers and users	(6,032,284)	(3,165,543)	(233,114)
Payments to employees	(3,903,968)	(3,004,069)	(217,074)
Net Cash Provided (Used) by Operating Activities	4,194,230	5,348,363	(93,658)
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds	(180,835)	180,835	105,952
Advances to/from other funds	7,258,403		202,086
Principal received on loans receivable			
Transfers in	2,637,000	3,000,000	
Transfers out		(74,109)	
Net Cash Provided (Used) by Non-Capital Financing Activities	9,714,568	3,106,726	308,038
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	1,840,542	4,103	282,923
Capital grants received			47,498
Acquisitions of capital assets	(4,495,906)	(2,805,226)	(347,054)
Interest paid	(665,810)	(1,368,704)	(180,878)
Principal payments - long-term debt	(991,666)	(910,000)	(16,869)
Proceeds from sales of capital assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,312,840)	(5,079,827)	(214,380)
Cash Flows from Investing Activities:			
Interest received	1,289,391	216,777	
Net Cash Provided (Used) by Investing Activities	1,289,391	216,777	
Net Increase (Decrease) in Cash and Cash Equivalents	10,885,349	3,592,039	
Cash and Cash Equivalents, July 1, 2009	4,678,735	15,601,786	
Cash and Cash Equivalents, June 30, 2010	\$ 15,564,084	\$ 19,193,825	\$ -
Noncash Transactions			
Capital contributions	\$ 1,840,542	\$ 4,103	\$ 282,923
Amortization of deferred charges	\$ -	\$ 7,331	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 15,564,084	\$ 18,859,815	\$ -
Cash and investments with fiscal agents		334,010	
Total Cash and Investments	\$ 15,564,084	\$ 19,193,825	\$ -

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

Enterprise Funds				Governmental
Solid Waste	Municipal Transit	Drainage	Totals	Activities - Internal Service Funds
\$ 16,545,066	\$ 3,406,859	\$ 554,189	\$ 46,511,101	\$ 8,450,674
(16,722,991)	(1,439,367)	(780,029)	(28,373,328)	(4,661,931)
(162,472)	(384,417)	(224,364)	(7,896,364)	(2,581,939)
(340,397)	1,583,075	(450,204)	10,241,409	1,206,804
	(1,772,220)		(1,666,268)	
			7,460,489	
			5,637,000	57,419
			(74,109)	
	(1,772,220)		11,357,112	57,419
	670,425	344,979	3,142,972	258,165
6,277	2,905,085		2,958,860	
(1,347)	(3,135,609)	(377,329)	(11,162,471)	(983,095)
			(2,215,392)	(10,615)
			(1,918,535)	(62,488)
				118,183
4,930	439,901	(32,350)	(9,194,566)	(679,850)
125,632		5,457	1,637,257	
125,632		5,457	1,637,257	
(209,835)	250,756	(477,097)	14,041,212	584,373
1,572,831	1	1,431,631	23,284,984	10,227,965
<u>\$ 1,362,996</u>	<u>\$ 250,757</u>	<u>\$ 954,534</u>	<u>\$ 37,326,196</u>	<u>\$ 10,812,338</u>
\$ -	\$ 670,425	\$ 344,979	\$ 3,142,972	\$ 258,165
\$ -	\$ -	\$ -	\$ 7,331	\$ -
\$ 1,362,996	\$ 250,757	\$ 954,534	\$ 36,992,186	\$ 10,812,338
			334,010	
<u>\$ 1,362,996</u>	<u>\$ 250,757</u>	<u>\$ 954,534</u>	<u>\$ 37,326,196</u>	<u>\$ 10,812,338</u>

(Continued)

**CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2010
 (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)	\$ (5,220,675)	\$ (2,017,647)	\$ (357,904)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	8,172,888	7,257,658	268,561
(Increase) Decrease in Operating Assets:			
Accounts receivable	437,431	28,095	(16,952)
Prepaid items			
Increase (Decrease) in Operating Liabilities:			
Accounts payable	804,588	45,411	(9,693)
Compensated absences	(46,890)	34,846	22,020
Claims and judgments payable			
Deposits payable	46,888		310
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,194,230</u>	<u>\$ 5,348,363</u>	<u>\$ (93,658)</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	
\$ 357,898	\$ (437,875)	\$ (2,062,463)	\$ (9,738,666)	\$ (1,604,811)
233	263,048	2,022,947	17,985,335	2,433,626
(774,599)	2,111,361	(1,307) (286,364)	1,784,029 (286,364)	426,816
74,518	(370,719)	2,139	546,244	29,051
1,553	17,260	(40,856)	(12,067)	(98,655)
		(84,300)	(37,102)	20,777
<u>\$ (340,397)</u>	<u>\$ 1,583,075</u>	<u>\$ (450,204)</u>	<u>\$ 10,241,409</u>	<u>\$ 1,206,804</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, 2010

	Agency Funds
ASSETS	
Cash and investments	\$ 15,216,193
Cash and investments with fiscal agents	18,799,981
Restricted cash and investments	2,344
Interest receivable	47,231
Accounts receivable	62,525
Total Assets	34,128,274
 LIABILITIES	
Due to other governments	751
Accounts payable	28,340
Deposits payable	3,635,651
Due to assessment district bondholders	30,463,532
Total Liabilities	34,128,274
 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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

The accompanying financial statements present the activities of the City of Tracy (the primary government) and its component unit, and entity for which the City is financially accountable. The City of Tracy Community Development Agency (Agency) is a tax-increment redevelopment agency, the Board of which is composed of City Council members. The Agency's purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. Although legally separate, this Agency is so intertwined with the City that it is, in substance, one and the same. Accordingly, it is blended with the City in these financial statements. Separate Agency financial statements may be obtained from the City of Tracy at 333 Civic Center Plaza, Tracy, California 95376.

B. Individual Component Unit Disclosures

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

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

C. Basis of Presentation

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

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

New Accounting Pronouncements

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

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

D. Major Funds

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

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

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds (Continued)

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

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

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

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

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

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

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

E. Basis of Accounting

The government-wide, and proprietary funds financial statements are reported using the *economic resources measurement focus* and along with fiduciary funds using the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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*.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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

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

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity, 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

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

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

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

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

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding \$1,000 (infrastructure is \$50,000).

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

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

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

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

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

I. Postemployment Benefits

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank. Miscellaneous employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. Safety employees: Police employees can bank their unused sick leave if they have at least ten (10) years of employment. Fire employees have two (2) choices: (1) bank their unused sick leave or (2) be paid in cash for all unused sick leave hours in excess of 1,440 hours. If they chose to bank their unused sick leave, they can bank all of it but they will be taxed (Federal, State and the 1.45% Medicare) for all hours in excess of 1,440. Fire employees also need at least ten (10) years of employment to receive this benefit. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees' hourly rate of pay. The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until that bank is exhausted. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ending June 30, 2010, those costs for 38 retirees totaled \$97,915, and the total liability amount in the medical leave bank is \$1,980,174.

J. Use of Estimates

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Cash, Cash Equivalents, and Investments

1. Cash Management

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

2. Investments Valuation

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

3. State Investment Pool

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

4. Cash and Cash Equivalents

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information (Continued)

The City does not adopt budgets for the Interest Stabilization, Economic Uncertainty, Grow Tracy, and Residential and Commercial Rehabilitation Loan Special Revenue Funds, Parks COP and Regional Mall COP Debt Service Funds, and all Capital Project Funds (including the North East Industrial Plan Areas # 1 Major fund).

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

B. Deficit Fund Balances

Nonmajor Funds

A deficit fund balance of \$63,508 exists in the Tracy Gateway Capital Projects Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of \$24,662 exists in the TEA Grant Special Revenue 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	\$ 4,087,718
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Nonmajor Governmental Funds:

2008 Lease Revenue Fund	245,912
Traffic Congestion Relief Special Revenue Fund	600,000

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 185,910,088
Cash and investments with Fiscal Agents	23,533,809
Restricted Cash and Investments	983,858

Fiduciary funds:

Cash and investments	15,216,193
Cash and investments with Fiscal Agents	18,799,981
Restricted Cash and Investments	2,344

Total cash and investments	\$ 244,446,273
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CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$	3,410
Deposits with financial institutions		11,649,029
Investments		232,793,834
		232,793,834
Total cash and investments	\$	244,446,273

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	\$50 million per account
California Asset Management Plan	N/A	None	10%
Safekeeping Services Sweep Accounts	N/A	None	10%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	10%
Repurchase Agreements	1 year	None	10%
Purchase Agreements	92 days	20% of base value	10%
Certificates of Deposit	5 years	30%	10%
Bankers Acceptances (must be dollar denominated)	6 months	30%	10%
Commercial Paper	9 months	25%	5%
Negotiable Time Certificates of Deposit	18 months	30%	10%
Medium Term Corporate Notes	5 years	30%	10%
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	15%	10%
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	10%

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

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

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

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Totals	<u>Remaining maturity (in Months)</u>			
		12 Months or Less	13 to 36 Months	37 to 60 Months	Over 60 Months
U.S. Treasury Notes	\$ 15,556,769	\$ 3,326,066	\$ 9,473,742	\$ 2,756,961	\$ -
Money Market Funds	14,342,766	14,342,766			
Federal Agency Securities	81,482,613	19,515,232	38,636,933	23,330,448	
Corporate Medium Term Notes	54,721,414	9,164,701	44,454,127	1,102,586	
Commercial Paper	14,499,697	14,499,697			
Negotiable Time Deposits	7,124,976	7,124,976			
State Investment Pool	2,731,809	2,731,809			
Held by Bond Trustees:					
Money Market Funds	42,333,790	42,333,790			
	<u>\$ 232,793,834</u>	<u>\$ 113,039,037</u>	<u>\$ 92,564,802</u>	<u>\$ 27,189,995</u>	<u>\$ -</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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	\$ 15,556,769	N/A	\$ 15,556,769	\$ -	\$ -	\$ -	\$ -
Money Market Funds	14,342,766	N/A					14,342,766
Federal Agency Securities	81,482,613	N/A		81,482,613			
Corporate Medium							
Term Notes	54,721,414	N/A		27,632,176	16,667,170	10,343,068	79,000
Commercial Paper	14,499,697	N/A				14,499,697	
Negotiable Time Deposits	7,124,976	N/A				7,124,976	
State Investment Pool	2,731,809	N/A					2,731,809
Held by Bond Trustees:							
Money Market Funds	42,333,790	N/A		7,730,460			34,603,330
Total	\$ 232,793,834		\$ 15,556,769	\$ 116,845,249	\$ 16,667,170	\$ 31,967,741	\$ 51,756,905

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	\$ 18,013,939
FNMA	Federal agency securities	33,793,770
Federal Home Loan Bank	Federal agency securities	17,476,004

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk (Continued)

There are no investments in any one issuer that represent 5% or more of total investments (other than U.S. Treasury Securities, Mutual funds, and external investment pools) by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.).

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, 2010, \$22,782,512 of the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts. As of June 30, 2010, 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	\$ 15,556,769
Federal Agency Securities	81,482,613
Corporate Medium Term Notes	54,721,414
Commercial Paper	14,499,697
Negotiable Time Deposits	7,124,976
Money Market Funds	42,333,790

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 \$343,289 at June 30, 2010.

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, 2010, principal and accrued interest totaled \$846,510.

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, 2010, principal and accrued interest totaled \$2,354,167.

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, 2010 is \$40,093.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – LOANS RECEIVABLE (Continued)

B. Community Development Agency Loans (Continued)

The City loaned 29 individuals \$1,793,060 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, 2010, the developer owes \$4,470,379 including accrued interest.

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 owed as of June 30, 2010 is \$2,095,642 which includes accrued interest of \$120,642.

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, 2010 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. The balance as of June 30, 2010 is \$40,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – LOANS RECEIVABLE (Continued)

E. Settlement Note Revenue

The City is the holder of a promissory note dated September 8, 2009. The debtor is Sycamore Landscaping Co., who settled with the City for overcharges on its landscaping agreement. The note calls for monthly principal payments of \$3,857 plus interest at the quarterly LAIF rate (0.56% as of June 30, 2010) beginning October 1, 2009 with a final maturity date of June 30, 2013. The balance of the note as of June 30, 2010 was \$141,502.

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 (0.56% as of June 30, 2010). The balance of the loan as of June 30, 2010 is \$544,141. The City Manager has separated employment and has two years from separation date in which to satisfy this loan.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Governmental Activities					
Nondepreciable Capital Assets:					
Land	\$ 152,986,665	\$ 3,151,868	\$ -	\$ -	\$ 156,138,533
Roads accounted for using the modified approach	207,747,966	1,800,531			209,548,497
Construction in progress	5,476,192	7,802,843		(470,314)	12,808,721
Total Nondepreciable Capital Assets	<u>366,210,823</u>	<u>12,755,242</u>		<u>(470,314)</u>	<u>378,495,751</u>
Depreciable Capital Assets:					
Buildings and improvements	126,581,809	5,032,597		470,314	132,084,720
Grading, curb & gutter, sidewalk, and driveway approaches	26,674,681				26,674,681
Traffic signals	14,243,532				14,243,532
Equipment	27,645,228	1,316,330	(280,311)		28,681,247
Infrastructure and drainage	4,970,535	4,934,437			9,904,972
Intangibles	422,228	291,939			714,167
Total Depreciable Capital Assets	<u>200,538,013</u>	<u>11,575,303</u>	<u>(280,311)</u>	<u>470,314</u>	<u>212,303,319</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows:
(Continued)

Governmental Activities (Continued)	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Accumulated Depreciation:					
Buildings and improvements	\$ (26,612,038)	\$ (6,885,827)	\$ -	\$ -	\$ (33,497,865)
Grading, curbs & gutters, sidewalks and driveway approaches	(7,757,391)	(666,875)			(8,424,266)
Traffic signals	(7,662,392)	(660,270)			(8,322,662)
Equipment	(17,063,727)	(2,549,360)	240,473		(19,372,614)
Intangibles	(109,060)	(199,802)			(308,862)
Infrastructure	(2,720,005)	(386,733)			(3,106,738)
Total Accumulated Depreciation	(61,924,613)	(11,348,867)	240,473		(73,033,007)
Net Depreciable Capital Assets	138,613,400	226,436	(39,838)	470,314	139,270,312
Net Governmental Capital Assets	\$ 504,824,223	\$ 12,981,678	\$ (39,838)	\$ -	\$ 517,766,063
	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Business-type Activities					
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 29,015	\$ -	\$ -	\$ -	\$ 29,015
Construction in progress	1,426,580	2,102,736		(835,970)	2,693,346
Total Nondepreciable Capital Assets	1,455,595	2,102,736		(835,970)	2,722,361
Depreciable Capital Assets:					
Intangibles	63,506,722	125,000			63,631,722
Infrastructure	23,754,116	400,433			24,154,549
Buildings	50,905,779				50,905,779
Improvements	105,875,198	1,829,146		835,970	108,540,314
Equipment	13,972,271	38,591			14,010,862
Total Depreciable Capital Assets	258,014,086	2,393,170		835,970	261,243,226
Accumulated Depreciation:					
Infrastructure	(2,614,364)	(1,172,730)			(3,787,094)
Buildings	(20,290,593)	(1,465,742)			(21,756,335)
Improvements	(46,034,662)	(3,096,343)			(49,131,005)
Equipment	(5,263,021)	(700,419)			(5,963,440)
Intangibles	(6,381,472)	(1,737,654)			(8,119,126)
Total Accumulated Depreciation	(80,584,112)	(8,172,888)			(88,757,000)
Net Depreciable Capital Assets	177,429,974	(5,779,718)		835,970	172,486,226
Net Water Utility Capital Assets	\$ 178,885,569	\$ (3,676,982)	\$ -	\$ -	\$ 175,208,587

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows: (Continued)

Business-type Activities (Continued)	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Municipal Transit					
Nondepreciable Capital Assets:					
Land	\$ 1,350,183	\$ 77,043	\$ -	\$ -	\$ 1,427,226
Construction in progress	9,167,840	17,265		(9,167,840)	17,265
Total Nondepreciable Capital Assets	10,518,023	94,308		(9,167,840)	1,444,491
Depreciable Capital Assets:					
Buildings	1,555,641			8,442,805	9,998,446
Equipment	1,976,137	288,103			2,264,240
Improvements	373,298	2,753,198		725,035	3,851,531
Total Depreciable Capital Assets	3,905,076	3,041,301		9,167,840	16,114,217
Accumulated depreciation:					
Buildings	(557,164)	(70,885)			(628,049)
Equipment	(1,312,285)	(177,931)			(1,490,216)
Improvements	(19,200)	(14,232)			(33,432)
Total Accumulated Depreciation	(1,888,649)	(263,048)			(2,151,697)
Net Depreciable Capital Assets	2,016,427	2,778,253		9,167,840	13,962,520
Net Transit Capital Assets	\$ 12,534,450	\$ 2,872,561	\$ -	\$ -	\$ 15,407,011
Sewer Utility					
Nondepreciable Capital Assets:					
Land	\$ 933,732	\$ -	\$ -	\$ -	\$ 933,732
Construction in progress	667,809	2,225,089			2,892,898
Total Nondepreciable Capital Assets	1,601,541	2,225,089			3,826,630
Depreciable Capital Assets:					
Intangibles		24,500			24,500
Infrastructure	20,957,232	6,840			20,964,072
Buildings	95,405,239				95,405,239
Improvements	77,319,743				77,319,743
Equipment	29,583,412	548,797			30,132,209
Total Depreciable Capital Assets	223,265,626	580,137			223,845,763
Accumulated Depreciation:					
Intangibles		(10,988)			(10,988)
Infrastructure	(2,859,292)	(1,046,868)			(3,906,160)
Buildings	(35,464,285)	(2,562,263)			(38,026,548)
Improvements	(31,351,668)	(1,727,113)			(33,078,781)
Equipment	(4,689,921)	(1,910,426)			(6,600,347)
Total Accumulated Depreciation	(74,365,166)	(7,257,658)			(81,622,824)
Net Depreciable Capital Assets	148,900,460	(6,677,521)			142,222,939
Net Sewer Utility Capital Assets	\$ 150,502,001	\$ (4,452,432)	\$ -	\$ -	\$ 146,049,569

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows: (Continued)

Business-type Activities (Continued)	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Municipal Airport					
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress		329,116			329,116
Total Nondepreciable Capital Assets	15,826	329,116			344,942
Depreciable Capital Assets:					
Buildings	356,080				356,080
Improvements	5,869,540				5,869,540
Equipment	73,529	17,938			91,467
Intangibles	191,726				191,726
Total Depreciable Capital Assets	6,490,875	17,938			6,508,813
Accumulated Depreciation:					
Buildings	(238,679)	(18,028)			(256,707)
Improvements	(3,527,029)	(229,109)			(3,756,138)
Equipment	(46,634)	(2,251)			(48,885)
Intangibles	(146,558)	(19,173)			(165,731)
Total Accumulated Depreciation	(3,958,900)	(268,561)			(4,227,461)
Net Depreciable Capital Assets	2,531,975	(250,623)			2,281,352
Net Airport Capital Assets	<u>\$ 2,547,801</u>	<u>\$ 78,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,626,294</u>
Solid Waste					
Depreciable Capital Assets:					
Equipment	\$ 42,872	\$ 1,347	\$ -	\$ -	\$ 44,219
Accumulated Depreciation:					
Equipment	(42,872)	(233)			(43,105)
Net Solid Waste Capital Assets	<u>\$ -</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,114</u>
Drainage					
Nondepreciable Capital Assets:					
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	92,899	344,979			437,878
Total Nondepreciable Capital Assets	4,411,234	344,979			4,756,213
Depreciable Capital Assets:					
Improvements	31,507,848				31,507,848
Infrastructure	49,430,734	32,350			49,463,084
Equipment	19,624				19,624
Total Depreciable Capital Assets	80,958,206	32,350			80,990,556

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows: (Continued)

Business-type Activities (Continued)	Balance at July 1, 2009	Additions	Deletions	Transfers	Balance at June 30, 2010
Drainage (Continued)					
Accumulated Depreciation:					
Improvements	\$ (11,154,463)	\$ (1,454,596)	\$ -	\$ -	\$ (12,609,059)
Infrastructure	(14,848,227)	(566,388)			(15,414,615)
Equipment	(15,699)	(1,963)			(17,662)
Total Accumulated Depreciation	<u>(26,018,389)</u>	<u>(2,022,947)</u>			<u>(28,041,336)</u>
Net Depreciable Capital Assets	<u>54,939,817</u>	<u>(1,990,597)</u>			<u>52,949,220</u>
Net Drainage Capital Assets	<u>\$ 59,351,051</u>	<u>\$ (1,645,618)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,705,433</u>
Total Business-type Activities					
Nondepreciable Capital Assets:					
Land	\$ 6,647,091	\$ 77,043	\$ -	\$ -	\$ 6,724,134
Construction in progress	11,355,128	5,019,185		(10,003,810)	6,370,503
Total Nondepreciable Capital Assets	<u>18,002,219</u>	<u>5,096,228</u>		<u>(10,003,810)</u>	<u>13,094,637</u>
Depreciable Capital Assets:					
Infrastructure	94,142,082	439,623			94,581,705
Buildings	148,222,739			8,442,805	156,665,544
Improvements	220,945,624	4,582,344		1,561,005	227,088,973
Equipment	45,667,845	894,776			46,562,621
Intangibles	63,698,448	149,500			63,847,948
Total Depreciable Capital Assets	<u>572,676,738</u>	<u>6,066,243</u>		<u>10,003,810</u>	<u>588,746,791</u>
Accumulated Depreciation:					
Infrastructure	(20,321,883)	(2,785,986)			(23,107,869)
Buildings	(56,550,721)	(4,116,918)			(60,667,639)
Improvements	(92,087,022)	(6,521,393)			(98,608,415)
Equipment	(11,370,432)	(2,793,223)			(14,163,655)
Intangibles	(6,528,030)	(1,767,815)			(8,295,845)
Total Accumulated Depreciation	<u>(186,858,088)</u>	<u>(17,985,335)</u>			<u>(204,843,423)</u>
Net Depreciable Capital Assets	<u>385,818,650</u>	<u>(11,919,092)</u>		<u>10,003,810</u>	<u>383,903,368</u>
Net Business-type Capital Assets	<u>\$ 403,820,869</u>	<u>\$ (6,822,864)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,998,005</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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:

Cultural arts	\$ 646,493
City administration - nondepartmental	1,289,906
Police	473,146
Fire	78,858
Development and engineering	1,498,256
Public works	5,706,202
Parks and recreation	1,025,148
Unallocated	630,858
	630,858
Total Depreciation Expense-Governmental Activities	\$ 11,348,867

Business-type Activities:

Water utility	8,172,888
Sewer utility	7,257,658
Municipal airport	268,983
Solid waste	233
Municipal transit	262,626
Drainage	2,022,947
	2,022,947
Total Depreciation Expense-Business-type Activities	\$ 17,985,335

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 73%, instead of providing depreciation. During the fiscal year 2010, the City expended \$3,333,185 to preserve its roads. The City estimates that it will be required to expend approximately \$4,355,038 in the fiscal year 2011 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, 2010.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

A. Current Interfund Balances (Continued)

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	1,617,501	CDA Debt Service	\$ 185,279
<u>Nonmajor Governmental:</u>		<u>Nonmajor Governmental:</u>	
General Projects	\$ 1,871,241	Community Access CTV	21,300
RSP	4,804,600	South County Fire	1,000,000
		TEA	415,700
		Tracy Gateway	64,421
		Transportation Development	1,299,893
		CDBG	208,628
		Federal ARRA	1,187,111
		Residential and	
		Commercial Rehab	36,106
		<u>Major Enterprise:</u>	
		Municipal Transit	3,445,000
		Municipal Airport	429,904
Totals	<u><u>\$ 8,293,342</u></u>		<u><u>\$ 8,293,342</u></u>

B. Long-term Interfund Advances

At June 30, 2010, the funds below had made advances which were not expected to be repaid within the next fiscal year.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount</u>
Major Proprietary Fund:	Major Proprietary Fund:	
Municipal Airport Fund	Water Utility Fund	\$ 1,263,621
	Major Governmental Fund:	
	General Fund	244,057
		<u>1,507,678</u>
Major Governmental Fund:	Major Proprietary Fund:	
North East Industrial	Water Utility Fund	4,320,168
Plan Area # 1 Fund		<u>\$ 5,827,846</u>

Northeast Industrial Plan Area # 1 advance is being repaid over five years, where 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

<u>C. Interfund Transfers</u>				
<u>Paying Fund</u>	<u>Transfers out</u>		<u>Receiving Fund</u>	<u>Transfers in</u>
<u>Major Governmental:</u>			<u>Major Governmental:</u>	
General	\$ 1,173,000		General	\$ 7,578,362
Community Development			North East Industrial Plan Area #1	8,351,000
Debt Service	2,152,554		Community Development	
North East Industrial Plan Area #1	3,000,000		Agency Housing	1,752,554
<u>Nonmajor Governmental:</u>			<u>Nonmajor Governmental:</u>	
Capital Projects deposits	1,498,630		2008 Lease Revenue	1,289,000
Economic Uncertainty	6,631,600		2007 Lease Revenue	284,000
Interest Stabilization	946,762		Grow Tracy	1,000,000
North East Industrial Plan Area #2	8,351,000		Capital Projects deposits	74,109
Plan C	2,637,000		Tracy Gateway	1,498,630
Residential and Commercial Rehabilitation Loan	1,000,000			
<u>Major Proprietary:</u>			<u>Major Proprietary:</u>	
Sewer Utility	74,109		Water Utility	2,637,000
Totals	<u>\$ 27,464,655</u>		Sewer Utility	3,000,000
			Totals	<u>\$ 27,464,655</u>

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, (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due, (4) move funds from Economic Uncertainty (\$6,631,600) and Interest Stabilization fund (\$946,762) to cover revenue shortfalls in the General Fund due to fiscal downturn, (5) to transfer funds (\$1,000,000) from the Residential and Commercial Rehabilitation loan fund to the Grow Tracy fund to establish a business loan fund for local business owners, and (6) Move various dollars from capital projects funds to funds where the projects were completed.

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

A. Compensated Absences (Continued)

benefits, payable in accordance with various collective bargaining agreements, at June 30, 2010, total \$2,727,445 for governmental activities and \$423,199 for business-type activities.

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, 2010 was \$49,860,000. 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>
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	1,300,000	2,412,286	3,712,286
2015	1,360,000	2,343,988	3,703,988
2016-2020	7,795,000	10,770,129	18,565,129
2021-2025	9,940,000	8,626,932	18,566,932
2026-2030	12,845,000	5,719,360	18,564,360
2031-2034	13,035,000	1,827,768	14,862,768
	<u>\$ 49,860,000</u>	<u>\$ 39,254,063</u>	<u>\$ 89,114,063</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation

1) 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, 2010 was \$29,195,000. 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>
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	670,000	1,230,918	1,900,918
2015	695,000	1,205,826	1,900,826
2016-2020	3,885,000	5,585,310	9,470,310
2021-2025	4,795,000	4,651,751	9,446,751
2026-2030	6,025,000	3,401,381	9,426,381
2031-2035	7,635,000	1,794,669	9,429,669
2036-2037	3,595,000	172,781	3,767,781
	<u>\$ 29,195,000</u>	<u>\$ 21,863,779</u>	<u>\$ 51,058,779</u>

D. Revenue Bonds

1) 2008 Lease Revenue Bonds

On December 16, 2008 the City under the Tracy Operating Partnership (TPA) issued \$19,765,000 of 2008 Lease Revenue Bonds. The proceeds of the bonds are to be used for acquisition and construction of projects, prepay the outstanding principal balance (\$9,835,000) of the 1998 Certificates of Participation, and pay costs of issuance. Interest payments on the bonds are due semi—annually each April 1 and October 1 at rates varying between 3% and 6.375%. Principal is due annually each October 1 with \$3,850,000 of serial bonds due between 2009 and 2027 and \$15,915,000 of term bonds due between 2028 and 2038. The JPA has pledged revenue pursuant to a site and facility lease between the City and the JPA for the Police Department Headquarters and the Fire Administration Building. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the bonds. Upon issuance of the bonds \$10,135,356 (which includes \$865,475 cash available from the 1998 Certificates) is being deposited to prepay in full the 1998 Certificates on December 16, 2008 which included a call premium in the amount of \$196,700. The net proceeds of \$9,300,548 are to be deposited in the City (\$7,174,242) and the Redevelopment Agency (\$2,126,306). The outstanding balance of the bonds at June 30, 2010 is \$19,465,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

1) 2008 Lease Revenue Bonds (Continued)

Future minimum debt requirements for the bonds are:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2011	\$ 80,000	\$ 1,171,263	\$ 1,251,263
2012	100,000	1,167,662	1,267,662
2013	125,000	1,163,162	1,288,162
2014	145,000	1,157,762	1,302,762
2015	170,000	1,151,462	1,321,462
2016-2020	1,265,000	5,609,433	6,874,433
2021-2025	2,195,000	5,162,980	7,357,980
2026-2030	3,555,000	4,326,254	7,881,254
2031-2035	5,500,000	2,942,133	8,442,133
2036-2039	6,330,000	848,920	7,178,920
	<u>\$ 19,465,000</u>	<u>\$ 24,701,031</u>	<u>\$ 44,166,031</u>

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, 2010 was \$1,315,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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>\$ 1,315,000</u>	<u>\$ 89,088</u>	<u>\$ 1,404,088</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

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, 2010 is \$2,690,000. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 119,500	\$ 119,500
2012		119,500	119,500
2013		119,500	119,500
2014		119,500	119,500
2015		119,500	119,500
2016-2020		597,500	597,500
2021-2025	110,000	597,500	707,500
2026-2030	920,000	496,218	1,416,218
2031-2035	1,130,000	275,588	1,405,588
2036-2037	530,000	36,000	566,000
	<u>\$ 2,690,000</u>	<u>\$ 2,600,306</u>	<u>\$ 5,290,306</u>

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, 2009. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2010 was \$1,675,000.

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:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

D. Revenue Bonds (Continued)

4) 2007 Lease Revenue Bonds – Series B (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2011	\$ 90,000	\$ 68,380	\$ 158,380
2012	95,000	64,780	159,780
2013	95,000	60,980	155,980
2014	100,000	57,180	157,180
2015	105,000	53,180	158,180
2016-2020	585,000	199,500	784,500
2021-2025	605,000	70,775	675,775
	<u>\$ 1,675,000</u>	<u>\$ 574,775</u>	<u>\$ 2,249,775</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 (5%) are payable annually each July 1. The outstanding balance of the note at June 30, 2010 was \$1,444,024. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2011	\$ 177,355	\$ 72,201	\$ 249,556
2012	186,222	63,333	249,555
2013	195,534	54,022	249,556
2014	205,310	44,246	249,556
2015	215,576	33,980	249,556
2016-2017	464,027	35,085	499,112
	<u>\$ 1,444,024</u>	<u>\$ 302,867</u>	<u>\$ 1,746,891</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, 2010 was \$109,275. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
2011	\$ 17,734	\$ 5,450	\$ 23,184
2012	18,599	4,566	23,165
2013	19,464	3,638	23,102
2014	20,329	2,667	22,996
2015	21,194	1,653	22,847
2016	11,955	596	12,551
	<u>\$ 109,275</u>	<u>\$ 18,570</u>	<u>\$ 127,845</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 \$20,000,000 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, 2009 with a final maturity date of January 1, 2028. As of June 30, 2010 the City has balance due of \$17,978,446. Annual debt service requirements are as follows:

Fiscal Year(s) Ending June 30,	Principal	Interest	Total
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	902,995	354,925	1,257,920
2015	924,249	333,671	1,257,920
2016-2020	4,957,973	1,331,620	6,289,593
2021-2025	5,569,572	720,024	6,289,596
2026-2028	3,037,362	107,437	3,144,799
	<u>\$ 17,978,446</u>	<u>\$ 4,035,142</u>	<u>\$ 22,013,588</u>

Banta Community Irrigation District Note – The City received a \$6,500,000 note agreement with an interest rate of 3% from the Banta Community Irrigation District. Principal is payable annually. Interest is payable monthly. The outstanding balance of the note at June 30, 2010 was \$5,000,000. Maturity date is July 1, 2014. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

E. Notes and Loans Payable (Continued)

<u>Fiscal Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,000,000	\$ 122,500	\$ 1,122,500
2012	1,000,000	92,500	1,092,500
2013	1,000,000	62,500	1,062,500
2014	1,000,000	32,500	1,032,500
2015	1,000,000	2,500	1,002,500
	<u>\$ 5,000,000</u>	<u>\$ 312,500</u>	<u>\$ 5,312,500</u>

F. Installment Purchase Obligations

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, 2010 was \$202,867. The future minimum debt service requirements are as follows:

<u>Fiscal Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 64,988	\$ 8,115	\$ 73,103
2012	67,588	5,515	73,103
2013	70,291	2,812	73,103
	<u>\$ 202,867</u>	<u>\$ 16,442</u>	<u>\$ 219,309</u>

G. Changes in Long-Term Liabilities

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
2008 Lease Revenue Bonds	\$ 19,765,000	\$ -	\$ (300,000)	\$ 19,465,000	\$ 80,000
2007 Revenue Bonds A	2,690,000			2,690,000	
2007 Revenue Bonds B	1,760,000		(85,000)	1,675,000	90,000
2003 Tax Allocation Bonds	50,965,000		(1,105,000)	49,860,000	1,145,000
Capital leases	265,356		(62,489)	202,867	64,988
Compensated absences	2,911,165	1,164,466	(1,348,186)	2,727,445	955,040
Claims and judgments	91,717	24,777	(4,000)	112,494	56,247
Postretirement benefits	468,357	334,301	(128,382)	674,276	
	<u>\$ 78,916,595</u>	<u>\$ 1,523,544</u>	<u>\$ (3,033,057)</u>	<u>\$ 77,407,082</u>	<u>\$ 2,391,275</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

G. Changes in Long-Term Liabilities (Continued)

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Due Within One Year
Business-type activities:					
Bonds payable:					
2003 Wastewater Revenue Bonds	\$ 1,625,000	\$ -	\$ (310,000)	\$ 1,315,000	\$ 315,000
Certificates of Participation					
2004 Wastewater Certificates of Participation	29,795,000		(600,000)	29,195,000	615,000
Notes Payable:					
U.S. Economic Development Irrigation District Notes	1,612,933		(168,909)	1,444,024	177,355
State of California Department of Health Services	5,000,000			5,000,000	1,000,000
State of California Department of Transportation	18,801,203		(822,757)	17,978,446	842,122
Compensated absences	126,144		(16,869)	109,275	17,734
	464,972	185,990	(227,762)	423,200	162,157
Business-type activity Long-term liabilities	<u>\$ 57,425,252</u>	<u>\$ 185,990</u>	<u>\$ (2,146,297)</u>	<u>\$ 55,464,945</u>	<u>\$ 3,129,368</u>

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

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

I. Defeased Debt

As of June 30, 2010, 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, 2010, is as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Description	Fiscal Year		Balance Outstanding June 30, 2010
	Issue Year	Maturity Year	
93-1 Community Facilities District	1997	2027	\$ 1,085,000
98-4 Morrison Homes Assessment District	1999	2024	1,775,000
99-1 Community Facilities District, 04 Refunding	2000	2025	7,895,000
99-2 Community Facilities District	2000	2026	3,565,000
2000-02 Assessment District	2000	2026	695,000
2002 Revenue Bonds, Series A	2002	2022	3,340,000
99-2 Community Facilities District, Series 2002	2003	2027	7,100,000
93-1 Community Facilities District, Series 2002	2003	2032	1,980,000
2003-01 Assessment District	2003	2027	845,000
2003-1205 Residential Assessment District, Series A	2003	2022	7,535,000
2003B Junior Lien	2003	2011	385,000
2003C Senior Lien	2003	2011	2,555,000
2003D Junior Lien	2003	2011	590,000
89-1 Community Facilities District, Series A	2004	2034	10,075,000
89-1 Community Facilities District, Series B	2004	2034	965,000
2005C Revenue bonds (JPA)	2005	2036	14,040,000
2005B Revenue Bonds Junior Lien (JPA)	2005	2036	3,315,000
2005A Revenue Bonds Senior Lien (JPA)	2005	2029	63,675,000
2006-01 NE Industrial Phase II	2006	2036	10,635,000
			<u>\$ 142,050,000</u>

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate \$14.3 million at June 30, 2010.

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

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

SERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the City of Tracy and its Community Development Agency (the Agency).

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – CONTINGENCIES AND COMMITMENTS (Continued)

SERAF Contingency (Continued)

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions are \$3,482,914 for the fiscal year 2009-2010 and \$717,070 for 2010-2011. It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions, however, the Agency has made the contribution for 2009-2010.

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 11.615% for miscellaneous employees and 23.586% 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 2010, the City's annual pension cost of \$6,313,088 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, 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, 2009, was 28 years for safety, and 22 years for miscellaneous.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Funded Status and Funding Progress: As of June 30, 2009, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 81.0 percent and 80.0 percent funded, respectively. The actuarial accrued liability for benefits were \$83.5 million (miscellaneous) and \$96.8 million (safety), and the actual value of assets were \$67.6 million (miscellaneous) and \$76.4 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of 15.8 million (miscellaneous) and \$20.4 million (safety). The covered payroll (annual payroll of active employees covered by the plans) were \$21.7 million and \$17.1 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 73.0% and 118.8%, respectively.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous</u>			
6/30/2008	\$ 2,374,763	100%	\$ -
6/30/2009	2,544,003	100%	-
6/30/2010	2,371,498	100%	-
<u>Safety</u>			
6/30/2008	\$ 3,842,460	100%	\$ -
6/30/2009	4,041,867	100%	-
6/30/2010	3,941,590	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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

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.

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	\$	310,883
Plus - Interest adjustment		23,418
Less - Amortization adjustment		(30,467)
Annual OPEB cost (expense)		303,834
Contributions made		(97,915)
Increase in net OPEB obligation		205,919
Net OPEB obligation - beginning of fiscal year		468,357
Net OPEB obligation - end of fiscal year	\$	674,276

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 220,771	0%	\$ 441,542
6/30/2009	219,171	88%	468,357
6/30/2010	303,834	32%	674,276

Funded Status and Funding Progress. As of June 1, 2009, the most recent actuarial valuation date, the plan was 30.1% funded. The actuarial accrued liability for benefits was \$2,295,979, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,295,979. The covered payroll (annual payroll of active employees covered by the plan) was \$37.1 million, and the ratio of the UAAL to the covered payroll was 6.2 percent.

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

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

In the July 1, 2009, actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5.0 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 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after two 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, 2009 was thirty years.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 – JOINT POWERS AGREEMENT

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

NOTE 13 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

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

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

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

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

NOTE 14 – RESTRICTED NET ASSETS

Restricted net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2010 are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Restricted for Public Safety:		
Traffic safety	\$ 860,571	\$ -
Asset forfeiture	71,167	
Fire protection	995,859	
	<u>1,927,597</u>	
Streets and Roads:		
Construction and maintenance	7,617,661	
Community development	<u>1,028,879</u>	
Housing	<u>15,773,248</u>	
Special Districts:		
Landscaping	<u>3,650,618</u>	
Debt Service:		
Redevelopment	2,862,637	
Sewer		222,049
Other	1,382,293	
	<u>4,244,930</u>	<u>222,049</u>
Projects:		
Redevelopment	7,105,511	
Specific areas/locations	79,612,423	
	<u>86,717,934</u>	
Total restricted net assets	<u>\$ 120,960,867</u>	<u>\$ 222,049</u>

Included in total governmental restricted net assets at June 30, 2010 are net assets restricted by enabling legislation of \$80,629,815.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 15 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

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

NOTE 16 – DEFERRED COMPENSATION PLAN AND TRUST

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

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 17 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

During the fiscal year ended June 30, 2010, the City contributed \$2,709,382 for current year coverage and received refunds of \$601,623.

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

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including provisions for claims incurred but not reported, in the Insurance Internal Service Fund. Claims and judgments are recorded when a loss is deemed probable of asserting and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. The City has estimated that 50% of total claims will become due and payable within one year.

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, 2010 has reserve deposits which cover claims and IBNRs except for \$112,494.

	Worker's Compensation	General Liability	Totals	
			2010	2009
Beginning balance	\$ 48,670	\$ 43,047	\$ 91,717	\$ 91,717
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)	12,168	12,609	24,777	
Claims paid		(4,000)	(4,000)	
Ending balance	<u>\$ 60,838</u>	<u>\$ 51,656</u>	<u>\$ 112,494</u>	<u>\$ 91,717</u>

NOTE 18 – PROPOSITION 1A SECURITIZATION PROGRAM

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Tracy was \$1,727,408.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 18 – PROPOSITION 1A SECURITIZATION PROGRAM (Continued)

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California.

Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment made in the Government-Wide Statement of Activities and the Tracy Gateway Area Capital Projects Fund for a receivable that was determined to be uncollectible.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2010**

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
6/30/2007	\$ 61,743,710	\$54,135,201	\$ 7,608,509	87.7%	\$ 17,659,100	43.1%
6/30/2008	71,076,934	61,224,571	9,802,363	86.2%	21,044,450	46.6%
6/30/2009	83,457,017	67,629,363	15,827,654	81.0%	21,690,074	73.0%

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
6/30/2007	\$ 78,759,367	\$63,039,853	\$ 15,719,514	80.0%	\$15,179,627	103.6%
6/30/2008	86,884,673	70,343,897	16,540,776	81.0%	16,390,286	100.9%
6/30/2009	96,782,598	76,427,896	20,354,702	80.0%	17,137,483	118.8%

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, 2010**

Modified Approach to Reporting Street Pavement Costs (Continued)

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

The City's preservation costs are budgeted to be \$4,355,038 in fiscal year 2011. The Pavement Condition Index (PCI) for the City's street pavement for the latest years is as follows:

Year	PCI	Maintenance Budget	Actual Maintenance
2002	76	\$ 1,505,620	\$ 1,369,043
2003	77	1,621,170	1,642,556
2004	77	2,043,580	14,441,690
2005	81	2,303,227	13,943,191
2006	78	2,653,860	14,874,752
2007	76	4,244,964	8,647,067
2008	74	13,605,000	19,466,614
2009	72	1,667,146	19,115,824
2010	73	4,457,510	3,333,185
2011	73	4,355,038	

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 \$3,333,185 for street preservation for fiscal year 2010.

Postemployment Benefit Plans Other Than Pensions

Trend Information

SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH PLAN
BI-ANNUAL

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
7/1/2006	\$ 1,481,968	\$ -	\$ 1,481,968	-%	\$31,865,746	4.7%
7/1/2007	1,481,968	-	1,481,968	0%	38,375,088	3.9%
7/1/2009	2,295,979	-	2,295,979	0%	37,101,371	6.2%

CITY OF TRACY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2010

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, 2010

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 30,108,730	\$ 30,108,730	\$ 25,900,791	\$ (4,207,939)
Licenses, permits, and fees	2,790,490	2,790,490	2,886,482	95,992
Fines and forfeitures	1,738,000	1,738,000	1,714,754	(23,246)
Use of money and property	3,179,800	3,179,800	1,928,080	(1,251,720)
Intergovernmental	1,162,170	1,712,170	1,447,998	(264,172)
Charges for services	6,789,160	7,017,703	8,386,064	1,368,361
Special assessments	340,000	340,000	341,171	1,171
Other revenues	1,709,300	1,708,278	1,396,063	(312,215)
Total revenues	<u>47,817,650</u>	<u>48,595,171</u>	<u>44,001,403</u>	<u>(4,593,768)</u>
EXPENDITURES				
Current:				
General government:				
Economic development	309,950	384,215	344,874	39,341
General government	5,040,040	4,919,338	3,723,039	1,196,299
Finance and AS	2,182,380	2,135,480	2,275,623	(140,143)
Non-departmental	150,000	188,706	261,486	(72,780)
Public safety:				
Police	23,856,870	23,774,576	21,826,116	1,948,460
Fire	8,299,410	8,204,240	8,135,944	68,296
Public works:				
Development and engineering	7,088,080	7,232,177	6,194,743	1,037,434
Public works	4,223,910	4,036,945	2,837,710	1,199,235
Culture and leisure:				
Cultural arts	739,560	717,850	632,368	85,482
Parks and community services	3,487,100	3,421,246	2,687,502	733,744
Capital outlay		483,000	425,727	57,273
Total expenditures	<u>55,377,300</u>	<u>55,497,773</u>	<u>49,345,132</u>	<u>6,152,641</u>
Excess of revenues over (under) expenditures	<u>(7,559,650)</u>	<u>(6,902,602)</u>	<u>(5,343,729)</u>	<u>1,558,873</u>
Other financing sources (uses):				
Transfers in	7,432,700	7,432,700	7,578,362	145,662
Transfers out	<u>(1,173,000)</u>	<u>(1,173,000)</u>	<u>(1,173,000)</u>	
Total other financing sources (uses)	<u>6,259,700</u>	<u>6,259,700</u>	<u>6,405,362</u>	<u>145,662</u>
Net change in fund balance	(1,299,950)	(642,902)	1,061,633	1,704,535
Fund balance at beginning of fiscal year	<u>17,923,473</u>	<u>17,923,473</u>	<u>17,923,473</u>	
Fund balance at end of fiscal year	<u>\$ 16,623,523</u>	<u>\$ 17,280,571</u>	<u>\$ 18,985,106</u>	<u>\$ 1,704,535</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 50,000	\$ 50,000	\$ 74,781	\$ 24,781
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>74,781</u>	<u>24,781</u>
EXPENDITURES				
Current:				
Public works:				
Development and engineering	777,210	1,634,697	839,005	795,692
Total expenditures	<u>777,210</u>	<u>1,634,697</u>	<u>839,005</u>	<u>795,692</u>
Excess of revenues over (under) expenditures	<u>(727,210)</u>	<u>(1,584,697)</u>	<u>(764,224)</u>	<u>820,473</u>
Other financing sources (uses):				
Transfers in	<u>2,081,400</u>	<u>2,081,400</u>	<u>1,752,554</u>	<u>(328,846)</u>
Total other financing sources (uses)	<u>2,081,400</u>	<u>2,081,400</u>	<u>1,752,554</u>	<u>(328,846)</u>
Net change in fund balance	1,354,190	496,703	988,330	491,627
Fund balance at beginning of fiscal year	<u>3,685,757</u>	<u>3,685,757</u>	<u>3,685,757</u>	
Fund balance at end of fiscal year	<u>\$ 5,039,947</u>	<u>\$ 4,182,460</u>	<u>\$ 4,674,087</u>	<u>\$ 491,627</u>

See accompanying notes to required supplemental information

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OTHER SUPPLEMENTAL INFORMATION

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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, 2010

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 10,407,000	\$ 8,854,067	\$ (1,552,933)
Use of money and property	47,000	47,995	995
Intergovernmental	720,000	701,171	(18,829)
Total revenues	<u>11,174,000</u>	<u>9,603,233</u>	<u>(1,570,767)</u>
EXPENDITURES			
Current:			
Intergovernmental	2,186,200	6,280,729	(4,094,529)
Debt service:			
Principal payments	1,105,000	1,105,000	
Interest and fiscal charges	2,620,800	2,613,989	6,811
Total expenditures	<u>5,912,000</u>	<u>9,999,718</u>	<u>(4,087,718)</u>
Excess of revenues over (under) expenditures	<u>5,262,000</u>	<u>(396,485)</u>	<u>(5,658,485)</u>
Other financing sources (uses):			
Transfers out	<u>(2,081,400)</u>	<u>(2,152,554)</u>	<u>(71,154)</u>
Total other financing sources (uses)	<u>(2,081,400)</u>	<u>(2,152,554)</u>	<u>(71,154)</u>
Net change in fund balance	3,180,600	(2,549,039)	(5,729,639)
Fund balance at beginning of fiscal year	<u>5,705,891</u>	<u>5,705,891</u>	
Fund balance at end of fiscal year	<u>\$ 8,886,491</u>	<u>\$ 3,156,852</u>	<u>\$ (5,729,639)</u>

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

ECONOMIC UNCERTAINTY FUND

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

PARKING DISTRICT FUND

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

BUSINESS IMPROVEMENT DISTRICT FUND

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

ASSET FORFEITURE FUND

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

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.

GROW TRACY FUND

To establish a fund to assist local business owners through the issuance of small business loans.

FEDERAL ARRA

Established to account for Federal Recovery Act funds for construction to local streets and roads.

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.

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.

2008 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the 2008 lease revenue bonds that were originally issued to reflect prior certifications of participation and finance construction of certain City facility.

REGIONAL MALL COP DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND

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

NORTH EAST INDUSTRIAL PLAN AREA # 2

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

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.

SOUTH MACARTHUR PLAN AREA FUND

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

INDUSTRIAL SPECIFIC PLAN SOUTH FUND

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

PRESIDIO PLAN AREA FUND

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

TRACY GATEWAY AREA FUND

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

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

GENERAL PROJECTS FUND

Established to account for capital projects financial through transfers from the general fund.

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
Assets				
Cash and investments	\$ 10,472,236	\$ 1,064	\$ 20,770	\$ 82,458
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable				
Interest receivable	78,736			355
Due from other funds				
Deposits				
Note receivable				
Prepaid items				825
	<u>10,550,972</u>	<u>1,064</u>	<u>20,770</u>	<u>83,638</u>
Total Assets	<u>\$ 10,550,972</u>	<u>\$ 1,064</u>	<u>\$ 20,770</u>	<u>\$ 83,638</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,064	\$ 19,276	\$ 12,471
Due to other funds				
Deposits payable			1,494	
Deferred revenue				
	<u>-</u>	<u>1,064</u>	<u>20,770</u>	<u>12,471</u>
Total Liabilities		<u>1,064</u>	<u>20,770</u>	<u>12,471</u>
Fund Balances:				
Reserved:				
Prepaid items				825
Projects				
Encumbrances				12,471
Debt service				
Loans receivable				
Unreserved:				
Undesignated	10,550,972			57,871
	<u>10,550,972</u>			<u>71,167</u>
Total Fund Balances	<u>10,550,972</u>			<u>71,167</u>
Total Liabilities and Fund Balances	<u>\$ 10,550,972</u>	<u>\$ 1,064</u>	<u>\$ 20,770</u>	<u>\$ 83,638</u>

Special Revenue Funds

Proposition 1B	Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 1,382,023	\$ -	\$ 2,273,699	\$ 3,190,006	\$ 5,083	\$ 1,931	\$ 3,576,929
6,307	1,399,595	1,084,525 6,798	16,920 17,499	425,712 234	262,665 300	14,013
						141,502
<u>\$ 1,388,330</u>	<u>\$ 1,399,595</u>	<u>\$ 3,365,022</u>	<u>\$ 3,224,425</u>	<u>\$ 431,029</u>	<u>\$ 264,896</u>	<u>\$ 3,732,444</u>
\$ -	\$ 30,000 1,299,893	\$ 330,761	\$ 99,057	\$ 39,991 415,700	\$ 28,141 208,628	\$ 81,826
					16,640	
	<u>1,329,893</u>	<u>330,761</u>	<u>99,057</u>	<u>455,691</u>	<u>253,409</u>	<u>81,826</u>
	70,000	743,688	556,468	2,407,426		205,734
						141,502
<u>1,388,330</u>	<u>(298)</u>	<u>2,290,573</u>	<u>2,568,900</u>	<u>(2,432,088)</u>	<u>11,487</u>	<u>3,303,382</u>
<u>1,388,330</u>	<u>69,702</u>	<u>3,034,261</u>	<u>3,125,368</u>	<u>(24,662)</u>	<u>11,487</u>	<u>3,650,618</u>
<u>\$ 1,388,330</u>	<u>\$ 1,399,595</u>	<u>\$ 3,365,022</u>	<u>\$ 3,224,425</u>	<u>\$ 431,029</u>	<u>\$ 264,896</u>	<u>\$ 3,732,444</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
Assets				
Cash and investments	\$ -	\$ 82,911	\$ 651,610	\$ 42
Cash and investments with fiscal agents				
Restricted cash and investments	228,424			
Accounts receivable		1,955,884	205,621	38,646
Interest receivable	649		3,340	4
Due from other funds				
Deposits				
Notes receivable				
Prepaid items				
Total Assets	\$ 229,073	\$ 2,038,795	\$ 860,571	\$ 38,692
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,678	\$ 7,639	\$ -	\$ -
Due to other funds	36,106	1,000,000		21,300
Deposits payable		35,297		
Deferred revenue	27,675			
Total Liabilities	69,459	1,042,936		21,300
Fund Balances:				
Reserved:				
Prepaid items				
Projects				
Encumbrances		23,990		
Debt service				
Loans receivable				
Unreserved:				
Undesignated	159,614	971,869	860,571	17,392
Total Fund Balances	159,614	995,859	860,571	17,392
Total Liabilities and Fund Balances	\$ 229,073	\$ 2,038,795	\$ 860,571	\$ 38,692

Special Revenue Fund			Debt Service Funds			
Interest Stabilization	Federal ARRA	Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ -	\$ -	\$ 89,906	\$ 320,861	\$ 545,261 22,295	\$ 1,297,612
	1,187,111		1,256	1,464	1,671	5,920
		1,000,000				
<u>\$ -</u>	<u>\$ 1,187,111</u>	<u>\$ 1,000,000</u>	<u>\$ 91,162</u>	<u>\$ 322,325</u>	<u>\$ 569,227</u>	<u>\$ 1,303,532</u>
\$ -	\$ - 1,187,111	\$ -	\$ -	\$ -	\$ -	\$ -
	1,187,111					
		1,000,000	91,162	322,325	569,227	1,303,532
		1,000,000	91,162	322,325	569,227	1,303,532
<u>\$ -</u>	<u>\$ 1,187,111</u>	<u>\$ 1,000,000</u>	<u>\$ 91,162</u>	<u>\$ 322,325</u>	<u>\$ 569,227</u>	<u>\$ 1,303,532</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
Assets				
Cash and investments	\$ 3,944,186	\$ 13,217,959	\$ 4,783,831	\$ 5,144,492
Cash and investments with fiscal agents		4,363,898		
Restricted cash and investments				
Accounts receivable	2,678			
Interest receivable	37,636	65,429	23,506	21,980
Due from other funds	4,804,600			
Deposits				
Notes receivable				
Prepaid items			45,000	
Total Assets	\$ 8,789,100	\$ 17,647,286	\$ 4,852,337	\$ 5,166,472
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 35,089	\$ 361,095	\$ 819
Due to other funds				
Deposits payable				762,058
Deferred revenue				
Total Liabilities		35,089	361,095	762,877
Fund Balances:				
Reserved:				
Prepaid items			45,000	
Projects		4,363,898		
Encumbrances	78,270	300,090	987,912	428,491
Debt service				
Loans receivable				
Unreserved:				
Undesignated	8,710,830	12,948,209	3,458,330	3,975,104
Total Fund Balances	8,789,100	17,612,197	4,491,242	4,403,595
Total Liabilities and Fund Balances	\$ 8,789,100	\$ 17,647,286	\$ 4,852,337	\$ 5,166,472

Capital Projects Funds

Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area
\$ 5,010,353 2,126,315	\$ 4,169,217	\$ 5,904,841	\$ 7,968,038	\$ 3,085,544	\$ 5,857,078 5,033
17,459 25,388	24,289	27,817	35,304	15,793	27,342
<u>\$ 7,179,515</u>	<u>\$ 4,193,506</u>	<u>\$ 5,932,658</u>	<u>\$ 8,003,342</u>	<u>\$ 3,101,337</u>	<u>\$ 5,889,453</u>
\$ 74,004	\$ 338,445	\$ -	\$ 45,900	\$ -	\$ -
	290,583	832,265			825,000
<u>74,004</u>	<u>629,028</u>	<u>832,265</u>	<u>45,900</u>		<u>825,000</u>
2,126,315 235,790	1,327,030	31,059		33,099	5,033
<u>4,743,406</u>	<u>2,237,448</u>	<u>5,069,334</u>	<u>7,957,442</u>	<u>3,068,238</u>	<u>5,059,420</u>
<u>7,105,511</u>	<u>3,564,478</u>	<u>5,100,393</u>	<u>7,957,442</u>	<u>3,101,337</u>	<u>5,064,453</u>
<u>\$ 7,179,515</u>	<u>\$ 4,193,506</u>	<u>\$ 5,932,658</u>	<u>\$ 8,003,342</u>	<u>\$ 3,101,337</u>	<u>\$ 5,889,453</u>

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010
(Continued)

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
Assets				
Cash and investments	\$ 799	\$ 22,493,903	\$ 4,955,365	\$ 110,530,008
Cash and investments with fiscal agents			12,964,315	19,481,856
Restricted cash and investments				228,424
Accounts receivable			690,630	7,287,446
Interest receivable	114	107,274		550,418
Due from other funds			1,871,241	6,675,841
Deposits				1,000,000
Note receivable				141,502
Prepaid items				45,825
Total Assets	<u>\$ 913</u>	<u>\$ 22,601,177</u>	<u>\$ 20,481,551</u>	<u>\$ 145,941,320</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 84,210	\$ 133,662	\$ 1,729,128
Due to other funds	64,421			4,233,159
Deposits payable				2,746,697
Deferred revenue				44,315
Total Liabilities	<u>64,421</u>	<u>84,210</u>	<u>133,662</u>	<u>8,753,299</u>
Fund Balances:				
Reserved:				
Prepaid items				45,825
Projects			18,747,598	29,156,160
Encumbrances		18,739	1,600,291	5,147,232
Debt service				2,286,246
Loans receivable				141,502
Unreserved:				
Undesignated	(63,508)	22,498,228		100,411,056
Total Fund Balances	<u>(63,508)</u>	<u>22,516,967</u>	<u>20,347,889</u>	<u>137,188,021</u>
Total Liabilities and Fund Balances	<u>\$ 913</u>	<u>\$ 22,601,177</u>	<u>\$ 20,481,551</u>	<u>\$ 145,941,320</u>

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds			
	Economic Uncertainty	Parking District	Business Improvement District	Asset Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	304,260	(766)		1,561
Intergovernmental				19,939
Special assessments		98	29,194	
Contributions			76,073	
Other revenues				
Charges for services				
Total Revenues	<u>304,260</u>	<u>(668)</u>	<u>105,267</u>	<u>21,500</u>
EXPENDITURES:				
Current:				
General government				
Economic development				
General government				
Non-departmental			102,271	
Public safety				
Police				9,725
Fire				
Public works				
Development and engineering		18,569		
Public works				
Capital outlay		24,800		13,113
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		<u>43,369</u>	<u>102,271</u>	<u>22,838</u>
Excess of Revenues Over (Under) Expenditures	<u>304,260</u>	<u>(44,037)</u>	<u>2,996</u>	<u>(1,338)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(6,631,600)			
Total Other Financing Sources (Uses)	<u>(6,631,600)</u>			
Net Change in Fund Balances	<u>(6,327,340)</u>	<u>(44,037)</u>	<u>2,996</u>	<u>(1,338)</u>
Fund Balances, July 1, 2009	16,878,312	44,037	(2,996)	72,505
Prior Period Adjustments				
Fund Balances, July 1, 2009, Restated	<u>16,878,312</u>	<u>44,037</u>	<u>(2,996)</u>	<u>72,505</u>
Fund Balances, June 30, 2010	<u>\$ 10,550,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,167</u>

Special Revenue Funds

Proposition 1B	Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ -	\$ 1,399,595	\$ 909,601	\$ -	\$ -	\$ -	\$ -
26,426	(15,485)	12,089	56,770	1,727	2,225	96,257
		464,401	1,416,024	969,682	431,886	2,231,637
						163,066
26,426	1,384,110	1,386,091	1,472,794	971,409	434,111	2,490,960
	44,800		31,260			77,850
	160,000				148,748	
	1,005,200		1,687,438			1,809,303
	1,041,625	1,982,869	838,821	1,009,672	283,138	10,923
	2,251,625	1,982,869	2,557,519	1,009,672	431,886	1,898,076
26,426	(867,515)	(596,778)	(1,084,725)	(38,263)	2,225	592,884
26,426	(867,515)	(596,778)	(1,084,725)	(38,263)	2,225	592,884
1,361,904	937,217	3,631,039	4,210,093	13,601	9,262	3,057,734
1,361,904	937,217	3,631,039	4,210,093	13,601	9,262	3,057,734
\$ 1,388,330	\$ 69,702	\$ 3,034,261	\$ 3,125,368	\$ (24,662)	\$ 11,487	\$ 3,650,618

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitaion Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				153,389
Use of money and property	6,329		20,943	27
Intergovernmental		6,247,695	739,932	
Special assessments				
Contributions				
Other revenues				
Charges for services		138,086		634
Total Revenues	<u>6,329</u>	<u>6,385,781</u>	<u>760,875</u>	<u>154,050</u>
EXPENDITURES:				
Current:				
General government				
Economic development				
General government				38,548
Non-departmental				15,850
Public safety				
Police				
Fire		6,527,930		
Public works				
Development and engineering				
Public works				
Capital outlay		13,172	600,000	
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		<u>6,541,102</u>	<u>600,000</u>	<u>54,398</u>
Excess of Revenues Over (Under) Expenditures	<u>6,329</u>	<u>(155,321)</u>	<u>160,875</u>	<u>99,652</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(1,000,000)			
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>			
Net Change in Fund Balances	<u>(993,671)</u>	<u>(155,321)</u>	<u>160,875</u>	<u>99,652</u>
Fund Balances, July 1, 2009	1,153,285	1,151,180	699,696	(82,260)
Prior Period Adjustments				
Fund Balances, July 1, 2009, Restated	<u>1,153,285</u>	<u>1,151,180</u>	<u>699,696</u>	<u>(82,260)</u>
Fund Balances, June 30, 2010	<u>\$ 159,614</u>	<u>\$ 995,859</u>	<u>\$ 860,571</u>	<u>\$ 17,392</u>

Special Revenue Fund			Debt Service Funds			
Interest Stabilization	Federal ARRA	Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,614,310		9,306	6,177	12,384	23,042
	1,614,310		9,306	6,177	12,384	23,042
	1,614,310		85,000		300,000	
			198,030		1,181,562	
	1,614,310		283,030		1,481,562	
			(273,724)	6,177	(1,469,178)	23,042
(946,762)		1,000,000	284,000		1,289,000	
(946,762)		1,000,000	284,000		1,289,000	
(946,762)		1,000,000	10,276	6,177	(180,178)	23,042
946,762			80,886	316,148	749,405	1,280,490
946,762			80,886	316,148	749,405	1,280,490
\$ -	\$ -	\$ 1,000,000	\$ 91,162	\$ 322,325	\$ 569,227	\$ 1,303,532

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Use of money and property	121,747	151,175	98,336	119,343
Intergovernmental				
Special assessments			109,503	473,642
Contributions				481,082
Other revenues				
Charges for services				
Total Revenues	<u>121,747</u>	<u>151,175</u>	<u>207,839</u>	<u>1,074,067</u>
EXPENDITURES:				
Current:				
General government				
Economic development	69,648			
General government				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works		(12,488)		
Capital outlay	284,747	1,183,505	678,692	224,380
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>354,395</u>	<u>1,171,017</u>	<u>678,692</u>	<u>224,380</u>
Excess of Revenues Over (Under) Expenditures	<u>(232,648)</u>	<u>(1,019,842)</u>	<u>(470,853)</u>	<u>849,687</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out		(8,351,000)		
Total Other Financing Sources (Uses)		<u>(8,351,000)</u>		
Net Change in Fund Balances	<u>(232,648)</u>	<u>(9,370,842)</u>	<u>(470,853)</u>	<u>849,687</u>
Fund Balances, July 1, 2009	9,021,748	26,983,039	4,962,095	3,553,908
Prior Period Adjustments				
Fund Balances, July 1, 2009, Restated	<u>9,021,748</u>	<u>26,983,039</u>	<u>4,962,095</u>	<u>3,553,908</u>
Fund Balances, June 30, 2010	<u>\$ 8,789,100</u>	<u>\$ 17,612,197</u>	<u>\$ 4,491,242</u>	<u>\$ 4,403,595</u>

Capital Projects Funds

Community Development Agency Construction	Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
86,709	91,434	136,934	151,043	73,426	112,998
32,249			831,756	486,088	
3,000	2,317,978	115,820			
<u>121,958</u>	<u>2,409,412</u>	<u>252,754</u>	<u>982,799</u>	<u>559,514</u>	<u>112,998</u>
69,146					
429,423					
565,250	3,355,412	106,490	502,469	1,130,438	292,000
<u>1,063,819</u>	<u>3,355,412</u>	<u>106,490</u>	<u>502,469</u>	<u>1,130,438</u>	<u>292,000</u>
<u>(941,861)</u>	<u>(946,000)</u>	<u>146,264</u>	<u>480,330</u>	<u>(570,924)</u>	<u>(179,002)</u>
		74,109			
		<u>(1,498,630)</u>			
		<u>(1,424,521)</u>			
<u>(941,861)</u>	<u>(946,000)</u>	<u>(1,278,257)</u>	<u>480,330</u>	<u>(570,924)</u>	<u>(179,002)</u>
8,047,372	4,510,478	6,378,650	7,477,112	3,672,261	5,243,455
<u>8,047,372</u>	<u>4,510,478</u>	<u>6,378,650</u>	<u>7,477,112</u>	<u>3,672,261</u>	<u>5,243,455</u>
<u>\$ 7,105,511</u>	<u>\$ 3,564,478</u>	<u>\$ 5,100,393</u>	<u>\$ 7,957,442</u>	<u>\$ 3,101,337</u>	<u>\$ 5,064,453</u>

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010
(Continued)

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 2,309,196
Licenses, permits, and fees				153,389
Use of money and property	(27,580)	390,375	1,768	2,070,980
Intergovernmental			1,196,507	13,132,625
Special assessments			195,873	4,357,791
Contributions				2,914,880
Other revenues			18,500	260,639
Charges for services				138,720
Total Revenues	(27,580)	390,375	1,412,648	25,338,220
EXPENDITURES:				
Current:				
General government				
Economic development				69,648
General government				38,548
Non-departmental				341,177
Public safety				
Police				9,725
Fire				6,527,930
Public works				
Development and engineering				756,740
Public works				4,489,453
Capital outlay	1,500,165	1,117,408	1,839,382	20,212,781
Debt service:				
Principal payments				385,000
Interest and fiscal charges				1,379,592
Total Expenditures	1,500,165	1,117,408	1,839,382	34,210,594
Excess of Revenues Over (Under) Expenditures	(1,527,745)	(727,033)	(426,734)	(8,872,374)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,498,630			4,145,739
Transfers out		(2,637,000)		(21,064,992)
Total Other Financing Sources (Uses)	1,498,630	(2,637,000)		(16,919,253)
Net Change in Fund Balances	(29,115)	(3,364,033)	(426,734)	(25,791,627)
Fund Balances, July 1, 2009	57,068	25,881,000	20,774,623	163,071,109
Prior Period Adjustments	(91,461)			(91,461)
Fund Balances, July 1, 2009, Restated	(34,393)	25,881,000	20,774,623	162,979,648
Fund Balances, June 30, 2010	\$ (63,508)	\$ 22,516,967	\$ 20,347,889	\$ 137,188,021

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, 2010

	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		(766)	(766)			
Intergovernmental						
Special assessments	400	98	(302)	33,000	29,194	(3,806)
Other revenues				112,500	76,073	(36,427)
Charges for services						
Total Revenues	<u>400</u>	<u>(668)</u>	<u>(1,068)</u>	<u>145,500</u>	<u>105,267</u>	<u>(40,233)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental				143,360	102,271	41,089
Public safety						
Police						
Fire						
Public works						
Development and engineering	60,400	18,569	41,831			
Public works						
Intergovernmental						
Capital outlay		24,800	(24,800)			
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>60,400</u>	<u>43,369</u>	<u>17,031</u>	<u>143,360</u>	<u>102,271</u>	<u>41,089</u>
Excess of revenues over (under) expenditures	<u>(60,000)</u>	<u>(44,037)</u>	<u>15,963</u>	<u>2,140</u>	<u>2,996</u>	<u>856</u>
Other Financing Sources (Uses):						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (60,000)</u>	<u>(44,037)</u>	<u>\$ 15,963</u>	<u>\$ 2,140</u>	<u>2,996</u>	<u>\$ 856</u>
Fund Balances, July 1, 2009		<u>44,037</u>			<u>(2,996)</u>	
Fund Balances, June 30, 2010		<u>\$ -</u>			<u>\$ -</u>	

Asset Forfeiture			Transportation Development			Proposition K Transportation Tax		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 1,400,000	\$ 1,399,595	\$ (405)	\$ 1,175,000	\$ 909,601	\$ (265,399)
15,000	1,561 19,939	1,561 4,939		(15,485)	(15,485)	1,519,240	12,089 464,401	12,089 (1,054,839)
15,000	21,500	6,500	1,400,000	1,384,110	(15,890)	2,694,240	1,386,091	(1,308,149)
			58,300	44,800	13,500			
14,000	9,725	4,275						
			184,000	160,000	24,000			
			1,005,300	1,005,200	100			
22,000	13,113	8,887	1,298,232	1,041,625	256,607	4,415,721	1,982,869	2,432,852
36,000	22,838	13,162	2,545,832	2,251,625	294,207	4,415,721	1,982,869	2,432,852
(21,000)	(1,338)	19,662	(1,145,832)	(867,515)	278,317	(1,721,481)	(596,778)	1,124,703
\$ (21,000)	(1,338)	\$ 19,662	\$ (1,145,832)	(867,515)	\$ 278,317	\$ (1,721,481)	(596,778)	\$ 1,124,703
	72,505			937,217			3,631,039	
	\$ 71,167			\$ 69,702			\$ 3,034,261	

(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, 2010
(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		56,770	56,770		1,727	1,727
Use of money and property						
Intergovernmental	1,687,500	1,416,024	(271,476)	4,057,569	969,682	(3,087,887)
Special assessments						
Other revenues						
Charges for services						
Total Revenues	<u>1,687,500</u>	<u>1,472,794</u>	<u>(214,706)</u>	<u>4,057,569</u>	<u>971,409</u>	<u>(3,086,160)</u>
Expenditures:						
Current:						
General government						
Administration						
Non-departmental	40,300	31,260	9,040			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works	1,689,700	1,687,438	2,262			
Intergovernmental						
Capital outlay	4,137,720	838,821	3,298,899	3,809,599	1,009,672	2,799,927
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>5,867,720</u>	<u>2,557,519</u>	<u>3,310,201</u>	<u>3,809,599</u>	<u>1,009,672</u>	<u>2,799,927</u>
Excess of revenues over (under) expenditures	<u>(4,180,220)</u>	<u>(1,084,725)</u>	<u>3,095,495</u>	<u>247,970</u>	<u>(38,263)</u>	<u>(286,233)</u>
Other Financing Sources (Uses):						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (4,180,220)</u>	<u>(1,084,725)</u>	<u>\$ 3,095,495</u>	<u>\$ 247,970</u>	<u>(38,263)</u>	<u>\$ (286,233)</u>
Fund Balances, July 1, 2009		<u>4,210,093</u>			<u>13,601</u>	
Fund Balances, June 30, 2010		<u>\$ 3,125,368</u>			<u>\$ (24,662)</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
627,320	2,225 431,886	2,225 (195,434)	7,000	96,257	89,257	6,383,900	6,247,695	(136,205)
			2,232,000	2,231,637	(363)			
				163,066	163,066	842,800	138,086	(704,714)
627,320	434,111	(193,209)	2,239,000	2,490,960	251,960	7,226,700	6,385,781	(840,919)
			106,400	77,850	28,550			
						7,112,034	6,527,930	584,104
131,910	148,748	(16,838)	2,422,300	1,809,303	612,997			
495,820	283,138	212,682	445,822	10,923	434,899		13,172	(13,172)
627,730	431,886	195,844	2,974,522	1,898,076	1,076,446	7,112,034	6,541,102	570,932
	2,225	2,635	(735,522)	592,884	1,328,406	114,666	(155,321)	(269,987)
\$ (410)	2,225	\$ 2,635	\$ (735,522)	592,884	\$ 1,328,406	\$ 114,666	(155,321)	\$ (269,987)
	9,262			3,057,734			1,151,180	
	\$ 11,487			\$ 3,650,618			\$ 995,859	

(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, 2010
(Continued)

	Community Access CTV			2008 Lease Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	108,000	153,389	45,389			
Use of money and property		27	27		12,384	12,384
Intergovernmental						
Special assessments						
Other revenues						
Charges for services	500	634	134			
Total Revenues	<u>108,500</u>	<u>154,050</u>	<u>45,550</u>		<u>12,384</u>	<u>12,384</u>
Expenditures:						
Current:						
General government						
Administration	73,360	38,548	34,812			
Non-departmental	23,400	15,850	7,550			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments				300,000	300,000	
Interest and fiscal charges				935,650	1,181,562	(245,912)
Total Expenditures	<u>96,760</u>	<u>54,398</u>	<u>42,362</u>	<u>1,235,650</u>	<u>1,481,562</u>	<u>(245,912)</u>
Excess of revenues over (under) expenditures	<u>11,740</u>	<u>99,652</u>	<u>87,912</u>	<u>(1,235,650)</u>	<u>(1,469,178)</u>	<u>(233,528)</u>
Other Financing Sources (Uses):						
Transfers in				889,000	1,289,000	400,000
Transfers out						
Total Other Financing Sources (Uses)				<u>889,000</u>	<u>1,289,000</u>	<u>400,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 11,740</u>	<u>99,652</u>	<u>\$ 87,912</u>	<u>\$ (346,650)</u>	<u>(180,178)</u>	<u>\$ 166,472</u>
Fund Balances, July 1, 2009		<u>(82,260)</u>			<u>749,405</u>	
Fund Balances, June 30, 2010		<u>\$ 17,392</u>			<u>\$ 569,227</u>	

Proposition 1B			2007 Lease Revenue Bonds			Federal ARRA		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	26,426	26,426		9,306	9,306	1,614,310	1,614,310	
	<u>26,426</u>	<u>26,426</u>		<u>9,306</u>	<u>9,306</u>	<u>1,614,310</u>	<u>1,614,310</u>	
1,279,668		1,279,668				1,614,310	1,614,310	
			85,000	85,000				
			199,280	198,030	1,250			
<u>1,279,668</u>		<u>1,279,668</u>	<u>284,280</u>	<u>283,030</u>	<u>1,250</u>	<u>1,614,310</u>	<u>1,614,310</u>	
(1,279,668)	26,426	1,306,094	(284,280)	(273,724)	10,556			
			284,000	284,000				
			284,000	284,000				
<u>\$ (1,279,668)</u>	26,426	<u>\$ 1,306,094</u>	<u>\$ (280)</u>	10,276	<u>\$ 10,556</u>	<u>\$ -</u>		<u>\$ -</u>
	<u>1,361,904</u>			<u>80,886</u>				
	<u>\$ 1,388,330</u>			<u>\$ 91,162</u>			<u>\$ -</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, 2010
(Continued)

Traffic Congestion Relief

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits, and fees			
Use of money and property		20,943	20,943
Intergovernmental	771,400	739,932	(31,468)
Special assessments			
Other revenues			
Charges for services			
Total Revenues	<u>771,400</u>	<u>760,875</u>	<u>(10,525)</u>
Expenditures:			
Current:			
General government			
Administration			
Non-departmental			
Public safety			
Police			
Fire			
Public works			
Development and engineering			
Public works			
Intergovernmental			
Capital outlay		600,000	(600,000)
Debt service:			
Principal payments			
Interest and fiscal charges			
Total Expenditures		<u>600,000</u>	<u>(600,000)</u>
Excess of revenues over (under) expenditures	<u>771,400</u>	<u>160,875</u>	<u>(610,525)</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 771,400</u>	160,875	<u>\$ (610,525)</u>
Fund Balances, July 1, 2009		<u>699,696</u>	
Fund Balances, June 30, 2010		<u>\$ 860,571</u>	

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, 2010

	Central Garage	Central Services	Equipment Acquisition
ASSETS			
Current assets:			
Cash and investments	\$ 693,294	\$ 326,486	\$ 6,857,704
Total current assets	693,294	326,486	6,857,704
Depreciable:			
Buildings	266,462		47,601
Improvements	545,513	9,239	
Equipment	81,896	125,001	21,533,823
Intangibles			563,685
Total depreciable capital assets	893,871	134,240	22,145,109
Less accumulated depreciation	(671,430)	(87,264)	(13,507,250)
Depreciable capital assets, net	222,441	46,976	8,637,859
Total capital assets, net	222,441	46,976	8,637,859
Total Assets	\$ 915,735	\$ 373,462	\$ 15,495,563

Building Maintenance	Insurance	Totals
\$ 665,430	\$ 2,269,424	\$ 10,812,338
665,430	2,269,424	10,812,338
		314,063
		554,752
4,670	18,219	21,763,609
		563,685
4,670	18,219	23,196,109
(4,670)	(18,219)	(14,288,833)
		8,907,276
		8,907,276
\$ 665,430	\$ 2,269,424	\$ 19,719,614

(Continued)

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2010
(Continued)

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,345	\$ 2,121	\$ 71,439
Claims and judgments payable			
Accrued interest payable			4,297
	<u>1,345</u>	<u>2,121</u>	<u>75,736</u>
Total current liabilities			
Noncurrent Liabilities:			
Capital lease payable			202,867
Compensated absences	18,724	33,837	
Claims and judgments payable			
	<u>18,724</u>	<u>33,837</u>	<u>202,867</u>
Total noncurrent liabilities			
Total Liabilities	<u>20,069</u>	<u>35,958</u>	<u>278,603</u>
NET ASSETS			
Investment in capital assets, net of related debt	222,441	46,976	8,434,992
Unrestricted	673,225	290,528	6,781,968
	<u>222,441</u>	<u>46,976</u>	<u>8,434,992</u>
	<u>673,225</u>	<u>290,528</u>	<u>6,781,968</u>
Total Net Assets	<u>\$ 895,666</u>	<u>\$ 337,504</u>	<u>\$ 15,216,960</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 17,991	\$ 24,828 56,247	\$ 117,724 56,247 4,297
<u>17,991</u>	<u>81,075</u>	<u>178,268</u>
23,315	32,181 56,247	202,867 108,057 56,247
<u>23,315</u>	<u>88,428</u>	<u>367,171</u>
<u>41,306</u>	<u>169,503</u>	<u>545,439</u>
624,124	2,099,921	8,704,409 10,469,766
<u>\$ 624,124</u>	<u>\$ 2,099,921</u>	<u>\$ 19,174,175</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,145,718	\$ 1,343,504	\$ 1,876,045
Other revenues			
Total Operating Revenues	<u>1,145,718</u>	<u>1,343,504</u>	<u>1,876,045</u>
Expenses:			
Maintenance and operation	1,111,376	1,192,042	165,450
Administration	29,580		
Insurance costs and claims			
Depreciation	<u>44,486</u>	<u>8,753</u>	<u>2,380,387</u>
Total Expenses	<u>1,185,442</u>	<u>1,200,795</u>	<u>2,545,837</u>
Operating Income (Loss)	(39,724)	142,709	(669,792)
Non-Operating Revenues (Expenses)			
Interest expense			(9,605)
Gain on sale of capital assets			<u>118,183</u>
Net income before captial contributions	(39,724)	142,709	(561,214)
Capital Contributions			<u>258,165</u>
Change in Net Assets	(39,724)	142,709	(303,049)
Net Assets, July 1, 2009	<u>935,390</u>	<u>194,795</u>	<u>15,520,009</u>
Net Assets, June 30, 2010	<u>\$ 895,666</u>	<u>\$ 337,504</u>	<u>\$ 15,216,960</u>

Building Maintenance	Insurance	Totals
\$ 1,149,545	\$ 1,894,283 614,763	\$ 7,409,095 614,763
<u>1,149,545</u>	<u>2,509,046</u>	<u>8,023,858</u>
922,026 70,940	992,501 2,711,128	4,383,395 100,520 2,711,128 2,433,626
<u>992,966</u>	<u>3,703,629</u>	<u>9,628,669</u>
156,579	(1,194,583)	(1,604,811)
		(9,605) 118,183
<u>156,579</u>	<u>(1,194,583)</u>	<u>(1,496,233)</u>
		258,165
156,579	(1,194,583)	(1,238,068)
<u>467,545</u>	<u>3,294,504</u>	<u>20,412,243</u>
<u>\$ 624,124</u>	<u>\$ 2,099,921</u>	<u>\$ 19,174,175</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,572,534	\$ 1,343,504	\$ 1,876,045
Payments to suppliers and users	(760,459)	(546,390)	(123,400)
Payments to employees	(423,511)	(747,217)	
Net Cash Provided (Used) by Operating Activities	<u>388,564</u>	<u>49,897</u>	<u>1,752,645</u>
Cash flows from Non-Capital Financing Activities:			
Principal received on loans receivable			57,419
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>57,419</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions			258,165
Principal paid on long-term debt			(62,488)
Interest paid			(10,615)
Acquisitions of capital assets			(983,095)
Proceeds from sales of capital assets			118,183
Net Cash Used by Capital and Related Financing Activities			<u>(679,850)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	388,564	49,897	1,130,214
Cash and Cash Equivalents, July 1, 2009	<u>304,730</u>	<u>276,589</u>	<u>5,727,490</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 693,294</u>	<u>\$ 326,486</u>	<u>\$ 6,857,704</u>
Noncash Transactions:			
Capital contributions/transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,165</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (39,724)	\$ 142,709	\$ (669,792)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,486	8,753	2,380,387
(Increase) Decrease in Operating Assets:			
Accounts receivable	426,816		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(33,313)	(2,902)	42,050
Compensated absences	(9,701)	(98,663)	
Claims and judgments payable			
Net Cash Provided (Used) by Operating Activities	<u>\$ 388,564</u>	<u>\$ 49,897</u>	<u>\$ 1,752,645</u>

Building Maintenance	Insurance	Totals
\$ 1,149,545	\$ 2,509,046	\$ 8,450,674
(503,801)	(2,727,881)	(4,661,931)
(493,327)	(917,884)	(2,581,939)
<u>152,417</u>	<u>(1,136,719)</u>	<u>1,206,804</u>
		57,419
		57,419
		258,165
		(62,488)
		(10,615)
		(983,095)
		<u>118,183</u>
		<u>(679,850)</u>
152,417	(1,136,719)	584,373
<u>513,013</u>	<u>3,406,143</u>	<u>10,227,965</u>
<u>\$ 665,430</u>	<u>\$ 2,269,424</u>	<u>\$ 10,812,338</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,165</u>
\$ 156,579	\$ (1,194,583)	\$ (1,604,811)
		2,433,626
		426,816
298	22,918	29,051
(4,460)	14,169	(98,655)
	20,777	20,777
<u>\$ 152,417</u>	<u>\$ (1,136,719)</u>	<u>\$ 1,206,804</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.

POSTEMPLOYMENT BENEFIT TRUST

Established to account for contributions on behalf of employees for postemployment benefits.

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.

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**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>87-3 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,058,319	\$ 1,659,409	\$ (1,599,237)	\$ 1,118,491
Cash and investments with fiscal agents	4,451,852	1,919,315	(1,964,515)	4,406,652
Interest receivable	6,024	4,284	(6,024)	4,284
Total assets	<u>\$ 5,516,195</u>	<u>\$ 3,583,008</u>	<u>\$ (3,569,776)</u>	<u>\$ 5,529,427</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 5,516,195	\$ 3,583,008	\$ (3,569,776)	\$ 5,529,427
Total liabilities	<u>\$ 5,516,195</u>	<u>\$ 3,583,008</u>	<u>\$ (3,569,776)</u>	<u>\$ 5,529,427</u>
 <u>84-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,518,145	\$ 32,497	\$ -	\$ 1,550,642
Interest receivable	9,444	7,077	(9,444)	7,077
Total assets	<u>\$ 1,527,589</u>	<u>\$ 39,574</u>	<u>\$ (9,444)</u>	<u>\$ 1,557,719</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,527,589	\$ 39,574	\$ (9,444)	\$ 1,557,719
Total liabilities	<u>\$ 1,527,589</u>	<u>\$ 39,574</u>	<u>\$ (9,444)</u>	<u>\$ 1,557,719</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>89-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,176,863	\$ 1,759,895	\$ (1,296,282)	\$ 2,640,476
Cash and investments with fiscal agents	2,330,454	1,273,426	(1,261,915)	2,341,965
Interest receivable	11,095	11,328	(11,095)	11,328
Total assets	\$ 4,518,412	\$ 3,044,649	\$ (2,569,292)	\$ 4,993,769
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 4,518,412	\$ 3,044,649	\$ (2,569,292)	\$ 4,993,769
Total liabilities	\$ 4,518,412	\$ 3,044,649	\$ (2,569,292)	\$ 4,993,769
<u>94-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 378,573	\$ 420,059	\$ (398,625)	\$ 400,007
Cash and investments with fiscal agents	723,891	373,690	(381,542)	716,039
Interest receivable	2,238	1,636	(2,238)	1,636
Total assets	\$ 1,104,702	\$ 795,385	\$ (782,405)	\$ 1,117,682
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,104,702	\$ 795,385	\$ (782,405)	\$ 1,117,682
Total liabilities	\$ 1,104,702	\$ 795,385	\$ (782,405)	\$ 1,117,682

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010
(Continued)**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>93-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,492,561	\$ 414,582	\$ (362,250)	\$ 2,544,893
Cash and investments with fiscal agents	659,707	351,492	(250,975)	760,224
Interest receivable	15,527	11,462	(15,527)	11,462
Total assets	\$ 3,167,795	\$ 777,536	\$ (628,752)	\$ 3,316,579
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,167,795	\$ 777,536	\$ (628,752)	\$ 3,316,579
Total liabilities	\$ 3,167,795	\$ 777,536	\$ (628,752)	\$ 3,316,579
<u>98-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,756,579	\$ 4,665,305	\$ (4,612,017)	\$ 1,809,867
Cash and investments with fiscal agents	1,348,793	4,211,498	(4,386,749)	1,173,542
Interest receivable	8,837	6,137	(8,837)	6,137
Total assets	\$ 3,114,209	\$ 8,882,940	\$ (9,007,603)	\$ 2,989,546
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,114,209	\$ 8,882,940	\$ (9,007,603)	\$ 2,989,546
Total liabilities	\$ 3,114,209	\$ 8,882,940	\$ (9,007,603)	\$ 2,989,546

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>98-3 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ 1,024,634	\$ 652,032	\$ (315,294)	\$ 1,361,372
Cash and investments	43,675	355,762	(355,385)	44,052
Interest receivable	237	55	(237)	55
	<u>237</u>	<u>55</u>	<u>(237)</u>	<u>55</u>
Total assets	<u>\$ 1,068,546</u>	<u>\$ 1,007,849</u>	<u>\$ (670,916)</u>	<u>\$ 1,405,479</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 1,068,546</u>	<u>\$ 1,007,849</u>	<u>\$ (670,916)</u>	<u>\$ 1,405,479</u>
Total liabilities	<u>\$ 1,068,546</u>	<u>\$ 1,007,849</u>	<u>\$ (670,916)</u>	<u>\$ 1,405,479</u>
 <u>98-4 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 76,112	\$ 204,674	\$ (195,112)	\$ 85,674
Cash and investments with fiscal agents	314,287	178,696	(187,018)	305,965
Interest receivable	404	303	(404)	303
	<u>404</u>	<u>303</u>	<u>(404)</u>	<u>303</u>
Total assets	<u>\$ 390,803</u>	<u>\$ 383,673</u>	<u>\$ (382,534)</u>	<u>\$ 391,942</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 390,803</u>	<u>\$ 383,673</u>	<u>\$ (382,534)</u>	<u>\$ 391,942</u>
Total liabilities	<u>\$ 390,803</u>	<u>\$ 383,673</u>	<u>\$ (382,534)</u>	<u>\$ 391,942</u>

(Continued)

Statistical Section



**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010
(Continued)**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>99-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 7,580	\$ 756,494	\$ (755,611)	\$ 8,463
Cash and investments with fiscal agents	1,639,868	766,826	(732,940)	1,673,754
Total assets	\$ 1,647,448	\$ 1,523,320	\$ (1,488,551)	\$ 1,682,217
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,647,448	\$ 1,523,320	\$ (1,488,551)	\$ 1,682,217
Total liabilities	\$ 1,647,448	\$ 1,523,320	\$ (1,488,551)	\$ 1,682,217
 <u>99-2 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 113,433	\$ 881,209	\$ (876,195)	\$ 118,447
Cash and investments with fiscal agents	1,739,893	884,886	(838,810)	1,785,969
Interest receivable		154		154
Total assets	\$ 1,853,326	\$ 1,766,249	\$ (1,715,005)	\$ 1,904,570
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,853,326	\$ 1,766,249	\$ (1,715,005)	\$ 1,904,570
Total liabilities	\$ 1,853,326	\$ 1,766,249	\$ (1,715,005)	\$ 1,904,570

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>2000-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 286,241	\$ 898,786	\$ (888,984)	\$ 296,043
Cash and investments with fiscal agents	413,001	866,190	(848,678)	430,513
Interest receivable	1,451	997	(1,451)	997
Accounts receivable	22,866	21,862	(22,866)	21,862
Total assets	\$ 723,559	\$ 1,787,835	\$ (1,761,979)	\$ 749,415
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 723,559	\$ 1,787,835	\$ (1,761,979)	\$ 749,415
Total liabilities	\$ 723,559	\$ 1,787,835	\$ (1,761,979)	\$ 749,415
<u>2000-02 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 81,100	\$ (81,100)	\$ -
Cash and investments with fiscal agents	122,420	70,168	(71,180)	121,408
Total assets	\$ 122,420	\$ 151,268	\$ (152,280)	\$ 121,408
<u>Liabilities</u>				
Accounts payable	\$ 22,866	\$ 21,862	\$ (22,866)	\$ 21,862
Due to assessment district bondholders	99,554	129,406	(129,414)	99,546
Total liabilities	\$ 122,420	\$ 151,268	\$ (152,280)	\$ 121,408
<u>2006-01 NE Industrial # 2</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ 1,798,246	\$ 752,866	\$ (641,595)	\$ 1,909,517
Cash and investments	145,295	770,560	(766,608)	149,247
Interest receivable	538	333	(538)	333
Total assets	\$ 1,944,079	\$ 1,523,759	\$ (1,408,741)	\$ 2,059,097
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,944,079	\$ 1,523,759	\$ (1,408,741)	\$ 2,059,097
Total liabilities	\$ 1,944,079	\$ 1,523,759	\$ (1,408,741)	\$ 2,059,097

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010
(Continued)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>1999 I205 Residential Reassessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 763,235	\$ 1,021,619	\$ (970,385)	\$ 814,469
Cash and investments with fiscal agents	1,684,429	900,881	(896,736)	1,688,574
Interest receivable	4,458	3,254	(4,458)	3,254
Total assets	<u>\$ 2,452,122</u>	<u>\$ 1,925,754</u>	<u>\$ (1,871,579)</u>	<u>\$ 2,506,297</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 2,452,122</u>	<u>\$ 1,925,754</u>	<u>\$ (1,871,579)</u>	<u>\$ 2,506,297</u>
Total liabilities	<u>\$ 2,452,122</u>	<u>\$ 1,925,754</u>	<u>\$ (1,871,579)</u>	<u>\$ 2,506,297</u>
<u>2000-03 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 34,440	\$ 1,225	\$ -	\$ 35,665
Interest receivable	220	163	(220)	163
Accounts receivable	482		(482)	
Total assets	<u>\$ 35,142</u>	<u>\$ 1,388</u>	<u>\$ (702)</u>	<u>\$ 35,828</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 35,142</u>	<u>\$ 1,388</u>	<u>\$ (702)</u>	<u>\$ 35,828</u>
Total liabilities	<u>\$ 35,142</u>	<u>\$ 1,388</u>	<u>\$ (702)</u>	<u>\$ 35,828</u>
<u>2003-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 77,172	\$ (71,470)	\$ 5,702
Cash and investments with fiscal agents	129,358	67,463	(72,334)	124,487
Interest receivable		48		48
Total assets	<u>\$ 129,358</u>	<u>\$ 144,683</u>	<u>\$ (143,804)</u>	<u>\$ 130,237</u>
<u>Liabilities</u>				
Accounts payable	\$ 482	\$ 5,818	\$ (482)	\$ 5,818
Due to assessment district bondholders	128,876	138,865	(143,322)	124,419
Total liabilities	<u>\$ 129,358</u>	<u>\$ 144,683</u>	<u>\$ (143,804)</u>	<u>\$ 130,237</u>

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Cultural Arts</u>				
<u>Assets:</u>				
Restricted cash and investments	\$ 1,445	\$ 899	\$ -	\$ 2,344
Total assets	<u>\$ 1,445</u>	<u>\$ 899</u>	<u>\$ -</u>	<u>\$ 2,344</u>
<u>Liabilities</u>				
Deposits	\$ 1,445	\$ 899	\$ -	\$ 2,344
Total liabilities	<u>\$ 1,445</u>	<u>\$ 899</u>	<u>\$ -</u>	<u>\$ 2,344</u>
<u>Regional Transportation Impact</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,777,531	\$ 7,250	\$ (171,611)	\$ 1,613,170
Total assets	<u>\$ 1,777,531</u>	<u>\$ 7,250</u>	<u>\$ (171,611)</u>	<u>\$ 1,613,170</u>
<u>Liabilities</u>				
Due to other governments	\$ 14	\$ 737	\$ -	\$ 751
Deposits	1,777,517	6,513	(171,611)	1,612,419
Total liabilities	<u>\$ 1,777,531</u>	<u>\$ 7,250</u>	<u>\$ (171,611)</u>	<u>\$ 1,613,170</u>
<u>Medical Leave Bank</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 1,980,174	\$ -	\$ 1,980,174
Total assets	<u>\$ -</u>	<u>\$ 1,980,174</u>	<u>\$ -</u>	<u>\$ 1,980,174</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 660	\$ -	\$ 660
Deposits		1,979,514		1,979,514
Total liabilities	<u>\$ -</u>	<u>\$ 1,980,174</u>	<u>\$ -</u>	<u>\$ 1,980,174</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2010
(Continued)**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Post Employment Benefit Trust</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 290,945	\$ (290,234)	\$ 711
Accounts receivable		40,663		40,663
Total assets	\$ -	\$ 331,608	\$ (290,234)	\$ 41,374
<u>Liabilities</u>				
Deposits	\$ -	\$ 331,608	\$ (290,234)	\$ 41,374
Total liabilities	\$ -	\$ 331,608	\$ (290,234)	\$ 41,374
<u>Totals - All Agency Funds</u>				
<u>Assets:</u>				
Cash and investments, restricted	\$ 1,445	\$ 899	\$ -	\$ 2,344
Cash and investments	12,628,582	16,278,717	(13,691,106)	15,216,193
Cash and investments with fiscal agents	18,380,833	13,269,429	(12,850,281)	18,799,981
Interest receivable	60,473	47,231	(60,473)	47,231
Accounts receivable	23,348	62,525	(23,348)	62,525
Total assets	\$ 31,094,681	\$ 29,658,801	\$ (26,625,208)	\$ 34,128,274
<u>Liabilities</u>				
Due to other governments	\$ 14	\$ 737	\$ -	\$ 751
Accounts payable	23,348	28,340	(23,348)	28,340
Deposits payable	1,778,962	2,318,534	(461,845)	3,635,651
Due to assessment district bondholders	29,292,357	27,311,190	(26,140,015)	30,463,532
Total liabilities	\$ 31,094,681	\$ 29,658,801	\$ (26,625,208)	\$ 34,128,274

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CITY OF TRACY
 Summary of Statistical Section Pages
 June 30, 2010

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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Financial Trends150

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

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

Debt Capacity165

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 Information171

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

Operating Information175

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, 2009. The City implemented GASB Statement No. 34 during 1999-2000 fiscal year; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

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

	Fiscal years ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(in thousands 000s)									
Governmental activities										
Invested in capital assets,										
net of related debt	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381	\$ 224,599	\$ 184,693
Restricted	120,961	157,162	134,092	135,593	139,007	62,021	143,948	146,313	131,156	101,824
Unrestricted	46,711	34,330	45,861	42,395	15,645	79,527	41,927	25,546	18,682	9,794
Total governmental activities net assets	631,621	640,333	631,802	574,112	512,231	513,456	484,198	478,240	374,437	296,311
Business-type activities:										
Invested in capital assets,										
net of related debt	340,944	346,861	352,609	353,095	339,971	288,340	223,792	175,878	164,528	146,890
Restricted	222	183	244	555	3,344	31,249	766	1,513	766	782
Unrestricted	46,123	38,826	34,303	25,827	25,174	5,240	73,175	50,342	44,925	38,184
Total business-type activities	387,289	385,870	387,156	379,477	368,489	324,829	297,733	227,733	210,219	185,856
Primary government:										
Invested in capital assets,										
net of related debt	804,893	795,702	804,458	749,219	697,550	660,248	522,115	482,259	389,127	331,583
Restricted	121,183	157,345	134,336	136,148	142,351	93,270	144,714	147,826	131,922	102,606
Unrestricted	92,834	73,156	80,164	68,222	40,819	84,767	115,102	75,888	63,607	47,978
Total primary government	\$ 1,018,910	\$ 1,026,203	\$ 1,018,958	\$ 953,589	\$ 880,720	\$ 838,285	\$ 781,931	\$ 705,973	\$ 584,656	\$ 482,167

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 TEN FISCAL YEARS
(Accrual Basis of Accounting)

Fiscal Years Ended June 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
(in thousands 000s)										
Expenses:										
Governmental activities:										
General government	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410	\$ 5,408	\$ 8,493
Public safety	36,567	36,663	35,074	30,178	28,434	26,684	23,660	20,699	19,595	16,188
Public works	21,855	29,492	24,661	29,391	24,821	20,952	79,722	24,083	13,393	15,798
Culture and leisure	12,202	9,159	7,502	3,929	3,760	4,119	3,607	3,070	4,251	2,261
Interest on long-term debt	4,063	4,201	3,548	4,084	3,994	3,626	4,306	3,008	2,902	3,053
Unallocated depreciation	631	295	820	649	506	860	-	-	-	-
Total Governmental Activities Expenses	82,702	89,005	78,788	74,622	68,947	62,939	121,066	58,270	45,549	45,793
Business-type Activities:										
Water	19,580	19,173	18,786	16,106	16,029	9,363	10,076	8,266	8,737	8,455
Sewer	14,874	15,380	11,415	9,639	10,281	8,987	8,624	7,309	6,379	6,023
Airport	912	742	542	666	592	471	388	408	433	510
Solid waste	16,962	17,893	17,088	16,492	16,367	15,604	13,452	11,916	11,061	10,018
Transit	1,733	1,277	1,531	1,499	1,438	381	1,361	913	837	683
Drainage	2,618	2,646	3,486	3,247	3,957	978	854	762	725	645
Total Business-Type Activities	56,679	57,111	52,848	47,649	48,664	35,784	34,755	29,574	28,172	26,334
Total Primary Government Expenses	\$ 139,381	\$ 146,116	\$ 131,636	\$ 122,271	\$ 117,611	\$ 98,723	\$ 155,821	\$ 87,844	\$ 73,721	\$ 72,127
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711	\$ 7,169	\$ 8,297
Other public works	4,401	3,983	26,478	7,660	8,660	5,380	3,611	52	40	61
Parks and community services	1,208	1,065	1,206	1,480	3,621	973	804	619	634	719
Other activities	4,143	3,778	1,457	2,281	1,008	1,064	1,693	658	1,043	615
Operating grants and contributions	9,305	12,766	13,091	11,800	12,621	8,666	5,457	10,492	10,134	10,114
Capital grants and contributions	11,069	12,965	24,426	49,554	19,936	27,450	74,462	99,521	78,237	45,678
Total Governmental Activities Program Revenues	37,051	43,397	71,947	77,475	51,127	47,563	91,565	119,053	97,257	65,484
Business-type Activities:										
Water	13,693	15,833	15,305	13,654	12,472	11,723	12,867	11,235	10,699	9,826
Sewer	11,490	11,661	12,513	12,115	8,471	7,805	7,023	5,594	5,809	5,146
Airport	373	257	281	265	272	278	221	216	200	194
Solid waste	17,320	16,774	17,950	15,006	15,147	13,937	14,402	12,669	11,877	11,218
Transit	1,295	940	92	1,231	109	113	92	74	65	53
Drainage	556	541	563	545	535	491	465	432	410	394
Operating grants and contributions	-	20	1,774	865	1,038	1,763	1,367	753	705	952
Capital grants and contributions	6,132	9,161	10,992	13,119	10,063	24,897	55,033	12,443	4,701	218
Total Business-Type Activities Program Revenue	50,859	55,187	59,470	56,800	48,107	61,007	91,470	43,416	34,466	28,001
Total Primary Government Revenues	\$ 87,910	\$ 98,584	\$ 131,417	\$ 134,275	\$ 99,234	\$ 108,570	\$ 183,035	\$ 162,469	\$ 131,723	\$ 93,485

(Continued)

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

	Fiscal Years Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net (expense)/revenue										
Governmental activities	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784	\$ 51,709	\$ 19,692
Business-type activities	(5,820)	(1,924)	6,622	9,149	(557)	25,223	56,715	13,841	6,293	1,668
Total primary government net (expense) revenue	(51,471)	(47,532)	(219)	12,002	(18,377)	9,847	27,217	74,625	58,002	21,360
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	24,013	29,324	31,160	23,859	24,613	17,616	15,886	14,155	11,759	9,737
Franchise taxes	2,223	2,138	1,991	2,010	1,808	1,700				
Sales and use taxes	9,225	10,964	12,407	13,053	12,587	12,162	11,944	9,723	8,618	7,777
Other taxes	1,604	1,886	4,321	2,373	2,979	1,578	5,362	2,819	3,339	3,202
Unrestricted motor vehicle in lieu	240	277	360	6,228	437	5,665	3,185	3,759	3,448	2,867
Investment earnings	4,840	9,023	12,016	10,406	7,934	5,738	2,576	9,608	11,392	11,776
Miscellaneous	449	527	2,275	1,098	930	175	2,760	4,240	3,371	3,167
Transfers	(5,563)			1			545	(1,285)	(15,510)	(7,056)
Total governmental activities	37,031	54,139	64,530	59,028	51,288	44,634	42,258	43,019	26,417	31,470
Business-type activities:										
Interest earnings	1,676	633	1,038	1,796	1,865	1,220	(271)	2,388	2,561	2,439
Miscellaneous	-	5	19			652	364			
Transfers	5,563			(1)			(545)	1,285	15,510	7,056
Total business-type activities	7,239	638	1,057	1,795	1,865	1,872	(452)	3,673	18,071	9,495
Total primary government	44,270	54,777	65,587	60,823	53,153	46,506	41,806	46,692	44,488	40,965
Change in net assets										
Governmental activities	(8,620)	8,531	57,689	61,881	33,469	29,258	12,760	103,803	78,126	51,162
Business-type activities	1,419	(1,286)	7,679	10,944	1,308	27,095	56,263	17,514	24,364	11,163
Total primary government	\$ (7,201)	\$ 7,245	\$ 65,368	\$ 72,825	\$ 34,777	\$ 56,353	\$ 69,023	\$ 121,317	\$ 102,490	\$ 62,325

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 TEN FISCAL YEARS
(Accrual Basis of Accounting)

Function/Program	Fiscal Years Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(in thousands 000s)									
Governmental activities:										
General government	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722	\$ 484	\$ 1,073	\$ 1,121	\$ 215	\$ 631	\$ 281
Police	1,513	1,984	1,422	1,760	1,691	1,380	743	1,122	1,237	1,074
Fire	6,386	10,372	7,506	7,648	5,635	4,678	3,997	3,192	2,969	2,375
Development and engineering	16,700	14,287	5,477	5,945	7,969	17,832	5,699	8,862	8,102	9,520
Public works	5,817	11,460	53,382	55,183	29,807	18,522	77,719	103,443	82,326	49,943
Parks, recreation, and community services	2,009	1,114	2,645	4,662	4,950	3,488	1,907	2,219	1,992	2,293
Interest in long-term debt	591	590	591	592	591	591	-	-	-	-
Subtotal governmental activities	37,051	43,397	71,947	77,512	51,127	47,564	91,186	119,053	97,257	65,486
Business-type activities:										
Water	15,534	16,859	19,044	16,050	12,487	17,230	61,390	16,410	11,882	10,152
Sewer	11,494	13,113	16,150	14,934	17,108	24,414	13,511	9,825	8,848	5,282
Solid waste	17,330	16,774	17,950	15,006	15,168	13,937	14,424	24,585	11,887	11,218
Airport	730	277	897	386	615	488	251	249	237	235
Transit	4,871	7,386	3,029	3,232	2,194	3,271	1,429	674	621	720
Drainage	900	777	2,400	7,190	535	1,667	465	3,589	991	394
Subtotal business-type activities	50,859	55,186	59,470	56,798	48,107	61,007	91,470	55,332	34,466	28,001
Total primary government	\$ 87,910	\$ 98,583	\$ 131,417	\$ 134,310	\$ 99,234	\$ 108,571	\$ 182,656	\$ 174,385	\$ 131,723	\$ 93,487

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

	Fiscal Years Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(in thousands 000s)									
General Fund:										
Reserved	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755	\$ 1,028	\$ 762	\$ 911	\$ 1,359	\$ 567	\$ 3,465
Unreserved	17,626	16,705	17,193	17,356	19,471	19,038	18,905	15,323	12,478	6,612
Total general fund	\$ 18,985	\$ 17,923	\$ 18,579	\$ 19,111	\$ 20,499	\$ 19,800	\$ 19,816	\$ 16,682	\$ 13,045	\$ 10,077
All other governmental funds										
Reserved	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578	\$ 21,790	\$ 16,466
Unreserved reported in:										
Special revenue funds	20,890	33,100	35,121	30,971	27,491	16,983	12,255	11,105	8,610	5,919
Capital projects funds	81,533	100,196	96,588	76,671	73,913	104,667	108,748	145,260	125,541	101,070
Debt service funds	-	-	-	-	-	-	-	8,099	6,717	5,707
Total all other governmental funds	\$ 147,131	\$ 171,662	\$ 164,935	\$ 150,602	\$ 151,395	\$ 151,445	\$ 157,815	\$ 186,042	\$ 162,658	\$ 129,162

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,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(in thousands 000s)									
Revenues:										
Taxes	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698	\$ 23,716	\$ 20,716
Licenses, permits, and fees	3,040	3,112	2,839	3,501	3,688	4,944	5,497	24,639	21,614	25,272
Fines and forfeits	1,715	1,722	1,515	1,273	290	302	467	347	307	218
Use of money and property	4,197	9,046	11,992	9,900	7,479	5,361	2,576	8,981	11,038	11,353
Intergovernmental	15,282	12,899	13,578	18,130	16,948	18,537	17,283	13,248	12,962	12,434
Charges for services	8,525	8,438	5,186	4,913	5,041	6,529	6,905	5,886	6,640	6,225
Special assessments	4,699	5,583	4,843	8,845	10,796	20,580	25,163	1,659	1,300	1,386
Contributions from assessment districts	2,915	6,049	23,043	12,800	14,296		39,247	25,377	31,942	4,956
Other	1,656	4,595	2,058	1,810	2,684	4,072	5,134	3,236	2,383	2,111
Total revenues	79,093	96,124	113,102	109,515	101,327	91,152	132,617	110,071	111,902	84,671
Expenditures:										
General government	\$ 7,054	\$ 7,569	\$ 8,730	\$ 6,274	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398	\$ 3,763	\$ 3,427
Police	21,836	21,574	20,161	17,607	15,834	15,210	13,625	12,231	10,461	9,071
Fire	14,664	15,387	14,602	13,594	12,201	11,337	9,589	9,069	8,386	7,264
Community development	7,790	12,360	10,114	7,241	12,105	9,128	7,197	7,740	7,545	6,493
Public works	7,327	8,369	8,082	8,203	3,680	5,322	7,524	5,713	5,469	4,669
Parks and recreation	3,320	4,507	3,146	3,117	3,009	2,864	2,734	2,430	2,430	2,258
Capital outlay	23,152	20,502	28,712	47,363	41,653	38,775	124,383	33,444	16,060	16,533
Debt service-principal	1,490	11,300	3,620	1,430	1,390	5,060	380	1,005	940	895
Debt service-interest	3,994	3,799	3,390	3,934	3,849	3,484	3,570	2,801	2,816	2,653
Debt service-issue costs	6,281	1,163	237				2,503			
Intergovernmental		3,288	3,177	2,931	2,570	1,825	4,516	2,897	1,326	2,394
Total expenditures	96,908	109,818	103,971	111,694	100,991	97,539	181,259	81,783	59,196	55,657
Excess of revenue over (under) expenditures	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)	(48,642)	28,288	52,706	29,014
Other financing sources (uses):										
Bond proceeds		19,765	4,670				55,720		15,000	15,000
Transfers in	21,828	26,040	12,680	22,148	11,595	9,304	4,567	5,125	8,610	11,435
Transfers out	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)	(24,854)	(18,491)
Payment to bond escrow agent							(34,072)			
Total other financing sources (uses)	(5,563)	19,765	4,670	(2)	336	(6,387)	22,134	(1,265)	(16,244)	7,944
Net change in fund balances	\$ (23,378)	\$ 6,071	\$ 13,801	\$ (2,181)	\$ 336	\$ (6,387)	\$ (26,508)	\$ 27,023	\$ 36,462	\$ 36,958
Debt service as a percentage of non-capital expenditures	7.44%	22.26%	10.36%	7.93%	9.68%	17.01%	12.80%	8.55%	9.54%	9.97%

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	
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
2009	29,323,472	409,317	657,597	10,963,986	2,137,393	721,649	1,977,865		46,191,279
2010	24,013,053	290,940	670,572	9,224,814	2,222,845	642,794	2,221,881		39,286,899

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	Less Exemptions	Taxable Assessed Value	Secured	Unsecured		Less Exemptions	Taxable Assessed Value
2001	\$ 3,817,180,417	\$ 700,083,730	\$ 14,926,633	\$ 4,532,190,780	\$ 142,991,758	\$ 4,389,199,022	\$ 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	161,044,613	5,042,024,793	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	173,466,349	5,717,366,183	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	183,784,907	6,585,390,125	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	197,097,465	7,682,058,257	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	203,710,884	8,910,751,285	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	206,027,034	9,471,621,705	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	210,456,479	8,722,158,216	1,064,845,371	119,462,219	8,442,153	1,175,865,437	0.2905%
2009	6,738,669,242	1,541,725,210	10,742,998	8,291,137,450	158,643,838	8,132,493,612	905,118,865	101,542,886	7,168,541	999,493,210	0.2905%
2010	4,992,382,327	1,113,010,224	197,778,028	6,303,170,579	120,292,254	6,182,878,325	1,099,272,042	159,835,031	101,875,950	1,157,231,123	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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<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	0.1800%	0.1500%	0.1209%	0.1206%	0.1207%	0.17029%	0.17028%	0.17019%	0.17019%
Redevelopment Agency	N/A	0.1798%	0.1470%	0.1204%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%
Total Direct Rate	N/A	1.3598%	1.2970%	1.2413%	1.2409%	1.2410%	1.2905%	1.2905%	1.2905%	1.2905%
<u>Overlapping rates:</u>										
San Joaquin County	N/A	0.2000%	0.2100%	0.1963%	0.1963%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%
Tracy Unified School District	N/A	0.1500%	0.1600%	0.1925%	0.1998%	0.1998%	0.1920%	0.1970%	0.1970%	0.0231%
ERAF	N/A	0.3000%	27.0000%	0.2793%	0.2801%	0.2801%	0.2790%	2.7900%	0.2790%	-
Delta Community College District	N/A	0.0300%	0.0400%	0.0339%	0.0352%	0.0134%	0.0183%	0.0131%	0.0131%	0.0180%
All Other Districts	N/A	N/A	N/A	0.1771%	0.1779%	0.1779%	0.1760%	0.1760%	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
2001	\$ 5,292,521	\$ 5,292,521	100.00%	\$ -	\$ 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
2009	12,771,479	12,771,479	100.00%	0.00	12,771,479	100.00%	9,131,986,822
2010	13,249,396	13,249,396	100.00%	0.00	13,249,396	100.00%	7,340,109,448

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
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%
2009	1%	0.50%	0.25%	1%	6%	(1) 8.75%
2009	1%	0.50%	0.25%	1%	6%	8.75%

(1) A 1% increase in Sales and Use Tax became effective as of April 1, 2009 to augment the State's budget. On May 19, 2009, the voters did not approve the proposed "Budget Stabilization" constitutional amendment and so the expiration date of this 1% on July 1, 2011.

Source:

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

City of Tracy					
Water and Wastewater Rates					
Last Ten Fiscal Years					
		Water			Wastewater
Fiscal Year		Monthly Base Rate		Per 100 cubic feet	Monthly Base Rate
2001		17.15		0.85	17.50
2002		17.15		0.85	17.50
2003		17.15		0.85	22.25
2004		17.15		0.85	22.25
2005		17.15		0.85	22.25
2006		17.15		0.85	31.00
2007		17.15		0.85	31.00
2008		20.40		1.00	31.00
2009		20.40		1.00	31.00
2010		20.40		1.00	31.00
<i>Notes:</i>					
<i>100 cubic feet = 748 gallons</i>					
<i>Rates are based on 1 inch meter-the standard household meter size in Tracy.</i>					
<i>Utility charges an excess use rate above normal demand.</i>					

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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)			
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	153,580,000	395,533	-	26,378,839	32,305,000	142,147	233,656,519	2,865	81,548
2009	16,430,000	147,940,000	265,356	-	25,414,136	31,420,000	126,144	221,595,636	2,712	81,714
2010	16,540,000	142,050,000	202,867	-	24,442,470	30,510,000	109,275	213,854,612	2,623	81,519

Note: Special Assessment Bonds have no City commitment.

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 Bonded Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
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
2009	16,430,000	50,965,000	67,395,000	0.74%	825
2010	16,540,000	49,860,000	66,400,000	0.90%	815

Source:

Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2010

2009-10 Assessed Valuation:	\$	7,494,367,236
Redevelopment Incremental Valuation:		910,363,970
Adjusted Assessed Valuation:	\$	<u>6,584,003,266</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt	% Applicable (1)	City's Share of
	<u>6/30/10</u>		<u>Debt 6/30/10</u>
San Joaquin Delta Community College District	\$ 153,325,206	11.419 %	\$ 17,508,205
Tracy Unified School District	48,330,000	60.762	29,366,275
Tracy Unified School District School Facilities Improvement District No.	12,000,000	89.808	10,776,960
Banta School District	735,000	33.497	246,203
City of Tracy Community Facilities District No. 87-1	37,495,000	100.	37,495,000
City of Tracy Community Facilities District No. 89-1	11,040,000	100.	11,040,000
City of Tracy Community Facilities District No. 93-1	3,065,000	100.	3,065,000
City of Tracy Community Facilities District No. 98-1	60,780,000	100.	60,780,000
City of Tracy Community Facilities District No. 98-3	3,095,000	100.	3,095,000
City of Tracy Community Facilities District No. 99-1	7,895,000	100.	7,895,000
City of Tracy Community Facilities District No. 99-2	10,665,000	100.	10,665,000
City of Tracy Community Facilities District No. 2000-1	13,670,000	100.	13,670,000
City of Tracy Community Facilities District No. 2006-1	10,635,000	100.	10,635,000
City of Tracy 1915 Act Bonds	16,540,000	100.	16,540,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 232,777,643
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			<u>31,150,000</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 201,627,643
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	190,500,000	12.789 %	24,363,045
Jefferson School District Certificates of Participation	3,735,000	63.264	2,362,910
Byron -Bethany Irrigation District General Fund Obligation	5,610,000	12.371	694,013
City of Tracy General Fund Obligations	23,830,000	100.	<u>23,830,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			51,249,968
 GROSS COMBINED TOTAL DEBT			\$ 284,027,611 (2)
NET COMBINED TOTAL DEBT			\$ 267,752,538

(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 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	3.11%
Total Net Overlapping Tax and Assessment Debt.....	2.69%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$23,830,000).....	0.36%
Gross Combined Total Debt.....	4.31%
Combined Total Debt.....	3.84%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10 \$0

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Value	\$ 3,793	\$ 4,532	\$ 5,203	\$ 6,769	\$ 7,879	\$ 7,775	\$ 9,003	\$ 9,563	\$ 9,132	\$ 7,340
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	948	1,133	1,301	1,692	1,970	1,944	2,251	2,391	2,283	1,835
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	142	170	195	254	296	292	338	359	342	275
Total net debt applicable to limit	93	86	84	135	130	125	136	132	125	122
Legal debt margin	\$ 49	\$ 84	\$ 111	\$ 119	\$ 166	\$ 167	\$ 202	\$ 227	\$ 217	\$ 153

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
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water revenue bonds/EOA note										
Water revenue	\$ 11,129,136	\$ 12,173,003	\$ 12,552,319	\$ 12,795,412	\$ 12,354,096	\$ 13,381,880	\$ 14,341,129	\$ 15,433,890	\$ 15,963,584	\$ 15,036,909
Less: operating expenses	(5,677,055)	(5,390,383)	(4,937,301)	(6,047,909)	(5,383,787)	(8,821,723)	(9,384,661)	(10,360,873)	(10,485,876)	(10,740,838)
Net available revenue	5,452,081	6,782,620	7,615,018	6,747,503	6,970,309	4,560,157	4,956,468	5,073,017	5,477,708	4,296,071
Debt service:										
Principal	348,954	369,401	394,439	275,000	1,038,703	938,962	1,960,910	878,166	964,703	1,035,686
Interest	98,157	233,851	204,831	288,618	568,637	477,056	791,373	850,589	731,215	665,810
Total Debt Service	447,111	603,252	599,270	563,618	1,607,340	1,416,018	2,752,283	1,728,755	1,695,918	1,701,496
Coverage	12.19	11.24	12.71	11.97	4.34	3.22	1.80	2.93	3.23	2.52
Wastewater revenue bonds:										
Wastewater revenue	6,083,665	6,648,515	6,389,490	6,974,031	8,752,321	9,255,199	12,896,719	13,158,013	12,060,864	11,695,124
Less: operating expenses	(2,999,179)	(3,420,444)	(4,392,083)	(4,526,278)	(4,150,266)	(4,509,073)	(4,666,466)	(5,030,130)	(6,846,611)	(6,249,869)
Net available revenue	3,084,486	3,228,071	1,997,407	2,447,753	4,602,055	4,746,126	8,230,253	8,127,883	5,214,253	5,445,255
Debt service:										
Principal	200,000	210,000	155,000	270,000	280,000	280,000	290,000	910,000	885,000	911,535
Interest	195,106	202,239	277,516	797,849	1,699,361	1,429,186	1,413,783	1,370,803	1,375,786	1,366,758
Total Debt Service	395,106	412,239	432,516	1,067,849	1,979,361	1,709,186	1,703,783	2,280,803	2,260,786	2,278,293
Coverage	7.81	7.83	4.62	2.29	2.33	2.78	4.83	2.81	2.31	2.39
Tax allocation bonds:										
Tax increment	3,815,236	4,676,135	5,314,152	6,590,591	6,449,080	7,943,581	9,459,352	10,153,405	10,259,535	8,854,067
Debt service:										
Principal	610,000	645,000	685,000	2,825,622	670,000	980,000	1,005,000	1,035,000	1,065,000	1,105,000
Interest	1,648,996	2,033,794	1,992,586	2,503,186	2,753,317	2,739,269	2,714,677	2,690,489	2,669,812	2,613,989
Total Debt Service	2,258,996	2,678,794	2,677,586	5,328,808	3,423,317	3,719,269	3,719,677	3,725,489	3,734,812	3,718,989
Coverage	1.69	1.75	1.98	1.24	1.88	2.14	2.54	2.73	2.75	2.38

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

Source: City of Tracy, Finance and Administrative Services Department

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Year	Population (2)	Labor Force (1)	Employment (1)	Unem- ployment Rate (1)	# of Returns (2)	Adjusted Gross Income (In thousands) (2)	Per Capita Adjusted Gross Income (2)
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
2009	81,714	34,169	28,872	15.5%	N/A	N/A	N/A
2010	81,519	32,800	29,600	9.7%	N/A	2,188,051	26,841

Sources:

- (1) California State Department of Finance (data shown is for the City of Tracy)
- (2) California Franchise Tax Board (data shown is for all Tracy residents with zip codes 95376 and 95377)

CITY OF TRACY
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2010

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Leprino Foods Corporation	94,697,032	1	1.29%			
Tracy Mall Partners Lp	92,714,591	2	1.26%			
Central Valley Ltd Liability	50,727,253	3	0.69%			
TCE Tracy LLC	31,281,938	4	0.43%			
Car Corral Hollow, LLC	29,856,393	5	0.41%			
U.S. Industrial REIT Container I	29,140,000	6	0.40%			
Fairfield Edgewood Station LP	28,933,123	7	0.39%			
US Cold Storage Of Calif	28,854,021	8	0.39%			
Miref Chabot Tracy LLC	28,214,832	9	0.38%			
OSH Properties LLC	28,019,151	10	0.38%			
O'Brien Mark T	27,795,255	11	0.38%			
YRC, Inc.	26,839,670	12	0.37%			
Catellus Corporate Center Tracy LLC	25,810,008	13	0.35%			
KLP Properties, Inc.	21,474,700	14	0.29%			
Prologis Logistics Services, Inc.	21,405,923	15	0.29%			
Kaiser Foundation Health Plan, Inc.	19,753,764	16	0.27%			
Inland Container Corp	19,230,765	17	0.26%			
Sycamore Village Investments	19,211,868	18	0.26%			
Queirolo Shirlee M	18,125,551	19	0.25%			
Wing A Prayer Inc.	18,037,014	20	0.25%			
Costco Wholesale Corp.	17,630,919	21	0.24%			
Deutsche Bank Natl Trust Co Tr	17,606,888	22	0.24%			
McLane Food Service, Inc.	17,063,653	23	0.23%			
Save Mart Supermarket	16,591,996	24	0.23%			
Barbosa Investment Group LTD P	14,768,720	25	0.20%			
Total	743,785,028		10.13%			

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	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	17	16	7
Personnel	6	6	6	6	7	7	9	9	9	6
Finance	20	24	24	24	24	25	25	27	26	23
Police	107	118	122	123	126	132	141	155	154	135
Fire	99	101	101	104	104	107	81	84	85	78
Development and Engineering	50	52	54	52	52	54	52	55	55	50
Public Works	54	61	66	66	66	64	80	74	71	57
Parks and Community Services	20	19	19	19	18	18	40	49	48	50
Water	34	35	37	37	38	38	40	44	44	41
Wastewater	20	21	23	23	24	24	25	29	29	29
Airport	1	1	1	1	1	1	1	2	2	2
Solid waste	1	1	1	1	2	1	1	1	1	1
Transit	1	1	1	1	2	2	2	2	2	2
Drainage	2	2	2	2	2	2	2	2	2	2
Total	431	458	473	475	482	491	515	560	554	493

Note:

1. 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**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Arrests	2,545	2,634	2,957	3,367	3,787	3,561	4,448	4,450	4,435	3,415
Parking citations issued	N/A	2,559	2,395	1,956	2,282	2,107	2,292	2,916	2,948	4,704
Traffic violations	5,670	7,768	9,423	6,662	6,959	6,132	8,059	6,867	7,007	7,347
Fire:										
Number of emergency calls	4,299	4,662	4,620	5,092	5,135	5,907	6,580	6,165	6,159	5,717
Inspections	2,530	2,945	2,444	2,590	2,106	2,316	3,586	3,814	3,776	1,614
Water:										
Water Mains (miles)	340	355	370	380	390	395	395	395	395	402
New connections	1,600	1,600	1,800	1,500	1,200	600	40	40	25	9
Maximum Daily Capacity (gallons)										
(thousands of gallons)	42	42	42	42	57	57	57	57	57	57
Average daily consumptions (gallons)										
(thousands of gallons)	13	14	15	16	16	16	16	16	16	16
Sewer:										
Sanitary Sewer (miles)	340	355	370	380	390	395	395	395	395	400
New connections	1,600	1,600	1,800	1,500	1,200	600	40	40	25	9
Average daily treatment (in gallons)										
(in gallons)	7	7	7	8	9	9	9	9	9	9
Airport:										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	294	304	319	326	339	325	339	342	339	227
Recyclables collected (tons per day)	12	12	12	12	27	27	27	28	26	47
Transit:										
Average daily passengers	N/A	325	293	381	361	318	325	329	323	370
Total route miles	N/A	198,438	205,593	213,210	206,975	213,928	236,689	236,684	154,937	158,211

Source: City of Tracy, Finance and Administrative Services Department

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

	2001	2002	2003	2004	2005	2006	2007	2007	2008	2009	2010
Police:											
Number of stations	1	1	1	1	1	1	1	1	1	1	1
Fire:											
Number of stations	6	6	7	7	7	7	7	7	7	7	7
Public works:											
Number of street lights	3,007	3,433	3,600	3,693	3,967	4,658	4,752	4,752	4,763	4,770	4,781
Parks and recreation:											
Number of parks	54	61	66	68	69	74	74	74	76	76	76
Number of community centers	2	2	3	3	3	3	3	3	3	3	3
Water:											
Water mains (miles)	340	355	370	380	390	395	395	395	395	395	395
Wastewater											
Sanitary sewers (miles)	340	355	370	380	390	395	395	395	395	395	395
Airport:											
Number of hangars	76	76	76	76	76	76	76	76	76	76	76
Transit:											
Number of vehicles	8	8	8	8	8	8	7	7	8	8	8

Source: City of Tracy, Finance and Administrative Services Department

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