



# City of Tracy California

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2011**

About the Cover:

One of the many outdoor community events held at City Hall Plaza.

Cover Photo and Design  
Gregg Vogt



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

of the

**CITY OF TRACY, CALIFORNIA**

for the fiscal year ended

June 30, 2011

Prepared by the Finance and  
Administrative Services Department

**ZANE H. JOHNSTON**

Director of Finance and Administrative Services

**LINDA L. BISCOCHO**

Accounting Officer

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

CITY OF TRACY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2011

TABLE OF CONTENTS

		<u>Page</u>
I.	INTRODUCTORY SECTION	
	Table of Contents .....	i
	Organization Chart .....	iv
	List of Elected Officials .....	v
	List of Other Officials .....	vi
	GFOA Certificate of Achievement .....	vii
	Letter of Transmittal .....	viii
II.	FINANCIAL SECTION	
	A. Independent Auditor's Report .....	1
	B. Management's Discussion and Analysis.....	3
	C. Basic Financial Statements:	
	Government-wide Financial Statements:	
	Statement of Net Assets .....	17
	Statement of Activities .....	18
	Fund Financial Statements:	
	Governmental Funds:	
	Balance Sheet .....	22
	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	25
	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	26
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	28
	Proprietary Funds:	
	Statement of Net Assets.....	30
	Statement of Revenues, Expenses, and Changes in Net Assets .....	34
	Statement of Cash Flows .....	36
	Fiduciary Funds:	
	Statement of Fiduciary Net Assets.....	42
	Notes to Basic Financial Statements .....	43

CITY OF TRACY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2011

TABLE OF CONTENTS

Page

II. FINANCIAL SECTION (Continued)

D. Required Supplemental Information

Pension Trend Information .....	94
Modified Approach to Reporting Street Pavement Costs.....	94
Postemployment Benefits Plans Other Than Pension Trend Information.....	96
Notes to Required Supplemental Information .....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund .....	99
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Community Development Agency Housing Special Revenue Fund .....	100

E. Other Supplemental Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Community Development Agency Debt Service Fund.....	103
--	-----

Nonmajor Governmental Funds

Combining Balance Sheet .....	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	118
Schedules of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual: Business Improvement District.....	126
Asset Forfeiture .....	127
Proposition 1b.....	127
Transportation Development .....	127
Proposition K Transportation Tax.....	127
State Gas Tax Street .....	128
TEA Grant.....	128
Community Development Block Grant .....	129
Landscaping District .....	129
South County Fire Authority .....	129
Traffic Congestion Relief .....	130
Community Access CTV .....	130
Federal ARRA .....	131
2007 Lease Revenue Bonds .....	131
2008 Lease Revenue Bonds .....	131

Internal Service Funds:

Combining Statement of Net Assets .....	134
Combining Statement of Revenues, Expenses, and Changes in Net Assets .....	138
Combining Statement of Cash Flows .....	140

Agency Funds:

Combining Statement of Changes in Assets and Liabilities.....	145
---	-----

CITY OF TRACY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2011

Page

III. STATISTICAL SECTION

Table of Contents.....	155
Net Assets by Component – Last Ten Fiscal Years .....	157
Changes in Net Assets – Last Ten Fiscal Years .....	158
Program Revenues by Function/Program – Last Ten Fiscal Years .....	160
Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	161
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	162
Tax Revenues by Source.....	164
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	165
Property Tax Rates – Direct and Overlapping .....	166
Property Tax Levies and Collections – Last Ten Fiscal Years .....	167
Sales Tax Rates –Direct and Overlapping.....	168
Water and Wastewater Rates –Last Ten Fiscal Years.....	169
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	172
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	173
Computation of Direct and Overlapping Bonded Debt.....	174
Legal Debt Margin Information – Last Ten Fiscal Years.....	175
Pledged Revenue Coverage – Last Ten Fiscal Years.....	176
Demographic and Economic Statistics – Last Ten Fiscal Years .....	178
Principal Property Taxpayers.....	179
Full-time and Part-time City Employees by Function – Last Ten Fiscal Years.....	180
Operating Indicators by Function – Last Ten Fiscal Years .....	182
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	183

City of Tracy  
Organization Chart  
FY10-11



# CITY OF TRACY, CALIFORNIA

## COUNCIL - MANAGER FORM OF GOVERNMENT

June 30,2011

**BRENT IVES**

Mayor

**MICHAEL MACIEL**

Mayor Pro Tem

**STEVE ABERCROMBIE**

Council Member

**BOB ELLIOTT**

Council Member

**ROBERT RICKMAN**

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, 2011

Leon Churchill, Jr.  
City Manager

Maria Hurtado  
Assistant City Manager

Zane H. Johnston  
Finance & Administrative Services Director

Alford Nero  
Fire Chief

Janet Thiessen  
Police 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, 2010

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



President

Executive Director



Think Inside the Triangle™

## CITY OF TRACY

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

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

December 1, 2011

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, 2011.

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 83,420 and 23 square miles in 2011.

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, 2011. 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 around 12% and it will likely stay in double digits through 2014. Although the California economy is expected to grow in the 1.5% to 2.2% range in the coming year, “real” recovery needs to be in the 3.5% to 4% range. It may be 2016 before California employment reaches pre-recession levels. This will have been a total of 9 years without any net job growth.

Because agriculture still remains an important segment of the San Joaquin Valley economies, seasonal unemployment is always much higher than the national average. On the plus side for Tracy however, is that the local economy is tied more closely to the bay areas as many 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 32% over four years. The past two years declines have been in the 3% to 5% range. However, the City has yet to reverse the continued negative property tax growth rate. It remains uncertain if this trend will finally be over with the FY 12-13 assessed value. Property values for that fiscal year will be measured as of January 1, 2012.

Sales tax is the one bright spot in the City’s revenue picture. The City has experienced 8 straight quarters of strong improvement. Some of this however, has been fueled by higher gas prices (there is general sales tax applied to fuel sales in addition to “gas taxes” for transportation uses). The City was also fortunate to land a distribution center for a major retailer that also included an order desk. Californians purchasing items on the website of this retailer have to pay sales tax and the City receives the local 1 cent portion.

### ***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. FY 10-11 was the 4<sup>th</sup> consecutive year that the City had to utilize reserve funds. At the beginning of this economic down period the City had \$38,733,794 million in reserves (combination of General Fund and the Reserve for Economic Uncertainty Fund). On June 30, 2011 the City had \$26,987,114 in reserves. During this 4 year period the City has utilized a total of \$11.74 million

or about \$2.9 million per year on average. The draw on reserves for FY 10-11 was approximately 2.5 million which was an improvement from the year earlier when the use of reserves was \$5.2 million. With reserves as of 6/30/11 of just under \$27 million this represents approximately 55% of expected General Fund expenses in FY 11-12.

### *Major Initiatives*

#### **Implementation of City Council Strategic Plans:**

On February 28, 2011, the City Council held a retreat to discuss priority areas and in summer of 2011 adopted four priority strategic plans. The strategic priorities are two year plans and include Public Safety, Economic Development, Organizational Efficiency and Livability.

#### **Continued Implementation of 5-year Fiscal Plan:**

Continued implementation of the 5-year fiscal plan to address the City's structural budget deficit, which includes service model changes, expenditure controls, and workforce readiness initiative, and organizational efficiency efforts.

#### **Implementation of Federal Stimulus Dollars:**

Effectively implemented Federal Stimulus dollars.

#### **Public Presentations:**

In 2011, the City continued utilization of the Speakers bureau and provided a total of 27 presentations with an estimated 1,110 in attendance on how Tracy is a business friendly City, highlighting the improved permit process.

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. 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 realized for FY 10-11. In addition the City continues to implement a variety of efficiency and restructuring actions which will continue to provide additional costs savings in future years.

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 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 began 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.



### ***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.

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 54***

This is the first year the City is required to produce its financial statements in conformity with GASB 54. This new GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization must be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. As a result the CAFR can no longer list the Reserve for Economic Uncertainty Fund separately. However, the City is free to maintain this fund separately in subsidiary records. The General Fund balance of \$26,987,114 is actually comprised of \$18,399,452 in the General Fund and \$8,587,672 in the Reserve for Economic Uncertainty Fund.

## ***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, 2010. This was the 23<sup>nd</sup> 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 10-11. 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



**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

**COMMERCIAL ACCOUNTING & TAX SERVICES**

9107 WILSHIRE BLVD. SUITE 500  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**GOVERNMENTAL AUDIT SERVICES**

5800 E. HANNUM, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**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, California (City), as of and for the fiscal year ended June 30, 2011, 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 basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59 – *Financial Instruments Omnibus*.

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, 2011, 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 November 23, 2011, 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 94 through 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 them.

*Moss, Levy & Hartzheim*

Moss, Levy and Hartzheim, LLP  
Culver City, California  
November 23, 2011

## City Of Tracy

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$1,028,162 (net assets). Of this amount, \$73.9 million (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10.6 million or .91% in fiscal year 2010-11 compared to the previous fiscal year. This increase was due mainly to a 5% increase in total revenues in governmental activities.
- The governmental activities reported a combined net asset of \$641.8 million at the end of the fiscal year 2011. This is an increase of 1.61% from last fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund is \$23.3 million compared to last year's \$17.6 million. This is an increase of 24.5%. The increase was due mainly to the close out of the Economic Uncertainty Fund which has a fund balance of \$10.5 million by year-end. This amount was transferred to the general fund as a prior year adjustment. The reduction of about 7% in expenditures through a combination of furloughs and various other cost-cutting measures also contributed to the increase in unassigned fund balance at the end of the year.
- Total revenues of all governmental funds increase by 7% while that of proprietary funds declined 15% in FY 2010-11. The governmental funds' revenue increase came from both operating and capital grants and contributions. The decline in proprietary funds total revenues was contributed by a reduction in capital grants and contributions and other general revenues.
- This fiscal year, the City created a fund in the Capital Project Fund group called Redevelopment Obligations. This fund was established to account for Community Development Agency (CDA) grants to the city for the purpose of completing redevelopment projects. The CDA-Construction Fund granted the amount of \$6.3 million to this fund. These funds are being used to construct the 6<sup>th</sup> Street Plaza and are currently underway. This is a public plaza that will serve as a central gathering space for the downtown area. The project entails realigning 6<sup>th</sup> Street within the current right-of-way including the existing parking lots, and through land dedication from the north side of the western Bowtie parcels. The street would be re-configured as a one-way couplet with angled parking lots on three sides and a passenger drop-off area on the southeast corner adjacent to the future Multi-Modal Transit Station. This plaza has been identified as a high priority city action in the downtown specific plan.



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

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

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

### **Government-wide Financial Statements**

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of major funds, were established by GASB Statement 34 and replace the concept of combining similar funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

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

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

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

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the government-wide financial statements and any related profits or losses are returned to the Activities, which created them, along with any residual net assets of the Internal Service Funds.

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

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

## **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 the same as 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 \$1,028.2 million at the close of fiscal year 2010-2011. Of this amount, \$836 million or 81% of the City’s net assets are invested in capital assets. These capital assets comprise of land, buildings, infrastructures, 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. \$118 million 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 \$74 million or 7% maybe used to meet its ongoing obligations to citizens and creditors.

Table 1						
City of Tracy						
Schedule of Net Assets						
June 30, 2011						
(in Thousands)						
Description	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash & Investments	\$ 164,124	\$ 173,101	\$ 31,301	\$ 37,326	\$ 195,425	\$ 210,427
Other Assets	26,887	26,468	15,075	12,349	41,962	38,817
Capital Assets	538,588	517,766	398,442	396,774	937,030	914,540
<b>Total Assets</b>	<b>729,599</b>	<b>717,335</b>	<b>444,818</b>	<b>446,449</b>	<b>1,174,417</b>	<b>1,163,784</b>
Long-Term Debt Outstanding	73,977	75,016	53,583	52,336	127,560	127,352
Other Liabilities	13,855	10,698	4,833	7,048	18,688	17,746
<b>Total Liabilities</b>	<b>87,832</b>	<b>85,714</b>	<b>58,416</b>	<b>59,384</b>	<b>146,248</b>	<b>145,098</b>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	490,053	463,949	345,554	340,720	835,607	804,669
Restricted	118,367	120,961	227	222	118,594	121,183
Unrestricted	33,347	46,711	40,621	46,123	73,968	92,834
<b>Total Net Assets</b>	<b>\$ 641,767</b>	<b>\$ 631,621</b>	<b>\$ 386,402</b>	<b>\$ 387,065</b>	<b>\$ 1,028,169</b>	<b>\$ 1,018,686</b>

## ***Government-wide Financial Analysis (Continued)***

### **Net Assets (Continued)**

In governmental activities, the total net assets increased by \$10.1 million while the net assets for business activities decreased by \$.66 million. The slight increase of 1.61% in governmental activities was due to intergovernmental revenues, charges for services and contributions. The increase in intergovernmental revenues was for the \$6.3 million that was granted from the Community Development Agency Construction Fund to the Redevelopment Obligations Fund to complete the CDA projects. This was an expenditure for the CDA construction fund.

In this fiscal year, all the proprietary funds suffered an operating income loss of \$15.3 million or an increase of 58% compared to the operating losses incurred last fiscal year. The water fund's losses for the year of \$5.9 million are the highest compared to the other proprietary funds. When compared to the expenses of the previous fiscal year, the proprietary funds' total expenses for maintenance and operation and depreciation expenses increased by 11% in the amount of \$3.5 million while an increase of only 5.7% in total operating revenues contributed largely to these operating losses. Despite the belt tightening and various cost-cutting measures that the city has already implemented, these proprietary funds still continue to be in the red. These losses can only be alleviated by increasing user rates. The city is now in the process of having a study done to find out how much these rate increases should be. The last time water rates were increase was in 2008 while sewer rates were increased in 2006.

The operating losses incurred by the city's utility funds (water, sewer, solid waste and drainage funds) in the amount of \$5.9 million during the current fiscal year are 14% higher compared to that of the previous fiscal year. These losses can be attributed to a continuous writing-off of bad debts due to the current state of our economy and increases in the cost of doing business that is not matched by increases in revenues.

The Sewer Fund incurred another operating loss during the fiscal year in the amount of \$3.75 million. Though the operating income increased by 4.7% compared to that of last fiscal year, operating expenses increased at a much higher rate of 17% which resulted in an operating loss that is 86% more than the losses incurred during last year's operations. The reason for the losses is the same as that of the water fund.

The Drainage Fund also incurred losses during the year in the amount of \$2.8 million. The total operating expenses increased by 68% while operating revenues decreased by .42%. Depreciation expense is one of the major contributors of these losses. It increased by \$8.34 million or 41% when compared to that of last year.



The solid waste fund is also one of the utility funds within the proprietary funds that continue to incur losses year after year. Just like the rest of the utility funds, the cost of delivering these services continue to escalate, however, the revenues remain stagnant. The solid waste rates is one those that are going to be reviewed for an increase in the next fiscal year.

Although the Airport fund continues to report an operating loss, this year's losses of \$.288 million are 19% less compared to that of last year. The airport fund's major source of revenues is from hangar rentals, sale of fuel and federal and state grants. This year, operating revenues are down by 8% but operating expenses decreased by 14%. This reduction in operating expenses contributed to a much reduced operating losses this year. The city currently is searching for a private contractor to run and operate the airport while maintaining the current condition of the airport.

Just like the airport fund, the transit Fund also incurred operating losses in the amount of \$1.4 million during the year. This year's operating losses are 218% higher than that of the previous fiscal year. These losses can wholly be attributed to the decline in other operating revenues which is comprised of state and county transit subsidies. During the year, the state and county failed to provide funding to the city's transit program due to its own budget woes. Last year, the transit fund received a combined total of \$2.6 million from both state and county transit subsidies. This year, no revenues from both of these sources were received. An increase of 32% in operating expenses due to increases in the cost of fuel and other related expenses contributed to this increase.

## **Changes in Net Assets**

The City's net assets showed a slight increase 1.61% compared to that of last year. Only governmental activities contributed to this buildup of the city's net assets. The city's business activities recorded a reduction of .23% in net assets. Table 2 shows the elements of this increase in detail.

### **Governmental Activities**

Governmental activities increased city's net assets by \$10 million or 1.65%. This was due to a prior year adjustment amount to \$19.09 million. The adjustment was for the understatement of capital assets in prior years. Revenues increased by almost 7% which was mainly due to the contribution that was made by economic development funds to the city for the completion of the 6<sup>th</sup> Street Plaza.

The increase in total revenue can also be attributed to the ½% additional sales tax that was approved by the voters and became effective on April 1, 2011. This additional sales tax is effective only for five years. Since this ½% additional sales tax is temporary, the city continues to cut costs through furloughs, elimination of various positions by attrition, purging of duplicate delivery of services and by combining departments thereby eliminating department head positions.

### **Business-type Activities**

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

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

Increases in expenses and reduction in total revenues both contributed to the slight reduction of the net assets of business-type activities.

The increase in expenses was mainly due to higher costs of conducting business while the reduction of revenues were caused by the current state of economy and the absence of subsidies from both the state and the county levels. The current results of operations of these funds can be greatly improved when user rates are increase in the coming fiscal years.

<b>Table 2</b>						
<b>City of Tracy</b>						
<b>Schedule of Changes in Net Assets</b>						
<b>June 30, 2011</b>						
<b>(in Thousands)</b>						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 8,996	\$ 16,677	\$ 44,788	\$ 44,727	\$ 53,784	\$ 61,404
Operating contributions and grants	10,065	9,305			10,065	9,305
Capital grants and contributions	19,080	11,069	3,678	6,132	22,758	17,201
<b>Total Program revenues</b>	<b>38,141</b>	<b>37,051</b>	<b>48,466</b>	<b>50,859</b>	<b>86,607</b>	<b>87,910</b>
General Revenues:						
Property Taxes	22,533	24,013			22,533	24,013
Other Taxes	15,879	13,292			15,879	13,292
Other General Revenues	2,943	5,289	109	1,676	3,052	6,965
Transfers	(384)	(5,563)	385	5,563	1	
<b>Total general revenues &amp; transfers</b>	<b>40,971</b>	<b>37,031</b>	<b>494</b>	<b>7,239</b>	<b>41,465</b>	<b>44,270</b>
<b>Total Revenues</b>	<b>79,112</b>	<b>74,082</b>	<b>48,960</b>	<b>58,098</b>	<b>128,072</b>	<b>132,180</b>
<b>Expenses</b>						
General government	18,296	7,384			18,296	7,384
Police	21,406	22,027			21,406	22,027
Fire	14,104	14,541			14,104	14,541
Development & Engineering	7,531	9,127			7,531	9,127
Public Works	16,840	12,728			16,840	12,728
Parks & Community Services	5,142	12,202			5,142	12,202
Interest on Long-term Debt	4,121	4,062			4,121	4,062
Unallocated Depreciation	617	631			617	631
Water			21,229	19,580	21,229	19,580
Sewer			17,133	14,874	17,133	14,874
Solidwaste			17,473	16,962	17,473	16,962
Storm Drainage			3,403	2,618	3,403	2,618
Airport			704	912	704	912
Transit			2,291	1,733	2,291	1,733
<b>Total Expenses</b>	<b>88,057</b>	<b>82,702</b>	<b>62,233</b>	<b>56,679</b>	<b>150,290</b>	<b>139,381</b>
<b>Increase in Net Assets</b>	<b>(8,945)</b>	<b>(8,620)</b>	<b>(13,273)</b>	<b>1,419</b>	<b>(22,218)</b>	<b>(7,201)</b>
Net Assets, 7-1-2010, Restated	631,621	640,332	387,289	385,870	1,018,910	1,026,202
Prior Period Adjustments	19,091	(91)	12,385		31,476	
Net Assets, 7-1-2010, Restated	650,712	640,241	399,674	385,870	1,050,386	1,026,202
Net Assets, 6-30-2011	\$ 641,767	\$ 631,621	\$ 386,401	\$ 387,289	\$ 1,028,168	\$ 1,019,001

## **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 unrestricted 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, 2011, the City's governmental funds presented a combined fund balance of almost \$151.8 million, a decrease of \$14.3 million or 8.6% when compared to that of the prior year. This fiscal year, only the Proposition 1B, Transportation Development, TEA Grant, Traffic Congestion and Parks COP funds 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 \$26.9 million. Of this amount, \$23.3 million is unrestricted. The total unrestricted fund balance represents almost 51% of the total general fund expenditures.

The City of Tracy's debt service funds have a combined fund balance of \$2.01 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds decreased by \$.271 million or a reduction of 12% compared to that of last fiscal year.

The fund balance of capital project funds increased by \$8.7 million or 12%.

## **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 \$40.6 million for the year ended June 30, 2011, down by 9% compared to last year's unrestricted net assets of \$44.6 million. This reduction is due mainly to the operating losses incurred by all of the proprietary funds during the year.

Although water fund's total operating revenues increased by 7%, its operating expenses also increased by 9% which resulted in an operating loss of \$5.9 million. This year's losses are higher by 14% compared to the losses of the previous year.

The losses for this year's operations were mainly due to a 22% increase in maintenance and operation expenses. Soaring costs in the ordinary conduct of business contributed to this year's mushrooming expenses.

The Sewer Fund also posted an operating loss in the amount of \$3.7 million. Just like the water fund, total operating revenues increased but a corresponding increase in expenses wiped out the 5 % rise in revenues. Total operating expenses increased by 12% or \$1.6 million. The increase in operating expenses was contributed by the rising costs of maintenance and operations and by depreciation charges.

The airport fund posted an 8% reduction in total operating revenues and an increase of 16.5% in operating expenses. The prior period adjustment of \$.449 million contributed to the reduction this year of the airport fund's net assets.

The solid waste fund's operating expenses increased by 3% while its total operating revenues posted a reduction of 5.7% which resulted in an operating income loss of \$1.15 million. Again, the on-going rising costs of doing business but not accompanied by increase in user rates contributed to this year's losses.

The operations of the transit fund posted an operating loss of \$1.65 million which is 278% higher compared to last year's losses of \$.438 million. This can be attributed to a reduction in transit subsidies from the federal, state and county levels. Last year's subsidies amounted to \$2.6 million while this year, the city failed to receive any subsidies.

The drainage fund's net assets decreased by 3%. This is the result of a 43% increase in operating expenses. Depreciation expenses contributed to this increase in operating expenses. Just like the water, sewer and solid waste funds, this fund is also burdened by rising costs of conducting business that is not compensated by an increase in user rates.

### **General Fund Budgetary Highlights**

- The actual revenues of the general fund were more than the estimated amount by \$1.033 million.
- The actual expenditures reported a favorable variance. The estimated expenditures were higher than the actual by \$2.6 million.
- The net excess of expenditures over revenues for the fiscal year ended June 30, 2011 is \$1.376 million.

Actual revenues exceeded the estimated revenues in taxes, use of money and property, charges for services and special assessments. 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 nor added more positions. Despite the city's efforts in cutting costs, expenditures still exceeded revenues but it was kept to a minimum of only \$1.375 million. This is 74% lower compared to last year's negative variance 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, 2011, amounts to \$937 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 for the year is 2.4% or \$23 million. There is a 4% increase in capital assets for governmental activities while business-type activities experienced an increase of only .42%. More detailed information of the City's capital assets can be found in Note 5.

Asset Description	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 159,790	\$ 156,139	\$ 11,769	\$ 6,724	\$ 171,559	\$ 162,863
Streets and Raods	212,438	209,548			212,438	209,548
Construction in-Progress	18,519	12,809	4,390	6,147	22,909	18,956
Buildings and Improvements	167,112	132,085	239,336	383,754	406,448	515,839
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	27,855	26,675			27,855	26,675
Traffic Signals	17,374	14,243			17,374	14,243
Equipment	28,529	28,681	47,097	46,562	75,626	75,243
Infrastructure	491	9,905	242,992	94,582	243,483	104,487
Intangible Assets	987	714	63,936	63,848	64,923	64,562
Less: Total Accumulated Depreciatio	(94,507)	(73,033)	(211,077)	(204,843)	(305,584)	(277,876)
<b>Total Capital Assets</b>	<b>\$ 538,588</b>	<b>\$ 517,766</b>	<b>\$ 398,443</b>	<b>\$ 396,774</b>	<b>\$ 937,031</b>	<b>\$ 914,540</b>

A reclassification of buildings and improvements capital assets to infrastructures resulted to the increase and reduction of these two types of capital assets.

**Long-term Debt.** At the end of fiscal year 2011, the City's total debt showed a reduction of 2.5% or \$2.8 million. This decline was due to the principal payment of almost all the long term debt during the year.

A detailed discussion of the entire City's long-term debt can be found under Notes 7 and 8. Standard and Poor's and Moody's credit rating of AAA and Aaa, respectively, was received by the City's most recent debt insured debt issuance.

Debt Description	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
2008 Lease Revenue Bonds	\$ 19,385	\$ 19,465			\$ 19,385	\$ 19,465
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,585	1,675			1,585	1,675
2003 Tax Allocation Bonds	48,715	49,860			48,715	49,860
Capital Leases	138	203			138	203
2003 Wastewater Revenue Bonds			\$ 1,000	\$ 1,315	1,000	1,315
2004 Wastewater Revenue Bonds			28,580	29,195	28,580	29,195
U. S. EDA Notes			1,267	1,444	1,267	1,444
Irrigation District Notes			5,000	5,000	5,000	5,000
State of California-Department of Transportation Loan			92	109	92	109
State of California-Department of Health Services			17,136	17,978	17,136	17,978
Compensated Absences	3,053	2,727	508	423	3,561	3,150
Claims and Judgments	112	113			112	113
Post Retirement Benefits	855	674			855	674
<b>Total Long Term Liabilities</b>	<b>\$ 76,533</b>	<b>\$ 77,407</b>	<b>\$ 53,583</b>	<b>\$ 55,464</b>	<b>\$ 130,116</b>	<b>\$ 132,871</b>



## **Economic Outlook and Major Initiatives**

As the current economic crisis continues, fiscal year 2010-11 clearly shows its effects. As unemployment lowers the purchasing power of the city's population, property values persists 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 \$23.3 million unassigned 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, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 139,928,307	\$ 30,964,356	\$ 170,892,663
Cash and investments with fiscal agents	23,207,367	336,537	23,543,904
Restricted cash and investments	988,652		988,652
Accounts receivable	8,235,022	9,764,734	17,999,756
Interest receivable	792,649	146,651	939,300
Prepaid items	73,557	2,343,802	2,417,359
Internal balances	(2,633,397)	2,633,397	
Deferred charges, net of accumulated amortization	4,517,262	186,317	4,703,579
Deposits	1,000,000		1,000,000
Loans receivable	14,901,755		14,901,755
Capital assets, not being depreciated	390,747,552	16,158,885	406,906,437
Capital assets, being depreciated, net of accumulated depreciation	147,840,089	382,283,626	530,123,715
<b>Total Assets</b>	<b>729,598,815</b>	<b>444,818,305</b>	<b>1,174,417,120</b>
<b>LIABILITIES</b>			
Accounts payable	3,463,959	3,209,978	6,673,937
Accrued interest payable	1,179,744	112,782	1,292,526
Deposits payable	4,881,887	1,475,756	6,357,643
Unearned revenue	1,773,390	35,000	1,808,390
Noncurrent liabilities:			
Due within one year	2,556,100	3,196,021	5,752,121
Due in more than one year	73,976,424	50,386,937	124,363,361
<b>Total Liabilities</b>	<b>87,831,504</b>	<b>58,416,474</b>	<b>146,247,978</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	490,053,442	345,554,293	835,607,735
Restricted for:			
Debt service	3,864,565	226,799	4,091,364
Public safety	1,100,602		1,100,602
Streets and roads	1,658,694		1,658,694
Community development	1,243,442		1,243,442
Special districts	3,647,426		3,647,426
Projects	89,763,293		89,763,293
Housing	17,088,551		17,088,551
Unrestricted	33,347,296	40,620,739	73,968,035
<b>Total Net assets</b>	<b>\$ 641,767,311</b>	<b>\$ 386,401,831</b>	<b>\$ 1,028,169,142</b>

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, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government				
Legislative	\$ (88,307)	\$ -	\$ -	\$ -
City attorney	(721,333)			
Administration	(1,603,009)			
Personnel	(639,089)			
Finance	(2,166,481)			
Non-departmental	(1,773,240)	1,878,221		117,520
Economic development	(11,304,238)		781,108	7,094,470
Public safety				
Police	(21,405,604)	378,565	958,058	27,830
Fire	(14,103,824)	159,979	6,141,749	
Public works				
Development and engineering	(7,530,875)	1,804,994		343,435
Public works	(16,840,320)	3,800,110	2,157,832	11,438,861
Culture and leisure				
Cultural arts	(1,850,194)	217,224	26,250	
Parks and community services	(3,292,855)	756,954		57,622
Interest on long-term debt	(4,121,068)			
Unallocated depreciation	(616,785)			
<b>Total Governmental Activities</b>	<b>(88,057,222)</b>	<b>8,996,047</b>	<b>10,064,997</b>	<b>19,079,738</b>
<b>Business-type Activities:</b>				
Water	(21,228,718)	14,641,034		17,232
Sewer	(17,132,694)	12,031,699		2,734,255
Airport	(704,617)	342,510		59,912
Solid waste	(17,472,885)	16,320,774		
Transit	(2,291,174)	898,652		779,032
Drainage	(3,402,611)	553,155		87,998
<b>Total Business-type Activities</b>	<b>(62,232,699)</b>	<b>44,787,824</b>		<b>3,678,429</b>
<b>Total Government</b>	<b>\$ (150,289,921)</b>	<b>\$ 53,783,871</b>	<b>\$ 10,064,997</b>	<b>\$ 22,758,167</b>

**General Revenues:**

Taxes:

- Property taxes
- Franchise taxes
- Sales and use taxes
- Transient 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, 2010  
Prior Period Adjustments  
Net Assets July 1, 2010, Restated

Net Assets, June 30, 2011

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>
\$ (88,307)	\$ -	\$ (88,307)
(721,333)		(721,333)
(1,603,009)		(1,603,009)
(639,089)		(639,089)
(2,166,481)		(2,166,481)
222,501		222,501
(3,428,660)		(3,428,660)
(20,041,151)		(20,041,151)
(7,802,096)		(7,802,096)
(5,382,446)		(5,382,446)
556,483		556,483
(1,606,720)		(1,606,720)
(2,478,279)		(2,478,279)
(4,121,068)		(4,121,068)
(616,785)		(616,785)
<u>(49,916,440)</u>		<u>(49,916,440)</u>
	(6,570,452)	(6,570,452)
	(2,366,740)	(2,366,740)
	(302,195)	(302,195)
	(1,152,111)	(1,152,111)
	(613,490)	(613,490)
	<u>(2,761,458)</u>	<u>(2,761,458)</u>
	<u>(13,766,446)</u>	<u>(13,766,446)</u>
<u>(49,916,440)</u>	<u>(13,766,446)</u>	<u>(63,682,886)</u>
22,532,932		22,532,932
2,474,332		2,474,332
11,408,245		11,408,245
675,819		675,819
671,278		671,278
273,325		273,325
375,887		375,887
1,280,433	109,445	1,389,878
1,663,408		1,663,408
(384,545)	384,545	
<u>40,971,114</u>	<u>493,990</u>	<u>41,465,104</u>
<u>(8,945,326)</u>	<u>(13,272,456)</u>	<u>(22,217,782)</u>
631,621,095	387,289,051	1,018,910,146
19,091,542	12,385,236	31,476,778
<u>650,712,637</u>	<u>399,674,287</u>	<u>1,050,386,924</u>
<u>\$ 641,767,311</u>	<u>\$ 386,401,831</u>	<u>\$ 1,028,169,142</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **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 2011. 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, 2011**

	General Fund	Community Development Agency Housing	North East Industrial Plan Area #1
<b>ASSETS</b>			
Cash and investments	\$ 24,919,206	\$ 2,057,655	\$ 4,468,668
Cash and investments with fiscal agents			
Restricted cash and investments		759,207	
Accounts receivable	2,609,197		
Interest receivable	254,579	19,661	23,289
Prepaid items	21,729		
Deposits			
Loans receivable	554,501	12,449,222	
Due from other funds	664,499	3,194	
Advances to other funds	244,057	2,803,520	
Total Assets	<u>\$ 29,267,768</u>	<u>\$ 18,092,459</u>	<u>\$ 4,491,957</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 577,700	\$ 315	\$ 1,315
Due to other funds	14,193		
Deposits payable	1,542,386		17,728
Deferred revenue	146,375	12,449,222	
Advances from other funds			4,347,454
Total Liabilities	<u>2,280,654</u>	<u>12,449,537</u>	<u>4,366,497</u>
Fund Balances:			
Nonspendable			
Prepaid items	21,729		
Advances	244,057	2,803,520	
Loans receivable	554,501		
Restricted	612,734	2,839,402	125,460
Committed			
Assigned	2,197,921		
Unassigned	23,356,172		
Total Fund Balances	<u>26,987,114</u>	<u>5,642,922</u>	<u>125,460</u>
Total Liabilities and Fund Balances	<u>\$ 29,267,768</u>	<u>\$ 18,092,459</u>	<u>\$ 4,491,957</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
\$ 2,217,862	\$ 95,841,044	\$ 129,504,435
3,745,949	19,461,418	23,207,367
	229,445	988,652
426,699	5,195,456	8,231,352
	495,120	792,649
	45,825	67,554
	1,000,000	1,000,000
	2,843,662	15,847,385
	3,671,290	4,338,983
		3,047,577
<u>\$ 6,390,510</u>	<u>\$ 128,783,260</u>	<u>\$ 187,025,954</u>
\$ 554,631	\$ 2,218,317	\$ 3,352,278
3,194	2,851,596	2,868,983
	3,321,773	4,881,887
	4,372,015	16,967,612
2,803,520		7,150,974
<u>3,361,345</u>	<u>12,763,701</u>	<u>35,221,734</u>
	45,825	67,554
		3,047,577
	98,662	653,163
3,029,165	93,799,981	100,406,742
	4,131,465	4,131,465
	20,043,078	22,240,999
	(2,099,452)	21,256,720
<u>3,029,165</u>	<u>116,019,559</u>	<u>151,804,220</u>
<u>\$ 6,390,510</u>	<u>\$ 128,783,260</u>	<u>\$ 187,025,954</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF TRACY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

Fund balances of governmental funds		\$ 151,804,220
<p>Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p>		
<p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet. (These do not include Internal Service Assets)</p>		
Capital assets	\$ 609,757,374	
Less: accumulated depreciation	<u>(77,858,166)</u>	531,899,208
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.</p>		
Deferred charges	5,685,961	
Less: accumulated amortization	<u>(1,168,699)</u>	4,517,262
<p>Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (Does not include Internal Service Fund)</p>		
		(1,176,823)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Compensated absences (Does not include Internal Service Fund)	(2,915,264)	
Bonds payable	(72,375,000)	
Postretirement benefit accrual	<u>(854,558)</u>	(76,144,822)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		16,677,637
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue.</p>		
		15,194,222
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures:</p>		
Conditional grant balance allowance		<u>(1,003,593)</u>
Net assets of governmental activities		<u><u>\$ 641,767,311</u></u>

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

**CITY OF TRACY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2011**

	General	Community Development Agency Housing	North East Industrial Plan Area #1	Community Development Agency Debt Service
<b>REVENUES</b>				
Taxes	\$ 27,753,578	\$ -	\$ -	\$ 7,594,352
Licenses, permits, and fees	2,930,085			
Fines and penalties	1,543,198			
Use of money and property	1,396,757	84,211	17,241	33,313
Intergovernmental	1,459,704	21,294		675,582
Charges for services	8,742,602			
Special assessments	343,435		298,816	
Contributions				
Other revenues	1,136,368			
<b>Total Revenues</b>	<b>45,305,727</b>	<b>105,505</b>	<b>316,057</b>	<b>8,303,247</b>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	302,255	698,391		
General government	3,051,479			
Finance	2,166,481			
Non-departmental	63,447	56,285		
Public safety				
Police	20,931,670			
Fire	8,092,562			
Public works				
Development and engineering	5,783,486			
Public works	2,595,639			
Culture and leisure				
Cultural arts	1,217,879			
Parks and community services	2,291,135			
Intergovernmental		38,429		2,652,507
Capital outlay	185,658		2,302,209	
Debt service:				
Principal payments				1,145,000
Interest and fiscal charges				2,576,992
<b>Total Expenditures</b>	<b>46,681,691</b>	<b>793,105</b>	<b>2,302,209</b>	<b>6,374,499</b>
Excess of revenues over (under) expenditures	(1,375,964)	(687,600)	(1,986,152)	1,928,748
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,656,435		
Transfers out	(1,173,000)			(2,056,435)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,173,000)</b>	<b>1,656,435</b>		<b>(2,056,435)</b>
<b>Net Change in Fund Balances</b>	<b>(2,548,964)</b>	<b>968,835</b>	<b>(1,986,152)</b>	<b>(127,687)</b>
Fund Balances, July 1, 2010	18,985,106	4,674,087	2,111,612	3,156,852
Prior Period Adjustments	10,550,972			
Fund Balances, July 1, 2010, Restated	29,536,078	4,674,087	2,111,612	3,156,852
Fund Balances, June 30, 2011	<u>\$ 26,987,114</u>	<u>\$ 5,642,922</u>	<u>\$ 125,460</u>	<u>\$ 3,029,165</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 986,504	\$ 36,334,434
161,816	3,091,901
26,758	1,569,956
1,260,507	2,792,029
15,600,939	17,757,519
1,367,836	10,110,438
4,290,616	4,932,867
4,447,802	4,447,802
11,651	1,148,019
<u>28,154,429</u>	<u>82,184,965</u>
10,717,431	11,718,077
259	3,051,738
543,146	2,166,481
	662,878
11,346	20,943,016
5,934,719	14,027,281
283,080	6,066,566
4,689,379	7,285,018
	1,217,879
	2,291,135
	2,690,936
16,243,071	18,730,938
170,000	1,315,000
1,367,943	3,944,935
<u>39,960,374</u>	<u>96,111,878</u>
<u>(11,805,945)</u>	<u>(13,926,913)</u>
2,179,516	3,835,951
(991,061)	(4,220,496)
<u>1,188,455</u>	<u>(384,545)</u>
<u>(10,617,490)</u>	<u>(14,311,458)</u>
137,188,021	166,115,678
(10,550,972)	
<u>126,637,049</u>	<u>166,115,678</u>
<u>\$ 116,019,559</u>	<u>\$ 151,804,220</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, 2011**

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 \$ (14,311,458)

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	\$ 3,104,775	
Repayment of loans	<u>(36,487)</u>	3,068,288

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	11,918,491	
Depreciation expense not reported in governmental funds	<u>(8,948,346)</u>	2,970,145

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	1,315,000	
Amortization of deferred charges	<u>(193,181)</u>	1,121,819

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	(180,282)	
Interest payable	17,048	
Accrued interest receivable	182,794	
Compensated absences	<u>(295,876)</u>	(276,316)

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.

(1,517,804)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (8,945,326)

## **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 2011.

### **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.

### **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.

### **MUNICIPAL AIRPORT FUND**

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

### **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, 2011**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 10,797,459	\$ 18,567,744	\$ 5,908
Cash and investments with fiscal agents		336,537	
Accounts receivable - net	2,859,710	2,500,438	56,213
Interest receivable	62,479	74,295	
Prepaid expenses	2,056,883		
<b>Total current assets</b>	<b>15,776,531</b>	<b>21,479,014</b>	<b>62,121</b>
Noncurrent:			
Deferred charges, net of accumulated amortization		186,317	
Loans receivable			
Advances to other funds	5,659,842		
	5,659,842	186,317	
Capital Assets:			
Nondepreciable			
Land	29,016	5,978,199	15,826
Construction in progress	744,094	3,400,248	107,928
<b>Total nondepreciable capital assets</b>	<b>773,110</b>	<b>9,378,447</b>	<b>123,754</b>
Depreciable			
Infrastructure	107,522,471	79,367,465	
Buildings	50,649,779	95,405,239	356,080
Improvements	29,646,427	17,498,065	6,144,435
Equipment	13,639,100	30,260,608	91,467
Intangibles	63,636,822	107,118	191,726
<b>Total depreciable capital assets</b>	<b>265,094,599</b>	<b>222,638,495</b>	<b>6,783,708</b>
Less accumulated depreciation	(83,593,468)	(89,238,849)	(4,918,161)
<b>Net depreciable capital assets</b>	<b>181,501,131</b>	<b>133,399,646</b>	<b>1,865,547</b>
<b>Net capital assets</b>	<b>182,274,241</b>	<b>142,778,093</b>	<b>1,989,301</b>
<b>Total noncurrent assets</b>	<b>187,934,083</b>	<b>142,964,410</b>	<b>1,989,301</b>
<b>Total assets</b>	<b>\$ 203,710,614</b>	<b>\$ 164,443,424</b>	<b>\$ 2,051,422</b>

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	
\$ 666,939	\$ 1,325	\$ 924,981	\$ 30,964,356	\$ 10,423,872
			336,537	
2,553,243	1,718,373	76,757	9,764,734	3,670
5,591	442	3,844	146,651	
555		286,364	2,343,802	6,003
<u>3,226,328</u>	<u>1,720,140</u>	<u>1,291,946</u>	<u>43,556,080</u>	<u>10,433,545</u>
			186,317	
				57,963
			<u>5,659,842</u>	
			<u>5,846,159</u>	<u>57,963</u>
	1,427,226	4,318,335	11,768,602	
	99,985	38,028	4,390,283	
	<u>1,527,211</u>	<u>4,356,363</u>	<u>16,158,885</u>	
		56,101,726	242,991,662	
	11,553,833		157,964,931	153,146
	2,311,298	25,770,563	81,370,788	554,752
44,219	3,042,099	19,624	47,097,117	21,793,629
			63,935,666	836,336
44,219	16,907,230	81,891,913	593,360,164	23,337,863
<u>(43,378)</u>	<u>(2,867,439)</u>	<u>(30,415,243)</u>	<u>(211,076,538)</u>	<u>(16,649,430)</u>
841	14,039,791	51,476,670	382,283,626	6,688,433
841	15,567,002	55,833,033	398,442,511	6,688,433
841	15,567,002	55,833,033	404,288,670	6,746,396
<u>\$ 3,227,169</u>	<u>\$ 17,287,142</u>	<u>\$ 57,124,979</u>	<u>\$ 447,844,750</u>	<u>\$ 17,179,941</u>

(Continued)

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**  
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 1,291,730	\$ 1,075,531	\$ -
Deposits payable	381,572	4,500	28,848
Due to other funds			525,000
Accrued interest payable		109,738	3,044
Claims payable, current portion			
Current portion - compensated absences	87,082	69,002	5,389
Current portion - long-term debt	2,048,165	950,000	18,599
Deferred revenue			
Total current liabilities	<u>3,808,549</u>	<u>2,208,771</u>	<u>580,880</u>
Noncurrent Liabilities:			
Advances from other funds			1,556,445
Capital lease payable			
Notes payable	21,354,829		72,942
Revenue bonds payable		680,000	
Compensated absences	148,927	134,071	15,081
Claims payable			
Certificates of participation payable		27,950,000	
Total noncurrent liabilities	<u>21,503,756</u>	<u>28,764,071</u>	<u>1,644,468</u>
Total Liabilities	<u>25,312,305</u>	<u>30,972,842</u>	<u>2,225,348</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	158,871,247	113,384,410	1,897,760
Restricted for debt service		226,799	
Unrestricted	19,527,062	19,859,373	(2,071,686)
Total Net Assets (Deficit)	<u>\$ 178,398,309</u>	<u>\$ 133,470,582</u>	<u>\$ (173,926)</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	
\$ 603,442	\$ 239,275	\$ -	\$ 3,209,978	\$ 111,681
	150,000	910,836	1,475,756	
	945,000		1,470,000	
			112,782	2,921
3,464	8,901	5,419	179,257	56,247
			3,016,764	47,358
	35,000		35,000	67,588
<u>606,906</u>	<u>1,378,176</u>	<u>916,255</u>	<u>9,499,537</u>	<u>285,795</u>
			1,556,445	
				70,291
			21,427,771	
			680,000	
3,122	18,370	9,595	329,166	89,971
				56,247
			27,950,000	
<u>3,122</u>	<u>18,370</u>	<u>9,595</u>	<u>51,943,382</u>	<u>216,509</u>
<u>610,028</u>	<u>1,396,546</u>	<u>925,850</u>	<u>61,442,919</u>	<u>502,304</u>
841	15,567,002	55,833,033	345,554,293	6,550,554
			226,799	
2,616,300	323,594	366,096	40,620,739	10,127,083
<u>\$ 2,617,141</u>	<u>\$ 15,890,596</u>	<u>\$ 56,199,129</u>	<u>\$ 386,401,831</u>	<u>\$ 16,677,637</u>

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 14,425,906	\$ 12,023,817	\$ 336,021
Other operating revenues	215,128	7,882	6,489
Total Operating Revenues	<u>14,641,034</u>	<u>12,031,699</u>	<u>342,510</u>
Operating Expenses			
Purchase of water	3,628,756		
Maintenance and operation	8,273,278	7,323,864	327,067
Administration	548,247	460,516	62,530
Insurance costs and claims			
Depreciation	8,140,438	8,005,557	241,392
Total Operating Expenses	<u>20,590,719</u>	<u>15,789,937</u>	<u>630,989</u>
Operating Income (Loss)	<u>(5,949,685)</u>	<u>(3,758,238)</u>	<u>(288,479)</u>
Non-Operating Revenues (Expenses)			
Interest income	10,816	6,916	
Interest expense	(637,999)	(1,342,757)	(73,628)
Total Non-Operating Income (Loss)	<u>(627,183)</u>	<u>(1,335,841)</u>	<u>(73,628)</u>
Income (Loss) Before Capital Contributions and Transfers	(6,576,868)	(5,094,079)	(362,107)
Capital Contributions and Grants	17,232	2,734,255	59,912
Transfers in			
Transfers out			
Change in Net Assets	<u>(6,559,636)</u>	<u>(2,359,824)</u>	<u>(302,195)</u>
Net Assets, July 1, 2010	172,726,107	136,228,459	577,577
Prior Period Adjustments	12,231,838	(398,053)	(449,308)
Net Assets, July 1, 2010, Restated	<u>184,957,945</u>	<u>135,830,406</u>	<u>128,269</u>
Net Assets (Deficit), June 30, 2011	<u>\$ 178,398,309</u>	<u>\$ 133,470,582</u>	<u>\$ (173,926)</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	
\$ 16,320,696	\$ 90,706	\$ 551,155	\$ 43,748,301	\$ 6,685,323
78	807,946	2,000	1,039,523	344,705
16,320,774	898,652	553,155	44,787,824	7,030,028
			3,628,756	
17,435,722	1,365,437	516,029	35,241,397	4,015,955
36,890	86,700	29,720	1,224,603	77,490
				2,815,869
273	839,037	2,856,862	20,083,559	2,144,902
17,472,885	2,291,174	3,402,611	60,178,315	9,054,216
(1,152,111)	(1,392,522)	(2,849,456)	(15,390,491)	(2,024,188)
98,052	1,165	(7,504)	109,445	
			(2,054,384)	(6,738)
98,052	1,165	(7,504)	(1,944,939)	(6,738)
(1,054,059)	(1,391,357)	(2,856,960)	(17,335,430)	(2,030,926)
	779,032	87,998	3,678,429	513,122
	585,859		585,859	600,000
	(201,314)		(201,314)	(600,000)
(1,054,059)	(227,780)	(2,768,962)	(13,272,456)	(1,517,804)
3,671,200	16,014,081	58,071,627	387,289,051	19,174,175
	104,295	896,464	12,385,236	(978,734)
3,671,200	16,118,376	58,968,091	399,674,287	18,195,441
\$ 2,617,141	\$ 15,890,596	\$ 56,199,129	\$ 386,401,831	\$ 16,677,637

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers	\$ 14,077,756	\$ 11,460,423	\$ 331,852
Receipts from interfund charges			
Payments to suppliers and users	(10,157,003)	(4,210,106)	(183,643)
Payments to employees	(3,932,365)	(2,831,934)	(196,973)
Net Cash Provided (Used) by Operating Activities	(11,612)	4,418,383	(48,764)
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds			95,096
Advances to/from other funds	(76,053)		48,767
Principal received on loans receivable			
Transfers in			
Net Cash Provided (Used) by Non-Capital Financing Activities	(76,053)		143,863
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants received	17,232	2,734,255	59,912
Acquisitions of capital assets	(2,974,254)	(5,132,134)	(53,707)
Interest paid	(650,499)	(1,344,980)	(74,217)
Principal payments - long-term debt	(1,099,165)	(993,010)	(21,179)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,706,686)	(4,735,869)	(89,191)
Cash Flows from Investing Activities:			
Interest received	27,726	27,942	
Net Cash Provided (Used) by Investing Activities	27,726	27,942	
Net Increase (Decrease) in Cash and Cash Equivalents	(4,766,625)	(289,544)	5,908
Cash and Cash Equivalents, July 1, 2010	15,564,084	19,193,825	
Cash and Cash Equivalents, June 30, 2011	<u>\$ 10,797,459</u>	<u>\$ 18,904,281</u>	<u>\$ 5,908</u>
Noncash Transactions			
Amortization of deferred charges	\$ -	\$ 7,331	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 10,797,459	\$ 18,567,744	\$ 5,908
Cash and investments with fiscal agents		336,537	
Total Cash and Investments	<u>\$ 10,797,459</u>	<u>\$ 18,904,281</u>	<u>\$ 5,908</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	
\$ 16,898,143	\$ 3,376,610	\$ 533,088	\$ 46,677,872	\$ -
(17,575,882)	(1,033,210)	(324,306)	(33,484,150)	7,026,358
(120,662)	(339,792)	(227,315)	(7,649,041)	(4,977,910)
(798,401)	2,003,608	(18,533)	5,544,681	(1,914,178)
	(2,500,000)		(2,404,904)	
			(27,286)	(57,963)
	585,859		585,859	
	(2,115,455)		(2,047,645)	(57,963)
	728,142	87,998	3,627,539	513,122
	(858,843)	(87,998)	(9,106,936)	(904,793)
			(2,069,696)	(8,114)
(3,110)	(7,607)	(5,296)	(2,129,367)	(64,988)
(3,110)	(138,308)	(5,296)	(9,678,460)	(464,773)
105,454	723	(5,724)	156,121	
105,454	723	(5,724)	156,121	
(696,057)	(249,432)	(29,553)	(6,025,303)	(388,466)
1,362,996	250,757	954,534	37,326,196	10,812,338
<u>\$ 666,939</u>	<u>\$ 1,325</u>	<u>\$ 924,981</u>	<u>\$ 31,300,893</u>	<u>\$ 10,423,872</u>
\$ -	\$ -	\$ -	\$ 7,331	\$ -
\$ 666,939	\$ 1,325	\$ 924,981	\$ 30,964,356	\$ 10,423,872
			336,537	
<u>\$ 666,939</u>	<u>\$ 1,325</u>	<u>\$ 924,981</u>	<u>\$ 31,300,893</u>	<u>\$ 10,423,872</u>

(Continued)

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2011**  
(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)	\$ (5,949,685)	\$ (3,758,238)	\$ (288,479)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	8,140,438	8,005,557	241,392
(Increase) Decrease in Operating Assets:			
Accounts receivable	(611,046)	(571,776)	(11,717)
Prepaid items	(2,056,883)		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	302,627	640,193	(791)
Compensated absences	115,169	102,147	9,772
Deposits payable	47,768	500	1,059
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,612)</u>	<u>\$ 4,418,383</u>	<u>\$ (48,764)</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	
\$ (1,152,111)	\$ (1,392,522)	\$ (2,849,456)	\$ (15,390,491)	\$ (2,024,188)
273	839,037	2,856,862	20,083,559	2,144,902
577,369	2,327,958	6,035	1,716,823 (2,056,883)	(3,670) (6,003)
(228,231) 4,299	70,291 8,844 150,000	(13,021) 7,149 (26,102)	771,068 247,380 173,225	(6,043) 29,272
<u>\$ (798,401)</u>	<u>\$ 2,003,608</u>	<u>\$ (18,533)</u>	<u>\$ 5,544,681</u>	<u>\$ 134,270</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **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, 2011**

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 16,952,410
Cash and investments with fiscal agents	14,012,529
Accounts receivable	25,975
Interest receivable	46,949
Total Assets	\$ 31,037,863
 <b>LIABILITIES</b>	
Accounts payable	\$ 580
Deposits payable	3,299,287
Due to assessment district bondholders	27,737,996
Total Liabilities	\$ 31,037,863

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

**NOTE TO BASIC FINANCIAL STATEMENTS**

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

**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, 2011

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

C. Basis of Presentation (Continued)

New Accounting Pronouncements

*GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Note 13 of this notes to basic financial statements.

*GASB Statement No. 59 – Financial Instruments Omnibus*

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, “*Financial Instruments Omnibus*”. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

Government-wide Statements

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

C. Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

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

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

D. Major Funds

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

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

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

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

D. Major Funds (Continued)

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

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

**Community Development Agency 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.

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

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

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

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

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

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

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

E. Basis of Accounting

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

E. Basis of Accounting (Continued)

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

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 present 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.

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

E. Basis of Accounting (Continued)

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

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

As a general rule, the effect of interfund activity, except for interfund services provided and used, has been eliminated from the government-wide financial statements.

F. Property Taxes

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

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

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

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

F. Property Taxes (Continued)

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

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

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

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

G. Capital Assets

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

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

G. Capital Assets (Continued)

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

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

H. Compensated Absences

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

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

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 a choice to bank their unused sick leave. 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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

I. Postemployment Benefits (Continued)

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, 2011, those costs for 38 retirees totaled \$120,452, and the total liability amount in the medical leave bank is \$1,658,659.

J. Use of Estimates

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

K. Cash, Cash Equivalents, and Investments

1. Cash Management

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

2. Investments Valuation

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

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.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

K. Cash, Cash Equivalents, and Investments (Continued)

4. Cash and Cash Equivalents

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

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

A. Budgetary Information

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

The City does not adopt budgets for the Grow Tracy, and Residential and Commercial Rehabilitation Loan Special Revenue Funds, Parks COP, Regional Mall COP Debt Service Funds, and all Capital Projects Funds.

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

B. Deficit Fund Balances

Major Enterprise Fund

A deficit net assets of \$173,926 exists in the Municipal Airport Fund. The deficit is due to the City incurring costs in excess of revenue.

Nonmajor Funds

A deficit fund balance of \$427,058 exists in the Proposition 1B Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of \$1,253,871 exists in the Transportation Development Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

B. Deficit Fund Balances (Continued)

Nonmajor Funds (Continued)

A deficit fund balance of \$417,594 exists in the TEA Grant Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$648 exists in the State Grant Traffic Congestion Relief Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$281 exists in the Parks COP Debt Service Fund. The deficit is due to the City incurring costs in excess of revenues.

C. Excess of Expenditures over Appropriations

Nonmajor Governmental Funds:

Traffic Congestion Relief Special Revenue Fund	171,270
Community Access TV Special Revenue Fund	6,070

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 170,892,663
Cash and investments with fiscal agents	23,543,904
Restricted cash and investments	988,652
Fiduciary funds:	
Cash and investments	16,952,410
Cash and investments with fiscal agents	14,012,529
Total cash and investments	\$ 226,390,158

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 4,010
Deposits with financial institutions	5,985,584
Investments	220,400,564
Total cash and investments	\$ 226,390,158

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$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, 2011

**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 Acceptance	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund (State Pool)	None	None	None

C. Disclosures Relating to Interest Rate Risk

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

C. Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	Over 60 Months
U.S. Treasury Notes	\$ 11,963,008	\$ 6,385,716	\$ 2,643,060	\$ 2,934,232	\$ -
Money Market Funds	24,331,166	24,331,166			
Federal Agency Securities	71,414,761	14,240,605	51,929,113	5,245,043	
Corporate Medium					
Term Notes	68,755,386	25,597,206	38,266,736	4,891,444	
Negotiable Time Deposits	1,599,891	1,599,891			
State Investment Pool	4,750,096	4,750,096			
Held by Debt Trustee:					
U.S. Treasury Notes	4,042,989		3,528,729	514,260	
Money Market Funds	23,686,780	23,686,780			
Federal Agency Securities	7,213,688	2,379,705	4,319,217	514,766	
Commercial Paper	2,642,799	2,642,799			
	<u>\$220,400,564</u>	<u>\$105,613,964</u>	<u>\$100,686,855</u>	<u>\$ 14,099,745</u>	<u>\$ -</u>

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

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

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

**E. Disclosures Relating to Credit Risk (Continued)**

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
U.S. Treasury Notes	\$ 11,963,008	N/A	\$ 11,963,008	\$ -	\$ -	\$ -	\$ -
Money Market Funds	24,331,166	N/A					24,331,166
Federal Agency Securities	71,414,761	N/A		71,414,761			
Corporate Medium							
Term Notes	68,755,386	N/A		19,632,843	21,159,652	27,962,891	
Negotiable Time Deposits	1,599,891	N/A				1,501,774	98,117
State Investment Pool	4,750,096	N/A					4,750,096
Held by Debt Trustee:							
U.S. Treasury Notes	4,042,989	N/A	4,042,989				
Money Market Funds	23,686,780	N/A		23,686,780			
Federal Agency Securities	7,213,688	N/A		7,213,688			
Commercial Paper	2,642,799	N/A		2,642,799			
<b>Total</b>	<b>\$220,400,564</b>		<b>\$ 16,005,997</b>	<b>\$124,590,871</b>	<b>\$ 21,159,652</b>	<b>\$ 29,464,665</b>	<b>\$ 29,179,379</b>

**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
FHLB	Federal agency securities	\$ 22,362,002
FNMA	Federal agency securities	21,733,876
FHLMC	Federal agency securities	18,847,695
FFCB	Federal agency securities	13,210,415

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.).

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

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, 2011, \$10,107,120 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, 2011, 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	\$ 16,005,997
Money Market Funds	48,017,946
Federal Agency Securities	78,628,449
Corporate Medium Term Notes	68,755,386
Negotiable Time Deposits	1,599,891
Commercial Paper	2,642,799

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**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 \$315,773 at June 30, 2011.

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, 2011, principal and accrued interest totaled \$855,645.

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, 2011, principal and accrued interest totaled \$2,375,661.

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, 2011 including accrued interest is \$49,740.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

B. Community Development Agency Loans (Continued)

The City loaned 37 individuals \$2,152,835 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 down payment 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, 2011, the developer owes \$4,515,083 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, 2011 is \$2,184,485 which includes accrued interest of \$209,485.

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, 2011 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, 2011 is \$40,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**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 beginning October 1, 2009 with a final maturity date of June 30, 2013. The balance of the note as of June 30, 2011 was \$98,662.

F. Employee Computer Loans

All full-time permanent City employees who have completed their probationary period are eligible to obtain an interest free loan to purchase a computer. All requests for loans are subject to review by the participating employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally until paid in full. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2011, employees had \$57,963 in loans due to the City.

G. 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 \$3,093 including principal and interest at 5%. The balance of the loan as of June 30, 2011 is \$514,501.

H. Tracy Mall Partners, L.P. Loan

The West Valley Mall Revitalization Program provides a financial incentive to the owners of the West Valley Mall (Mall Owner) or a prospective tenant to be used for tenant improvements.

During the fiscal year, the City and the Tracy Mall Partners, L.P. entered into an agreement where the City will provide a financial contribution to the Mall Owner. In exchange, the Mall Owner will guarantee that Macy's will lease the anchor tenant location for a minimum of 10 years. Over the 20 year term, the Mall Owner is obligated to repay the City for the financial incentive at the rate of \$151,250 a year or \$3,025,000 for the 20 year term. The contribution amount will be forgiven to the extent that increased sales tax revenue to the City exceeds \$151,250 per year from Macy's or new tenants of the Mall.

As of June 30, 2011, the balance of the loan is \$2,745,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 5 – CAPITAL ASSETS**

A. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Nondepreciable Capital Assets:						
Land	\$ 156,138,533	\$ 1,672,525	\$ -	\$ (50,000)	\$ 2,029,072	\$ 159,790,130
Roads accounted for using the modified approach	209,548,497	654,893		2,234,635		212,438,025
Construction in progress	12,808,721	8,425,018		(333,549)	(2,380,793)	18,519,397
<b>Total Nondepreciable Capital Assets</b>	<b>378,495,751</b>	<b>10,752,436</b>		<b>1,851,086</b>	<b>(351,721)</b>	<b>390,747,552</b>
Capital assets, being depreciated						
Buildings and improvements	132,084,720	303,633		(26,698,762)	51,655	105,741,246
Improvements		181,470		60,939,161	250,178	61,370,809
Grading, curb & gutter, sidewalk, and driveway approaches	26,674,681	401,622		756,287	22,783	27,855,373
Traffic signals	14,243,532	304,451		2,799,259	27,105	17,374,347
Equipment	28,681,247	619,247		(771,969)		28,528,525
Infrastructure and drainage	9,904,972			(9,414,405)		490,567
Intangibles	714,167	260,425		12,226		986,818
<b>Total Depreciable Capital Assets</b>	<b>212,303,319</b>	<b>2,070,848</b>		<b>27,621,797</b>	<b>351,721</b>	<b>242,347,685</b>
Less accumulated depreciation for:						
Buildings and improvements	(33,497,865)	(3,529,718)		16,810,564		(20,217,019)
Improvements		(4,031,385)		(27,992,772)		(32,024,157)
Grading, curb & gutter, sidewalk, and driveway approaches	(8,424,266)	(682,501)		(844,905)		(9,951,672)
Traffic signals	(8,322,662)	(677,323)		(307,581)		(9,307,566)
Equipment	(19,372,614)	(1,939,553)		(1,174,184)		(22,486,351)
Infrastructure and drainage	(3,106,738)	(9,810)		3,101,535		(15,013)
Intangibles	(308,862)	(222,958)		26,002		(505,818)
<b>Total Accumulated Depreciation</b>	<b>(73,033,007)</b>	<b>(11,093,248)</b>		<b>(10,381,341)</b>		<b>(94,507,596)</b>
<b>Net Depreciable Capital Assets</b>	<b>139,270,312</b>	<b>(9,022,400)</b>		<b>17,240,456</b>	<b>351,721</b>	<b>147,840,089</b>
<b>Net Governmental Capital Assets</b>	<b>\$ 517,766,063</b>	<b>\$ 1,730,036</b>	<b>\$ -</b>	<b>\$ 19,091,542</b>	<b>\$ -</b>	<b>\$ 538,587,641</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

A. Capital asset activity for the fiscal year ended June 30, 2011, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Water Utility						
Nondepreciable Capital Assets:						
Land	\$ 29,015	\$ -	\$ -	\$ 1	\$ -	\$ 29,016
Construction in progress	2,693,346	659,539		(223,646)	(2,385,145)	744,094
Total Nondepreciable Capital Assets	2,722,361	659,539		(223,645)	(2,385,145)	773,110
Depreciable Capital Assets:						
Infrastructure	24,154,549	2,162,018		78,820,759	2,385,145	107,522,471
Buildings	50,905,779			(256,000)		50,649,779
Improvements	108,540,314	12,519		(78,906,406)		29,646,427
Equipment	14,010,862	140,178		(511,940)		13,639,100
Intangibles	63,631,722			5,100		63,636,822
Total Depreciable Capital Assets	261,243,226	2,314,715		(848,487)	2,385,145	265,094,599
Accumulation Depreciation						
Infrastructure	(3,787,094)	(2,122,339)		(22,302,601)		(28,212,034)
Buildings	(21,756,335)	(1,554,856)		2,713,044		(20,598,147)
Improvements	(49,131,005)	(1,839,519)		37,403,346		(13,567,178)
Equipment	(5,963,440)	(1,118,713)		(1,181,087)		(8,263,240)
Intangibles	(8,119,126)	(1,505,011)		(3,328,732)		(12,952,869)
Total Accumulated Depreciation	(88,757,000)	(8,140,438)		13,303,970		(83,593,468)
Net Depreciable Capital Assets	172,486,226	(5,825,723)		12,455,483	2,385,145	181,501,131
Net Water Utility Capital Assets	\$ 175,208,587	\$ (5,166,184)	\$ -	\$ 12,231,838	\$ -	\$ 182,274,241
Sewer Utility						
Nondepreciable Capital Assets:						
Land	\$ 933,732	\$ -	\$ -	\$ 5,044,467	\$ -	\$ 5,978,199
Construction in progress	2,892,898	2,381,386		(325,229)	(1,548,807)	3,400,248
Total Nondepreciable Capital Assets	3,826,630	2,381,386		4,719,238	(1,548,807)	9,378,447
Depreciable Capital Assets:						
Infrastructure	20,964,072	1,598,298		55,256,288	1,548,807	79,367,465
Buildings	95,405,239					95,405,239
Improvements	77,319,743	938,919		(60,760,597)		17,498,065
Equipment	30,132,209	157,231		(28,832)		30,260,608
Intangibles	24,500	56,300		26,318		107,118
Total Depreciable Capital Assets	223,845,763	2,750,748		(5,506,823)	1,548,807	222,638,495

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

B. Capital asset activity for the fiscal year ended June 30, 2011, was as follows: (Continued)

Business-type Activities	Balance at			Prior Period		Balance at
Sewer Utility (Continued)	July 1, 2010	Additions	Deletions	Adjustments	Transfers	June 30, 2011
Accumulation Depreciation						
Infrastructure	\$ (3,906,160)	\$ (1,533,645)	\$ -	\$ (19,896,237)	\$ -	\$ (25,336,042)
Buildings	(38,026,548)	(2,840,717)		(2,142,240)		(43,009,505)
Improvements	(33,078,781)	(718,860)		24,356,421		(9,441,220)
Equipment	(6,600,347)	(2,880,494)		(1,919,496)		(11,400,337)
Intangibles	(10,988)	(31,841)		(8,916)		(51,745)
Total Accumulated Depreciation	<u>(81,622,824)</u>	<u>(8,005,557)</u>		<u>389,532</u>		<u>(89,238,849)</u>
Net Depreciable Capital Assets	<u>142,222,939</u>	<u>(5,254,809)</u>		<u>(5,117,291)</u>	<u>1,548,807</u>	<u>133,399,646</u>
Net Sewer Utility Capital Assets	<u>\$ 146,049,569</u>	<u>\$ (2,873,423)</u>	<u>\$ -</u>	<u>\$ (398,053)</u>	<u>\$ -</u>	<u>\$ 142,778,093</u>
Business-type Activities	Balance at			Prior Period		Balance at
Municipal Airport	July 1, 2010	Additions	Deletions	Adjustments	Transfers	June 30, 2011
Nondepreciable Capital Assets:						
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	329,116	19,831			(241,019)	107,928
Total Nondepreciable Capital Assets	<u>344,942</u>	<u>19,831</u>			<u>(241,019)</u>	<u>123,754</u>
Depreciable Capital Assets:						
Buildings	356,080					356,080
Improvements	5,869,540	33,876			241,019	6,144,435
Equipment	91,467					91,467
Intangibles	191,726					191,726
Total Depreciable Capital Assets	<u>6,508,813</u>	<u>33,876</u>			<u>241,019</u>	<u>6,783,708</u>
Accumulation Depreciation						
Buildings	(256,707)	(12,352)		82,185		(186,874)
Improvements	(3,756,138)	(221,151)		(485,086)		(4,462,375)
Equipment	(48,885)	(3,646)		(24,655)		(77,186)
Intangibles	(165,731)	(4,243)		(21,752)		(191,726)
Total Accumulated Depreciation	<u>(4,227,461)</u>	<u>(241,392)</u>		<u>(449,308)</u>		<u>(4,918,161)</u>
Net Depreciable Capital Assets	<u>2,281,352</u>	<u>(207,516)</u>		<u>(449,308)</u>	<u>241,019</u>	<u>1,865,547</u>
Net Municipal Airport Capital Assets	<u>\$ 2,626,294</u>	<u>\$ (187,685)</u>	<u>\$ -</u>	<u>\$ (449,308)</u>	<u>\$ -</u>	<u>\$ 1,989,301</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

A. Capital asset activity for the fiscal year ended June 30, 2011, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Solidwaste						
Depreciable Capital Assets:						
Equipment	\$ 44,219	\$ -	\$ -	\$ -	\$ -	\$ 44,219
Total Depreciable Capital Assets	44,219					44,219
Accumulation Depreciation						
Equipment	(43,105)	(273)				(43,378)
Total Accumulated Depreciation	(43,105)	(273)				(43,378)
Net Depreciable Capital Assets	1,114	(273)				841
Net Solid Waste Capital Assets	\$ 1,114	\$ (273)	\$ -	\$ -	\$ -	\$ 841
Business-type Activities	Balance at			Prior Period		Balance at
Municipal Transit	July 1, 2010	Additions	Deletions	Adjustments	Transfers	June 30, 2011
Nondepreciable Capital Assets:						
Land	\$ 1,427,226	\$ -	\$ -	\$ -	\$ -	\$ 1,427,226
Construction in progress	17,265	99,985		(12,345)	(4,920)	99,985
Total Nondepreciable Capital Assets	1,444,491	99,985		(12,345)	(4,920)	1,527,211
Depreciable Capital Assets:						
Buildings	9,998,446			1,550,467	4,920	11,553,833
Improvements	3,851,531			(1,540,233)		2,311,298
Equipment	2,264,240	758,858		19,001		3,042,099
Total depreciable Capital Assets	16,114,217	758,858		29,235	4,920	16,907,230
Accumulation depreciation						
Buildings	(628,049)	(489,635)		260,364		(857,320)
Improvements	(33,432)	(154,970)		(26,327)		(214,729)
Equipment	(1,490,216)	(194,432)		(110,742)		(1,795,390)
Total Accumulated Depreciation	(2,151,697)	(839,037)		123,295		(2,867,439)
Net Depreciable Capital Assets	13,962,520	(80,179)		152,530	4,920	14,039,791
Net Transit Capital Assets	\$ 15,407,011	\$ 19,806	\$ -	\$ 140,185	\$ -	\$ 15,567,002

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

A. Capital asset activity for the fiscal year ended June 30, 2011, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Drainage						
Nondepreciable Capital Assets:						
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	437,878	3,547			(403,397)	38,028
Total Nondepreciable Capital Assets	4,756,213	3,547			(403,397)	4,356,363
Depreciable Capital Assets:						
Infrastructure	49,463,084	84,451		6,150,794	403,397	56,101,726
Improvements	31,507,848			(5,737,285)		25,770,563
Equipment	19,624					19,624
Total Depreciable Capital Assets	80,990,556	84,451		413,509	403,397	81,891,913
Accumulation Depreciation						
Infrastructure	(15,414,615)	(1,121,636)		272,230		(16,264,021)
Improvements	(12,609,059)	(1,733,264)		210,725		(14,131,598)
Equipment	(17,662)	(1,962)				(19,624)
Total Accumulated Depreciation	(28,041,336)	(2,856,862)		482,955		(30,415,243)
Net Depreciable Capital Assets	52,949,220	(2,772,411)		896,464	403,397	51,476,670
Net Drainage Capital Assets	\$ 57,705,433	\$ (2,768,864)	\$ -	\$ 896,464	\$ -	\$ 55,833,033
Total Business-type Activities	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Nondepreciable Capital Assets:						
Land	\$ 6,724,134	\$ -	\$ -	\$ 5,044,468	\$ -	\$ 11,768,602
Construction in progress	6,370,503	3,164,288		(561,220)	(4,583,288)	4,390,283
Total Nondepreciable Capital Assets	13,094,637	3,164,288		4,483,248	(4,583,288)	16,158,885
Depreciable Capital Assets:						
Infrastructure	94,581,705	3,844,767		140,227,841	4,337,349	242,991,662
Buildings	156,665,544			1,294,467	4,920	157,964,931
Improvements	227,088,976	985,314		(146,944,521)	241,019	81,370,788
Equipment	46,562,621	1,056,267		(521,771)		47,097,117
Intangibles	63,847,948	56,300		31,418		63,935,666
Total Depreciable Capital Assets	588,746,794	5,942,648		(5,912,566)	4,583,288	593,360,164
Accumulation Depreciation						
Infrastructure	(23,107,869)	(4,777,620)		(41,926,608)		(69,812,097)
Buildings	(60,667,639)	(4,897,560)		913,353		(64,651,846)
Improvements	(98,608,415)	(4,667,764)		61,459,079		(41,817,100)
Equipment	(14,163,655)	(4,199,520)		(3,235,980)		(21,599,155)
Intangibles	(8,295,845)	(1,541,095)		(3,359,400)		(13,196,340)
Total Accumulated Depreciation	(204,843,423)	(20,083,559)		13,850,444		(211,076,538)
Net Depreciable Capital Assets	383,903,371	(14,140,911)		7,937,878	4,583,288	382,283,626
Net Business-type Capital Assets	\$ 396,998,008	\$ (10,976,623)	\$ -	\$ 12,421,126	\$ -	\$ 398,442,511

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**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	\$ 632,315
City administration - nondepartmental	1,261,302
Police	462,588
Fire	76,543
Development and engineering	1,464,309
Public works	5,577,686
Parks and recreation	1,001,720
Unallocated	<u>616,785</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 11,093,248</u>
--	----------------------

Business-type Activities:

Water utility	\$ 8,140,438
Sewer utility	8,005,557
Municipal airport	241,392
Solid waste	273
Municipal transit	839,037
Drainage	<u>2,856,862</u>

Total Depreciation Expense - Business-type Activities	<u>\$ 20,083,559</u>
---	----------------------

C. Roads Covered by the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy is to maintain these roads at an overall condition index level averaging 73%, instead of providing depreciation. During the fiscal year 2011, the City expended \$3,096,185 to preserve its roads. The City estimates that it will be required to expend approximately \$1,775,290 in the fiscal year 2012 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, 2011.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

A. Current Interfund Balances (Continued)

Receivable Funds	Amount	Payable Funds	Amount
<u>Major Governmental Fund</u>		<u>Major Governmental Fund</u>	
General	\$ 664,499	General	\$ 14,193
Community Development		Community Development	
Agency Housing	3,194	Agency Debt Service	3,194
<u>Nonmajor Governmental Fund</u>		<u>Major Proprietary Fund</u>	
Residential Specific		Municipal Airport	525,000
Plan Projects	1,185,000	Municipal Transit	945,000
General Projects	2,486,290	<u>Nonmajor Governmental Fund</u>	
		Proposition 1B	141,000
		Transportation Development	1,185,000
		TEA Grant	370,000
		Community Development	
		Block Grant	59,000
		Residential and Commercial	
		Rehabilitation Loan	35,901
		South County Fire Authority	610,000
		Traffic Congestion Relief	4,405
		Federal ARRA	446,290
Totals	\$ 4,338,983		\$ 4,338,983

B. Long-term Interfund Advances

At June 30, 2011, the funds below had made advances which were not expected to be repaid within the next fiscal year.

Funds making advances	Funds receiving advances	Amount
<u>Major Governmental Fund</u>		
Community Development	<u>Major Governmental Fund</u>	
Agency Housing	Community Development	
	Agency Debt Service	\$ 2,803,520
<u>Major Governmental Fund</u>		
General	<u>Major Proprietary Fund</u>	
	Municipal Airport	244,057
<u>Major Proprietary Fund</u>		
Water Utility		1,312,388
		1,556,445
<u>Major Proprietary Fund</u>		
Water Utility	<u>Major Governmental</u>	
	Northeast Industrial	
	Plan Area #1	4,347,454
Totals		\$ 8,707,419

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

B. Long-term Interfund Advances (Continued)

**Community Development Agency Debt Service** advance was to provide sufficient cash to pay the debt service payments due in September 2011. Due to the State SERAF payment requirement during fiscal year 2010 and 2011, the fund had insufficient cash to make the payment. Borrowing from the Housing Fund was authorized by State SERAF legislation. The fund will repay the Housing Fund when there is sufficient cash to meet current debt requirements and make the interfund repayment.

**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.

**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.

C. Interfund Transfers

<u>Receiving Funds</u>	<u>Transfers In</u>	<u>Paying Funds</u>	<u>Transfers Out</u>
<u>Major Governmental Fund</u>		<u>Major Governmental Funds</u>	
Community Development		General	\$ 1,173,000
Agency Housing	\$ 1,656,435	Community Development	
		Agency Debt Service	2,056,435
<u>Major Proprietary Fund</u>		<u>Major Proprietary Fund</u>	
Municipal Transit	585,859	Municipal Transit	201,314
<u>Nonmajor Governmental Funds</u>		<u>Nonmajor Governmental Funds</u>	
2007 Lease Revenue Bonds	284,000	Proposition K	
2008 Lease Revenue Bonds	1,289,000	Transportation	664,155
General Projects	606,516	Parks COP	326,906
<u>Internal Service Fund</u>		<u>Internal Service Funds</u>	
Insurance	600,000	Central Garage	100,000
		Central Service	100,000
		Building Maintenance	400,000
Totals	\$ 5,021,810		\$ 5,021,810

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

C. Interfund Transfers (Continued)

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 and (4) 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 benefits, payable in accordance with various collective bargaining agreements, at June 30, 2011, total \$3,052,593 for governmental activities and \$508,423 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 is considered to be defeased and the liability for those bonds has been removed.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

B. Tax Allocation Bonds (Continued)

**Community Development Agency Tax Allocation Bonds (Continued)**

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, 2011 was \$48,715,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 1,195,000	\$ 2,520,068	\$ 3,715,068
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	1,420,000	2,292,460	3,712,460
2017-2021	8,165,000	10,396,879	18,561,879
2022-2026	10,460,000	8,110,838	18,570,838
2027-2031	13,540,000	5,028,196	18,568,196
2032-2034	10,030,000	1,115,816	11,145,816
	<u>\$48,715,000</u>	<u>\$36,688,143</u>	<u>\$85,403,143</u>

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, 2011 was \$28,580,000. Annual debt service requirements are as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

C. Certificates of Participation (Continued)

1) 2004 Wastewater Certificates of Participation (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 630,000	\$ 1,274,528	\$ 1,904,528
2013	650,000	1,254,028	1,904,028
2014	670,000	1,230,918	1,900,918
2015	695,000	1,205,826	1,900,826
2016	720,000	1,178,754	1,898,754
2017-2021	4,040,000	5,421,374	9,461,374
2022-2026	5,015,000	4,427,800	9,442,800
2027-2031	6,315,000	3,111,046	9,426,046
2032-2036	8,005,000	1,423,218	9,428,218
2037	1,840,000	43,700	1,883,700
	<u>\$28,580,000</u>	<u>\$20,571,192</u>	<u>\$49,151,192</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, 2011 is \$19,385,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**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 Years Ending June 30,	Principal	Interest	Total
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	195,000	1,143,919	1,338,919
2017-2021	1,425,000	5,544,195	6,969,195
2022-2026	2,425,000	5,031,061	7,456,061
2027-2031	3,890,000	4,099,642	7,989,642
2032-2036	5,980,000	2,580,896	8,560,896
2037-2039	4,930,000	490,007	5,420,007
	<u>\$ 19,385,000</u>	<u>\$ 23,529,768</u>	<u>\$ 42,914,768</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, 2011 was \$1,000,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 320,000	\$ 27,924	\$ 347,924
2013	335,000	17,520	352,520
2014	345,000	6,038	351,038
	<u>\$ 1,000,000</u>	<u>\$ 51,482</u>	<u>\$ 1,051,482</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**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, 2011 is \$2,690,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 119,500	\$ 119,500
2013		119,500	119,500
2014		119,500	119,500
2015		119,500	119,500
2016		119,500	119,500
2017-2021		597,500	597,500
2022-2026	280,000	592,686	872,686
2027-2031	960,000	455,970	1,415,970
2032-2036	1,180,000	225,000	1,405,000
2037	270,000	12,150	282,150
	<u>\$ 2,690,000</u>	<u>\$ 2,480,806</u>	<u>\$ 5,170,806</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, 2011 was \$1,585,000.

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, 2011

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

D. Revenue Bonds (Continued)

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

Fiscal Years Ending June 30,	Principal	Interest	Total
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	110,000	48,980	158,980
2017-2021	605,000	176,100	781,100
2022-2025	475,000	45,195	520,195
	<u>\$ 1,585,000</u>	<u>\$ 506,395</u>	<u>\$ 2,091,395</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, 2011 was \$1,266,669. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 186,222	\$ 63,334	\$ 249,556
2013	195,534	54,022	249,556
2014	205,310	44,246	249,556
2015	215,576	33,980	249,556
2016	226,355	23,201	249,556
2017	237,672	11,884	249,556
	<u>\$ 1,266,669</u>	<u>\$ 230,667</u>	<u>\$ 1,497,336</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, 2011 was \$91,541. Annual debt service requirements are as follows:



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

E. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
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>\$ 91,541</u>	<u>\$ 13,120</u>	<u>\$ 104,661</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, 2011 the City has balance due of \$17,136,325. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 861,943	\$ 395,977	\$ 1,257,920
2013	882,230	375,689	1,257,919
2014	902,995	354,924	1,257,919
2015	924,249	333,671	1,257,920
2016	946,002	311,916	1,257,918
2017-2021	5,074,669	1,214,925	6,289,594
2022-2026	5,700,663	588,934	6,289,597
2027-2028	1,843,574	43,306	1,886,880
	<u>\$ 17,136,325</u>	<u>\$ 3,619,342</u>	<u>\$ 20,755,667</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, 2011 was \$5,000,000. Maturity date is July 1, 2015. Annual debt service requirements are as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

E. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 1,000,000	\$ 122,500	\$ 1,122,500
2013	1,000,000	92,500	1,092,500
2014	1,000,000	62,500	1,062,500
2015	1,000,000	32,500	1,032,500
2016	1,000,000	25,000	1,025,000
	<u>\$ 5,000,000</u>	<u>\$ 335,000</u>	<u>\$ 5,335,000</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, 2011 was \$137,879. The future minimum debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2012	\$ 67,588	\$ 5,515	\$ 73,103
2013	70,291	2,812	73,103
	<u>\$ 137,879</u>	<u>\$ 8,327</u>	<u>\$ 146,206</u>

G. Changes in Long-Term Liabilities

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due within One Year
Governmental Activities:					
Bonds Payable:					
2003 Tax Allocation Bonds	\$49,860,000	\$ -	\$ 1,145,000	\$48,715,000	\$ 1,195,000
2008 Lease Revenue Bonds	19,465,000		80,000	19,385,000	100,000
2007 Revenue Bonds A	2,690,000			2,690,000	
2007 Revenue Bonds B	1,675,000		90,000	1,585,000	95,000
Capital Leases	202,867		64,988	137,879	67,588
Compensated Absences	2,727,445	1,280,188	955,040	3,052,593	1,042,265
Claims and Judgments	112,494	135	135	112,494	56,247
Postretirement Benefits	674,276	300,734	120,452	854,558	
Totals	<u>\$77,407,082</u>	<u>\$ 1,581,057</u>	<u>\$ 2,455,615</u>	<u>\$76,532,524</u>	<u>\$ 2,556,100</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

G. Changes in Long-Term Liabilities (Continued)

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due within One Year
Business-type Activities:					
Certificates of Participation:					
2004 Wastewater Certificates of Participation	\$ 29,195,000	\$ -	\$ 615,000	\$ 28,580,000	\$ 630,000
Bonds Payable:					
2003 Wastewater Revenue Bonds	1,315,000		315,000	1,000,000	320,000
Notes Payable:					
U.S. Economic Development State of California Department of Transportation	1,444,024		177,355	1,266,669	186,222
State of California Department of Health Services	109,275		17,734	91,541	18,599
Irrigation District Notes	17,978,446		842,121	17,136,325	861,943
Compensated Absences	5,000,000			5,000,000	1,000,000
	423,200	247,380	162,157	508,423	179,257
Totals	<u>\$ 55,464,945</u>	<u>\$ 247,380</u>	<u>\$ 2,129,367</u>	<u>\$ 53,582,958</u>	<u>\$ 3,196,021</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, 2011, 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, 2011, is as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

Description	Fiscal Year		Balance Outstanding June 30, 2011
	Issue Year	Maturity Year	
93-1 Community Facilities District	1997	2027	\$ 1,050,000
98-4 Morrison Homes Assessment District	1999	2024	1,685,000
99-1 Community Facilities District, 04 Refunding	2004	2025	7,520,000
99-2 Community Facilities District	2000	2026	3,485,000
2000-02 Assessment District	2000	2026	670,000
94-1 Tracy OPJPA 2002 Revenue Bonds, Series A	2002	2022	3,150,000
99-2 Community Facilities District, Series 2002	2003	2028	6,955,000
93-1 Community Facilities District, Series 2002	2003	2033	1,950,000
2003-01 Assessment District	2003	2029	815,000
2003-l205 Residential Assessment District, Series A	2004	2023	6,985,000
2003B Junior Lien	2004	2023	350,000
2003C Senior Lien	2004	2012	1,295,000
2003D Junior Lien	2004	2012	295,000
89-1 Community Facilities District, Series A	2004	2021	9,315,000
89-1 Community Facilities District, Series B	2004	2021	895,000
2005C Revenue bonds (JPA)	2006	2036	13,795,000
2005B Revenue Bonds Junior Lien (JPA)	2006	2036	3,155,000
2005A Revenue Bonds Senior Lien (JPA)	2006	2029	61,840,000
2006-01 NE Industrial Phase II	2007	2037	10,605,000
			\$ 135,810,000

**NOTE 9 – CONTINGENCIES AND COMMITMENTS**

The City had commitments under construction and similar contracts that approximate \$19.5 million at June 30, 2011.

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 9 – CONTINGENCIES AND COMMITMENTS (Continued)**

**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 ERAF and SERAF legislation, together with the effect of this legislation on the Tracy Community Development Agency (the Agency).

ERAF Contribution

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million. In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in “Genest”. Accordingly, the Superior Court’s decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

SERAF Contributions

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 were \$3,482,914 for the fiscal year 2009-2010 and \$717,071 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 and 2010-2011.

**Recent Changes in Legislature Affecting California Redevelopment Agency**

The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 9 – CONTINGENCIES AND COMMITMENTS (Continued)**

**Recent Changes in Legislature Affecting California Redevelopment Agency (Continued)**

If the City, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011. Under the provisions of the Dissolution Act, an "Enforceable Payment Obligation Schedule" (EOPS) will be adopted by the Agency and presented to the County Auditor-Controller for certification. The last official act of the Agency will be to provide a draft "Recognized Obligation Payment Schedule" (ROPS) to a successor agency. The ROPS is subject to an independent audit and a review by an independent oversight board. Once audited and accepted by the oversight board, the County Auditor & Controller is directed to retain an amount of tax increment sufficient to meet the ongoing cost of enforceable obligations, and then distribute the remainder of revenues to the affected taxing agencies.

If the City elects to continue the Agency, the City Council must enact a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must also enact an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, the City must then make an annual payment, which may be reimbursed by the Agency. The required payment, which was calculated by the State Department of Finance and released to the City on August 1, 2011, will be \$2,662,076 for FY 2011-12. Subsequent remittance payments will be calculated using a statutory ratio that will be applied to the FY 2011-12 payment and adjusted for inflation and other items. The Agency estimates that the payment for FY 2012-13 will be \$548,000

**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 11.559% for miscellaneous employees and 24.033% for fire and police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

Annual Pension Cost: For 2011, the City’s annual pension cost of \$6,203,257 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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, 2010, was 27 years for safety, and 21 years for miscellaneous.

Funded Status and Funding Progress: As of June 30, 2010, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 81.6 percent and 80.5 percent funded, respectively. The actuarial accrued liabilities for benefits were \$89.8 million (miscellaneous) and \$102.1 million (safety), and the actual value of assets were \$73.3 million (miscellaneous) and \$83.2 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of 16.5 million (miscellaneous) and \$18.9 million (safety). The covered payroll (annual payroll of active employees covered by the plans) were \$20.4 million and \$16.3 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 80.7% and 116.2%, 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>			
6/30/2009	\$ 2,544,003	100%	\$ -
6/30/2010	2,371,498	100%	-
6/30/2011	2,169,247	100%	-
<u>Safety</u>			
6/30/2009	\$ 4,041,867	100%	\$ -
6/30/2010	3,941,590	100%	-
6/30/2011	4,034,010	100%	-

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

The City allows retirees to convert accrued sick leave to an account balance, called a “Medical Bank”, that can be used for medical, dental and vision premiums. After the account is exhausted, the retiree has option either to 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 increases the City’s overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The ability to participate in the City’s health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, both 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 No. 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 fiscal year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Annual required contribution	\$ 310,883
Plus - Interest adjustment	33,714
Less - Amortization adjustment	<u>(43,863)</u>
Annual OPEB cost (expense)	300,734
Contributions made	<u>(120,452)</u>
Increase in net OPEB obligation	180,282
Net OPEB obligation - beginning of fiscal year	<u>674,276</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 854,558</u></u>

The City 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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>
6/30/2009	\$ 219,171	88%	\$ 468,357
6/30/2010	303,834	32%	674,276
6/30/2011	300,734	40%	854,558

*Funded Status and Funding Progress.* As of July 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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*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.

**NOTE 12 – JOINT POWERS AGREEMENT**

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

**NOTE 13 – NET ASSETS AND FUND BALANCES**

A. Net Assets

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

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

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)**

B. Fund Balances

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the City against revenue shortfalls or unpredicted one-time expenditures. The unassigned balance in an amount of \$23,356,172 includes a Reserve for Economic Uncertainties in an amount of \$8,769,328.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 14 – RESTRICTED NET ASSETS**

Restricted net assets 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, 2011 are as follows:

	<u>Governmental</u>	<u>Business-type</u>
Debt Services:		
Redevelopment	\$ 1,852,342	\$ -
Sewer		226,799
Other	2,012,223	
	<u>3,864,565</u>	<u>226,799</u>
Restricted for Public Safety:		
Fire protection	1,024,465	
Asset forfeiture	76,137	
	<u>1,100,602</u>	
Streets and Roads:		
Construction and maintenance	<u>1,658,694</u>	
Community Development	<u>1,243,442</u>	
Special District:		
Landscaping	<u>3,647,426</u>	
Projects:		
Redevelopment	6,257,780	
Specific Area/Locations	83,505,513	
	<u>89,763,293</u>	
Housing	<u>17,088,551</u>	
Total Restricted Net Assets	<u>\$ 118,366,573</u>	<u>\$ 226,799</u>

Included in total governmental restricted net assets at June 30, 2011 are net assets restricted by enabling legislation of \$94,661,219.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 15 – FUND BALANCES**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (see Note 13 for a description of these categories). A detailed schedule of fund balances at June 30, 2011 is as follows:

	General	Community Development Agency Housing	North East Industrial Plan Area #1	Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Prepaid items	\$ 21,729	\$ -	\$ -	\$ -	\$ 45,825	\$ 67,554
Advances	244,057	2,803,520				3,047,577
Loans receivable	554,501				98,662	653,163
<b>Total nonspendable fund balances</b>	<b>820,287</b>	<b>2,803,520</b>			<b>144,487</b>	<b>3,768,294</b>
<b>Restricted for:</b>						
Auto theft	9,435					9,435
Traffic fines	521,848					521,848
State COPS	81,451					81,451
Housing		2,839,402				2,839,402
Special area projects			125,460		67,042,248	67,167,708
Debt service				3,029,165	2,015,425	5,044,590
Community development					2,286,862	2,286,862
Assets forfeiture					75,312	75,312
Streets and roads					3,757,865	3,757,865
CDBG					10,624	10,624
Landscaping district					3,548,764	3,548,764
Fire authority					1,024,465	1,024,465
Cable TV					72,271	72,271
Tracy GROW					1,000,000	1,000,000
Capital projects					12,966,145	12,966,145
<b>Total restricted fund balances</b>	<b>612,734</b>	<b>2,839,402</b>	<b>125,460</b>	<b>3,029,165</b>	<b>93,799,981</b>	<b>100,406,742</b>
<b>Committed to:</b>						
Community development					4,131,465	4,131,465
<b>Total committed fund balances</b>					<b>4,131,465</b>	<b>4,131,465</b>
<b>Assigned to:</b>						
General	295,203					295,203
AC Trust	22,191					22,191
Recreation fees	172,468					172,468
Planning fees	152,829					152,829
Capital projects					20,043,078	20,043,078
Economic uncertainty	1,555,230					1,555,230
	<b>2,197,921</b>				<b>20,043,078</b>	<b>22,240,999</b>
<b>Unassigned</b>						
Economic uncertainty	8,769,328					8,769,328
Unassigned	14,586,844				(2,099,452)	12,487,392
	<b>23,356,172</b>				<b>(2,099,452)</b>	<b>21,256,720</b>
<b>Total fund balances</b>	<b>\$ 26,987,114</b>	<b>\$ 5,642,922</b>	<b>\$ 125,460</b>	<b>\$ 3,029,165</b>	<b>\$116,019,559</b>	<b>\$151,804,220</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 16 – 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 17 – 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 18 – 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 employer's 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, 2011

**NOTE 18 – RISK MANAGEMENT (Continued)**

A. Coverage (Continued)

During the fiscal year ended June 30, 2011, the City contributed \$1,918,221 for current year coverage and received refunds of \$358,917.

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, 2011 has reserve deposits which cover claims and IBNRs except for \$112,494.

	Worker's Compensation	General Liability	Total	
			2011	2010
Beginning balance	\$ 60,838	\$ 51,656	\$ 112,494	\$ 91,717
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)		135	135	24,777
Claims paid		(135)	(135)	(4,000)
Ending balance	\$ 60,838	\$ 51,656	\$ 112,494	\$ 112,494

**NOTE 19 – SUBSEQUENT EVENTS**

On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 7). On August 2, 2011, the Board of Directors of the Redevelopment Agency adopted the Enforceable Obligation Payment schedule. The Agency did not adopt the Recognized Obligation Payment Schedule and an amended Enforceable Obligation Schedule. Both schedules are required by the Dissolution Act. No other actions have been taken in light of the stay orders issued by the California Supreme Court California Redevelopment Assn. v. Matosantos (S194861). If the Dissolution Act and Continuation Act are upheld, the Agency will be required to make a determination to continue or to dissolve the Agency. These actions will be taken subsequent to the issuance of this report.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 20 – RELATED PARTY TRANSACTIONS**

On March 8, 2011, the Agency and the City entered into a property conveyance agreement whereby the Agency conveyed the property to the City. Under the conveyance agreement, the City will be able to assist the Agency in carrying out its intended purpose – establish the parameters and proposed scope of development for the proposed development on the development parcels, seek and select a reputable third-party developer for the ultimate development of the proposed development, which remains subject to compliance with the California Environmental Quality Act and all other applicable requirements of the City’s land use entitlement process.

**NOTE 21 – PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were made due to the following reasons.

Reason for adjustments	<u>Government-wide Statements</u>		General Fund	Economic Uncertainty Fund	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>			
(Overstatement) Understatement of capital assets	\$ 19,091,542	\$ 12,385,236	\$ -	\$ -	
Restate fund balance due to implementation of GASB Statement No. 54			10,550,972	(10,550,972)	
	<u>Enterprise Funds</u>				
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Municipal Airport</u>	<u>Municipal Transit</u>	<u>Drainage</u>
(Overstatement) Understatement of capital assets	\$ 12,231,838	\$ (398,053)	\$ (449,308)	\$ 140,185	\$ 896,464
(Overstatement) of accounts receivable				(35,890)	
	<u>Internal Service Funds</u>				
	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>		
(Overstatement) Understatement of capital assets	\$ (27,739)	\$ (43,897)	\$ (907,098)		



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TRACY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2011**

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
6/30/2008	\$ 71,076,934	\$ 61,224,571	\$ 9,852,363	86.1%	\$ 21,044,450	46.8%
6/30/2009	83,457,017	67,629,363	15,827,654	81.0%	21,690,074	73.0%
6/30/2010	89,833,461	73,329,680	16,503,781	81.6%	20,442,591	80.7%

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
6/30/2008	\$ 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	79.0%	17,137,483	118.8%
6/30/2010	102,097,701	83,188,640	18,909,061	81.5%	16,273,573	116.2%

Modified Approach to Reporting Street Pavement Costs

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

1. The City must have 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.

**CITY OF TRACY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2011**

Modified Approach to Reporting Street Pavement Costs (Continued)

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.

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 \$1,775,290 in fiscal year 2012. The Pavement Condition Index (PCI) for the City's street pavement for the latest years is as follows:

<u>Year</u>	<u>PCI</u>	<u>Maintenance Budget</u>	<u>Actual Maintenance</u>
2002	76	\$1,505,620	1,389,043
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	82	4,355,038	3,096,185
2012	82	1,775,290	

The City's administrative policy is to achieve a minimum rating of 65 for all street pavements. 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 \$3,096,185 for street preservation for fiscal year 2011.

**CITY OF TRACY  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2011**

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	0%	\$ 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, 2011

**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, 2011

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 25,752,000	\$ 25,792,000	\$ 27,753,578	\$ 1,961,578
Licenses, permits, and fees	5,526,200	5,526,200	2,930,085	(2,596,115)
Fines and forfeitures	1,698,500	1,698,500	1,543,198	(155,302)
Use of money and property	1,055,000	1,055,000	1,396,757	341,757
Intergovernmental	1,068,070	1,599,070	1,459,704	(139,366)
Charges for services	6,826,180	6,826,180	8,742,602	1,916,422
Special assessments	340,000	340,000	343,435	3,435
Contributions		210,483		(210,483)
Other revenues	1,339,480	1,339,480	1,136,368	(203,112)
Total revenues	<u>43,605,430</u>	<u>44,386,913</u>	<u>45,305,727</u>	<u>918,814</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Economic development	357,740	407,570	302,255	105,315
General government	3,319,330	3,579,080	3,051,479	527,601
Finance	2,074,810	2,173,520	2,166,481	7,039
Non-departmental	250,020	255,743	63,447	192,296
Public safety:				
Police	20,985,790	21,153,647	20,931,670	221,977
Fire	7,885,900	7,885,900	8,092,562	(206,662)
Public works:				
Development and engineering	5,960,710	6,341,353	5,783,486	557,867
Public works	3,465,560	3,465,560	2,595,639	869,921
Culture and leisure:				
Cultural arts	1,411,790	1,402,907	1,217,879	185,028
Parks and community services	2,834,730	2,835,745	2,291,135	544,610
Capital outlay	101,670	471,466	185,658	285,808
Total expenditures	<u>48,648,050</u>	<u>49,972,491</u>	<u>46,681,691</u>	<u>3,290,800</u>
Excess of revenues over (under) expenditures	<u>(5,042,620)</u>	<u>(5,585,578)</u>	<u>(1,375,964)</u>	<u>4,209,614</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(1,193,000)</u>	<u>(1,193,000)</u>	<u>(1,173,000)</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(1,193,000)</u>	<u>(1,193,000)</u>	<u>(1,173,000)</u>	<u>20,000</u>
Net change in fund balance	<u>(6,235,620)</u>	<u>(6,778,578)</u>	<u>(2,548,964)</u>	<u>4,229,614</u>
Fund balance at beginning of fiscal year	18,985,106	18,985,106	18,985,106	
Prior Period Adjustments			10,550,972	10,550,972
Fund Balances at beginning of fiscal year, restated	<u>18,985,106</u>	<u>18,985,106</u>	<u>29,536,078</u>	<u>10,550,972</u>
Fund balance at end of fiscal year	<u>\$ 12,749,486</u>	<u>\$ 12,206,528</u>	<u>\$ 26,987,114</u>	<u>\$ 14,780,586</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ 140,000	\$ 140,000	\$ 84,211	\$ (55,789)
Intergovernmental			21,294	21,294
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>105,505</u>	<u>(34,495)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	1,179,939	1,179,939	698,391	481,548
Non-departmental	41,740	41,740	56,285	(14,545)
Intergovernmental	35,000	35,000	38,429	(3,429)
Capital outlay	<u>1,859,000</u>	<u>1,859,000</u>		<u>1,859,000</u>
Total expenditures	<u>3,115,679</u>	<u>3,115,679</u>	<u>793,105</u>	<u>2,322,574</u>
Excess of revenues over (under) expenditures	<u>(2,975,679)</u>	<u>(2,975,679)</u>	<u>(687,600)</u>	<u>2,288,079</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>1,848,000</u>	<u>1,848,000</u>	<u>1,656,435</u>	<u>(191,565)</u>
Total other financing sources (uses)	<u>1,848,000</u>	<u>1,848,000</u>	<u>1,656,435</u>	<u>(191,565)</u>
Net change in fund balance	(1,127,679)	(1,127,679)	968,835	2,096,514
Fund balance at beginning of fiscal year	<u>4,674,087</u>	<u>4,674,087</u>	<u>4,674,087</u>	
Fund balance at end of fiscal year	<u>\$ 3,546,408</u>	<u>\$ 3,546,408</u>	<u>\$ 5,642,922</u>	<u>\$ 2,096,514</u>

See accompanying notes to required supplemental information



**OTHER SUPPLEMENTAL INFORMATION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**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, 2011**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Taxes	\$ 8,168,740	\$ 7,594,352	\$ (574,388)
Use of money and property	30,000	33,313	3,313
Intergovernmental	710,000	675,582	(34,418)
Total revenues	<u>8,908,740</u>	<u>8,303,247</u>	<u>(605,493)</u>
<b>EXPENDITURES</b>			
Current:			
Intergovernmental	3,397,200	2,652,507	744,693
Debt service:			
Principal payments	1,145,000	1,145,000	
Interest and fiscal charges	2,577,100	2,576,992	108
Total expenditures	<u>7,119,300</u>	<u>6,374,499</u>	<u>744,801</u>
Excess of revenues over (under) expenditures	<u>1,789,440</u>	<u>1,928,748</u>	<u>139,308</u>
<b>Other financing sources (uses):</b>			
Transfers out	(2,248,000)	(2,056,435)	191,565
Total other financing sources (uses)	<u>(2,248,000)</u>	<u>(2,056,435)</u>	<u>191,565</u>
Net change in fund balance	(458,560)	(127,687)	330,873
Fund balance at beginning of fiscal year	<u>3,156,852</u>	<u>3,156,852</u>	
Fund balance at end of fiscal year	<u>\$ 2,698,292</u>	<u>\$ 3,029,165</u>	<u>\$ 330,873</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **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.

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

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

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**SPECIAL REVENUE FUNDS (Continued)**

**SOUTH COUNTY FIRE AUTHORITY FUND**

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

**TRAFFIC CONGESTION RELIEF FUND**

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

**COMMUNITY ACCESS CTV FUND**

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

**FEDERAL ARRA FUND**

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

**GROW TRACY FUND**

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

**DEBT SERVICE FUNDS**

**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.

**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.

**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.

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**DEBT SERVICE FUNDS (Continued)**

**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 FUND**

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

**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.

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**CAPITAL PROJECTS FUNDS (Continued)**

**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.

**REDEVELOPMENT OBLIGATIONS FUND**

This fund is used to account for CDA grant proceeds used by the City to complete redevelopment projects.

**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.



**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**

	Special Revenue Funds			
	Economic Uncertainty	Business Improvement District	Asset Forfeiture	Proposition 1B
<b>Assets</b>				
Cash and investments	\$ -	\$ 2,012	\$ 74,912	\$ 510
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable		(2)		
Interest receivable		5	400	6,427
Due from other funds				
Deposits				
Loans receivable				
Prepaid items			825	
Total Assets	\$ -	\$ 2,015	\$ 76,137	\$ 6,937
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 292,995
Due to other funds				141,000
Deposits payable		1,994		
Deferred revenue				
Total Liabilities		1,994		433,995
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items			825	
Loans receivable				
Restricted		21	75,312	
Committed				
Assigned				
Unassigned				(427,058)
Total Fund Balances (Deficits)		21	76,137	(427,058)
Total Liabilities and Fund Balances	\$ -	\$ 2,015	\$ 76,137	\$ 6,937

Special Revenue Funds

Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 512	\$ 494,993	\$ 2,262,560	\$ 389	\$ 460	\$ 3,804,753
1,582,700	1,193,341 8,085	122,773 14,559	6,390	85,804	16,499
					98,662
<u>\$ 1,583,212</u>	<u>\$ 1,696,419</u>	<u>\$ 2,399,892</u>	<u>\$ 6,779</u>	<u>\$ 86,264</u>	<u>\$ 3,919,914</u>
\$ 69,383 1,185,000	\$ 129,197	\$ 209,249	\$ 54,373 370,000	\$ - 59,000	\$ 272,488
1,582,700				16,640	
<u>2,837,083</u>	<u>129,197</u>	<u>209,249</u>	<u>424,373</u>	<u>75,640</u>	<u>272,488</u>
					98,662
	1,567,222	2,190,643		10,624	3,548,764
(1,253,871)			(417,594)		
(1,253,871)	1,567,222	2,190,643	(417,594)	10,624	3,647,426
<u>\$ 1,583,212</u>	<u>\$ 1,696,419</u>	<u>\$ 2,399,892</u>	<u>\$ 6,779</u>	<u>\$ 86,264</u>	<u>\$ 3,919,914</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
**(Continued)**

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
<b>Assets</b>				
Cash and investments	\$ -	\$ 2,272	\$ -	\$ 40,840
Cash and investments with fiscal agents				
Restricted cash and investments	229,445			
Accounts receivable		1,703,546		40,173
Interest receivable	336		3,757	127
Due from other funds				
Deposits				
Loans receivable				
Prepaid items				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 229,781</u>	<u>\$ 1,705,818</u>	<u>\$ 3,757</u>	<u>\$ 81,140</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,679	\$ 53,419	\$ -	\$ 8,869
Due to other funds	35,901	610,000	4,405	
Deposits payable		17,934		
Deferred revenue	27,675			
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>69,255</u>	<u>681,353</u>	<u>4,405</u>	<u>8,869</u>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items				
Loans receivable				
Restricted	160,526	1,024,465		72,271
Committed				
Assigned				
Unassigned			(648)	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances (Deficits)	<u>160,526</u>	<u>1,024,465</u>	<u>(648)</u>	<u>72,271</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$ 229,781</u>	<u>\$ 1,705,818</u>	<u>\$ 3,757</u>	<u>\$ 81,140</u>

Special Revenue Funds		Debt Service Funds			
Federal ARRA	Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ 3	\$ -	\$ 88,695	\$ -	\$ 604,379	\$ 1,314,344
446,287		112	(281)	1,316	6,579
	1,000,000				
<u>\$ 446,290</u>	<u>\$ 1,000,000</u>	<u>\$ 88,807</u>	<u>\$ (281)</u>	<u>\$ 605,695</u>	<u>\$ 1,320,923</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
446,290					
<u>446,290</u>					
	1,000,000	88,807		605,695	1,320,923
			(281)		
	<u>1,000,000</u>	<u>88,807</u>	<u>(281)</u>	<u>605,695</u>	<u>1,320,923</u>
<u>\$ 446,290</u>	<u>\$ 1,000,000</u>	<u>\$ 88,807</u>	<u>\$ (281)</u>	<u>\$ 605,695</u>	<u>\$ 1,320,923</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
<b>Assets</b>				
Cash and investments	\$ 4,276,316	\$ 13,164,908	\$ 4,227,826	\$ 4,336,050
Cash and investments with fiscal agents		4,363,924		
Restricted cash and investments				
Accounts receivable	2,678		641	
Interest receivable	39,586	66,218	22,324	24,900
Due from other funds	1,185,000			
Deposits				
Loans receivable	2,745,000			
Prepaid items			45,000	
			<u>45,000</u>	
Total Assets	<u>\$ 8,248,580</u>	<u>\$ 17,595,050</u>	<u>\$ 4,295,791</u>	<u>\$ 4,360,950</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 503	\$ 41,072	\$ 101,950	\$ 7,951
Due to other funds				
Deposits payable				762,058
Deferred revenue	2,745,000			
				<u>762,058</u>
Total Liabilities	<u>2,745,503</u>	<u>41,072</u>	<u>101,950</u>	<u>770,009</u>
Fund Balances:				
Nonspendable				
Prepaid items			45,000	
Loans receivable				
Restricted		17,553,978	4,148,841	3,590,941
Committed				
Assigned	5,503,077			
Unassigned				
				<u>45,000</u>
Total Fund Balances (Deficits)	<u>5,503,077</u>	<u>17,553,978</u>	<u>4,193,841</u>	<u>3,590,941</u>
Total Liabilities and Fund Balances	<u>\$ 8,248,580</u>	<u>\$ 17,595,050</u>	<u>\$ 4,295,791</u>	<u>\$ 4,360,950</u>

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	Redevelopment Obligations
\$ 13,605	\$ 3,681,640	\$ 5,941,026	\$ 8,240,531	\$ 3,035,038	\$ 5,953,066 5,033	\$ 4,171,881 2,126,315
	19,328	30,032	40,726	15,468	29,689	24,297
<u>\$ 13,605</u>	<u>\$ 3,700,968</u>	<u>\$ 5,971,058</u>	<u>\$ 8,281,257</u>	<u>\$ 3,050,506</u>	<u>\$ 5,987,788</u>	<u>\$ 6,322,493</u>
\$ 13,605	\$ 111,358	\$ 1,998	\$ -	\$ 3,199	\$ -	\$ 64,713
	263,083	832,265			825,000	
<u>13,605</u>	<u>374,441</u>	<u>834,263</u>	<u>-</u>	<u>3,199</u>	<u>825,000</u>	<u>64,713</u>
			8,281,257	3,047,307	5,162,788	2,126,315 4,131,465
	3,326,527	5,136,795				
	<u>3,326,527</u>	<u>5,136,795</u>	<u>8,281,257</u>	<u>3,047,307</u>	<u>5,162,788</u>	<u>6,257,780</u>
<u>\$ 13,605</u>	<u>\$ 3,700,968</u>	<u>\$ 5,971,058</u>	<u>\$ 8,281,257</u>	<u>\$ 3,050,506</u>	<u>\$ 5,987,788</u>	<u>\$ 6,322,493</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2011**  
**(Continued)**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
<b>Assets</b>				
Cash and investments	\$ 3,606,304	\$ 21,576,424	\$ 4,924,795	\$ 95,841,044
Cash and investments with fiscal agents			12,966,146	19,461,418
Restricted cash and investments				229,445
Accounts receivable			11,125	5,195,456
Interest receivable	12,801	111,830		495,120
Due from other funds			2,486,290	3,671,290
Deposits				1,000,000
Loans receivable				2,843,662
Prepaid items				45,825
	<u>\$ 3,619,105</u>	<u>\$ 21,688,254</u>	<u>\$ 20,388,356</u>	<u>\$ 128,783,260</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 17,086	\$ 33,137	\$ 726,093	\$ 2,218,317
Due to other funds				2,851,596
Deposits payable			619,439	3,321,773
Deferred revenue				4,372,015
	<u>17,086</u>	<u>33,137</u>	<u>1,345,532</u>	<u>12,763,701</u>
Fund Balances:				
Nonspendable				
Prepaid items				45,825
Loans receivable				98,662
Restricted	3,602,019	21,655,117	12,966,145	93,799,981
Committed				4,131,465
Assigned			6,076,679	20,043,078
Unassigned				(2,099,452)
	<u>3,602,019</u>	<u>21,655,117</u>	<u>19,042,824</u>	<u>116,019,559</u>
Total Fund Balances (Deficits)	<u>3,602,019</u>	<u>21,655,117</u>	<u>19,042,824</u>	<u>116,019,559</u>
Total Liabilities and Fund Balances	<u>\$ 3,619,105</u>	<u>\$ 21,688,254</u>	<u>\$ 20,388,356</u>	<u>\$ 128,783,260</u>



**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2011**

	Special Revenue Funds			
	Economic Uncertainty	Business Improvement District	Asset Forfeiture	Proposition 1B
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Fines and penalties			26,758	
Use of money and property		21	1,072	15,484
Intergovernmental		117,145		
Special assessments				
Contributions				
Other revenues				
Charges for services				
<b>Total Revenues</b>		<b>117,166</b>	<b>27,830</b>	<b>15,484</b>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development		117,145		
General government Non-departmental				
Public safety				
Police			11,346	
Fire				
Public works				
Development and engineering				
Public works				
Capital outlay			11,514	1,830,872
Debt service:				
Principal payments				
Interest and fiscal charges				
<b>Total Expenditures</b>		<b>117,145</b>	<b>22,860</b>	<b>1,830,872</b>
Excess of Revenues Over (Under) Expenditures		21	4,970	(1,815,388)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				
Transfers out				
<b>Total Other Financing Sources (Uses)</b>				
<b>Net Change in Fund Balances</b>		<b>21</b>	<b>4,970</b>	<b>(1,815,388)</b>
Fund Balances (Deficits), July 1, 2010	10,550,972		71,167	1,388,330
Prior Period Adjustments	(10,550,972)			
Fund Balances (Deficits), July 1, 2010, Restated			71,167	1,388,330
<b>Fund Balances (Deficits), June 30, 2011</b>	<b>\$ -</b>	<b>\$ 21</b>	<b>\$ 76,137</b>	<b>\$ (427,058)</b>

Special Revenue Funds

Transportation Development	Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ -	\$ 986,504	\$ -	\$ -	\$ -	\$ -
	22,742	25,838	(674)	(863)	53,280
	90,999	2,130,994	362,906	354,638	2,346,905
	9,600	1,000			1,051
	<u>1,109,845</u>	<u>2,157,832</u>	<u>362,232</u>	<u>353,775</u>	<u>2,401,236</u>
				143,116	
31,680		33,540			94,880
170,503		1,375,210			2,192,779
1,121,390	1,912,729	1,683,807	755,164	211,522	116,769
<u>1,323,573</u>	<u>1,912,729</u>	<u>3,092,557</u>	<u>755,164</u>	<u>354,638</u>	<u>2,404,428</u>
<u>(1,323,573)</u>	<u>(802,884)</u>	<u>(934,725)</u>	<u>(392,932)</u>	<u>(863)</u>	<u>(3,192)</u>
	(664,155)				
	(664,155)				
<u>(1,323,573)</u>	<u>(1,467,039)</u>	<u>(934,725)</u>	<u>(392,932)</u>	<u>(863)</u>	<u>(3,192)</u>
69,702	3,034,261	3,125,368	(24,662)	11,487	3,650,618
<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>\$ (1,253,871)</u>	<u>\$ 1,567,222</u>	<u>\$ 2,190,643</u>	<u>\$ (417,594)</u>	<u>\$ 10,624</u>	<u>\$ 3,647,426</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				161,816
Fines and penalties				
Use of money and property	912		10,051	652
Intergovernmental		6,141,749		
Special assessments				
Contributions				
Other revenues				
Charges for services		159,979		211
	<u>912</u>	<u>6,301,728</u>	<u>10,051</u>	<u>162,679</u>
Total Revenues	912	6,301,728	10,051	162,679
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development				82,501
General government				259
Non-departmental		274,437		25,040
Public safety				
Police				
Fire		5,934,719		
Public works				
Development and engineering				
Public works				
Capital outlay		63,966	871,270	
Debt service:				
Principal payments				
Interest and fiscal charges				
	<u>912</u>	<u>6,273,122</u>	<u>871,270</u>	<u>107,800</u>
Total Expenditures	912	6,273,122	871,270	107,800
Excess of Revenues Over (Under) Expenditures	<u>912</u>	<u>28,606</u>	<u>(861,219)</u>	<u>54,879</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				
Transfers out				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	<u>912</u>	<u>28,606</u>	<u>(861,219)</u>	<u>54,879</u>
Fund Balances (Deficits), July 1, 2010	159,614	995,859	860,571	17,392
Prior Period Adjustments				
Fund Balances (Deficits), July 1, 2010, Restated	<u>159,614</u>	<u>995,859</u>	<u>860,571</u>	<u>17,392</u>
Fund Balances (Deficits), June 30, 2011	<u>\$ 160,526</u>	<u>\$ 1,024,465</u>	<u>\$ (648)</u>	<u>\$ 72,271</u>

Special Revenue Funds			Debt Service Funds		
Federal ARRA	Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		(3,025)	4,300	2,081	17,391
		(3,025)	4,300	2,081	17,391
		90,000		80,000	
		193,330		1,174,613	
		283,330		1,254,613	
		(286,355)	4,300	(1,252,532)	17,391
		284,000		1,289,000	
			(326,906)		
		284,000	(326,906)	1,289,000	
		(2,355)	(322,606)	36,468	17,391
	1,000,000	91,162	322,325	569,227	1,303,532
	1,000,000	91,162	322,325	569,227	1,303,532
\$ -	\$ 1,000,000	\$ 88,807	\$ (281)	\$ 605,695	\$ 1,320,923

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Fines and penalties				
Use of money and property	146,342	280,763	49,181	42,055
Intergovernmental				
Special assessments	17,348		112,707	
Contributions	27,356			80,000
Other revenues				
Charges for services				
<b>Total Revenues</b>	<u>191,046</u>	<u>280,763</u>	<u>161,888</u>	<u>122,055</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development	3,369,205			
General government Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works				
Capital outlay	107,864	338,982	459,289	934,709
Debt service:				
Principal payments				
Interest and fiscal charges				
<b>Total Expenditures</b>	<u>3,477,069</u>	<u>338,982</u>	<u>459,289</u>	<u>934,709</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,286,023)</u>	<u>(58,219)</u>	<u>(297,401)</u>	<u>(812,654)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				
Transfers out				
<b>Total Other Financing Sources (Uses)</b>				
Net Change in Fund Balances	<u>(3,286,023)</u>	<u>(58,219)</u>	<u>(297,401)</u>	<u>(812,654)</u>
Fund Balances (Deficits), July 1, 2010	8,789,100	17,612,197	4,491,242	4,403,595
Prior Period Adjustments				
Fund Balances (Deficits), July 1, 2010, Restated	<u>8,789,100</u>	<u>17,612,197</u>	<u>4,491,242</u>	<u>4,403,595</u>
Fund Balances (Deficits), June 30, 2011	<u>\$ 5,503,077</u>	<u>\$ 17,553,978</u>	<u>\$ 4,193,841</u>	<u>\$ 3,590,941</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	Redevelopment Obligations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(85,376)	31,258	77,102	113,968	23,894	98,335	64,364
36,925			230,942			6,306,309
	600,569	60,027				
(48,451)	631,827	137,129	344,910	23,894	98,335	6,370,673
6,626,383	379,081					
83,569						
112,577						
234,531	490,697	100,727	21,095	77,924		112,893
7,057,060	869,778	100,727	21,095	77,924		112,893
(7,105,511)	(237,951)	36,402	323,815	(54,030)	98,335	6,257,780
(7,105,511)	(237,951)	36,402	323,815	(54,030)	98,335	6,257,780
7,105,511	3,564,478	5,100,393	7,957,442	3,101,337	5,064,453	
7,105,511	3,564,478	5,100,393	7,957,442	3,101,337	5,064,453	
\$ -	\$ 3,326,527	\$ 5,136,795	\$ 8,281,257	\$ 3,047,307	\$ 5,162,788	\$ 6,257,780

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 986,504
Licenses, permits, and fees				161,816
Fines and penalties				26,758
Use of money and property	15,563	251,965	1,831	1,260,507
Intergovernmental			59,274	15,600,939
Special assessments	1,582,714			4,290,616
Contributions	2,100,000		1,579,850	4,447,802
Other revenues				11,651
Charges for services			1,207,646	1,367,836
Total Revenues	3,698,277	251,965	2,848,601	28,154,429
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development				10,717,431
General government				259
Non-departmental				543,146
Public safety				
Police				11,346
Fire				5,934,719
Public works				
Development and engineering				283,080
Public works				4,689,379
Capital outlay	32,750	1,113,815	4,760,182	16,243,071
Debt service:				
Principal payments				170,000
Interest and fiscal charges				1,367,943
Total Expenditures	32,750	1,113,815	4,760,182	39,960,374
Excess of Revenues Over (Under) Expenditures	3,665,527	(861,850)	(1,911,581)	(11,805,945)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			606,516	2,179,516
Transfers out				(991,061)
Total Other Financing Sources (Uses)			606,516	1,188,455
Net Change in Fund Balances	3,665,527	(861,850)	(1,305,065)	(10,617,490)
Fund Balances (Deficits), July 1, 2010	(63,508)	22,516,967	20,347,889	137,188,021
Prior Period Adjustments				(10,550,972)
Fund Balances (Deficit), July 1, 2010, Restated	(63,508)	22,516,967	20,347,889	126,637,049
Fund Balances (Deficits), June 30, 2011	\$ 3,602,019	\$ 21,655,117	\$ 19,042,824	\$ 116,019,559



**THIS PAGE INTENTIONALLY LEFT BLANK**

**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, 2011**

	Business Improvement District			Asset Forfeiture		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties				15,000	26,758	11,758
Use of money and property		21	21		1,072	1,072
Intergovernmental		117,145	117,145			
Special assessments	132,220		(132,220)			
Contributions						
Other revenues						
Charges for services						
<b>Total Revenues</b>	<b>132,220</b>	<b>117,166</b>	<b>(15,054)</b>	<b>15,000</b>	<b>27,830</b>	<b>12,830</b>
<b>Expenditures:</b>						
Current:						
General government						
Economic development	132,220	117,145	15,075			
General governmental						
Non-departmental						
Public safety						
Police				23,000	11,346	11,654
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay				21,110	11,514	9,596
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>132,220</b>	<b>117,145</b>	<b>15,075</b>	<b>44,110</b>	<b>22,860</b>	<b>21,250</b>
Excess of revenues over (under) expenditures		21	21	(29,110)	4,970	34,080
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
<b>Net Change in Fund Balance:</b>	<b>\$ -</b>	<b>21</b>	<b>\$ 21</b>	<b>\$ (29,110)</b>	<b>4,970</b>	<b>\$ 34,080</b>
Fund Balances (Deficits), July 1, 2010					71,167	
Prior Period Adjustments						
Fund Balances (Deficits), July 1, 2010, Restated					71,167	
Fund Balances (Deficits), June 30, 2011		\$ 21			\$ 76,137	

Proposition 1B			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	\$ -	\$ (1,400,000)	\$ 920,000	\$ 986,504	\$ 66,504
1,205,770	15,484	15,484 (1,205,770)				982,114	22,742 90,999	22,742 (891,115)
							9,600	9,600
<u>1,205,770</u>	<u>15,484</u>	<u>(1,190,286)</u>	<u>1,400,000</u>		<u>(1,400,000)</u>	<u>1,902,114</u>	<u>1,109,845</u>	<u>(792,269)</u>
			4,663	31,680	(27,017)			
			175,000	170,503	4,497			
			1,178,390	1,121,390	57,000			
2,485,438	1,830,872	654,566	31,587		31,587	4,046,718	1,912,729	2,133,989
<u>2,485,438</u>	<u>1,830,872</u>	<u>654,566</u>	<u>1,389,640</u>	<u>1,323,573</u>	<u>66,067</u>	<u>4,046,718</u>	<u>1,912,729</u>	<u>2,133,989</u>
<u>(1,279,668)</u>	<u>(1,815,388)</u>	<u>(535,720)</u>	<u>10,360</u>	<u>(1,323,573)</u>	<u>(1,333,933)</u>	<u>(2,144,604)</u>	<u>(802,884)</u>	<u>1,341,720</u>
							(664,155)	(664,155)
							(664,155)	(664,155)
<u>\$ (1,279,668)</u>	<u>(1,815,388)</u>	<u>\$ (535,720)</u>	<u>\$ 10,360</u>	<u>(1,323,573)</u>	<u>\$ (1,333,933)</u>	<u>\$ (2,144,604)</u>	<u>(1,467,039)</u>	<u>\$ 677,565</u>
	1,388,330			69,702			3,034,261	
	<u>1,388,330</u>			<u>69,702</u>			<u>3,034,261</u>	
	<u>\$ (427,058)</u>			<u>\$ (1,253,871)</u>			<u>\$ 1,567,222</u>	

(Continued)

**CITY OF TRACY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**BUDGETED NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	State Gas Tax Street			TEA Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property		25,838	25,838		(674)	(674)
Intergovernmental	2,098,190	2,130,994	32,804	4,169,808	362,906	(3,806,902)
Special assessments						
Contributions						
Other revenues		1,000	1,000			
Charges for services						
<b>Total Revenues</b>	<u>2,098,190</u>	<u>2,157,832</u>	<u>59,642</u>	<u>4,169,808</u>	<u>362,232</u>	<u>(3,807,576)</u>
<b>Expenditures:</b>						
Current:						
General government						
Economic development						
Administration						
Non-departmental	38,390	33,540	4,850			
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works	1,411,610	1,375,210	36,400			
Intergovernmental						
Capital outlay	3,762,095	1,683,807	2,078,288	4,129,768	755,164	3,374,604
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>5,212,095</u>	<u>3,092,557</u>	<u>2,119,538</u>	<u>4,129,768</u>	<u>755,164</u>	<u>3,374,604</u>
Excess of revenues over (under) expenditures	<u>(3,113,905)</u>	<u>(934,725)</u>	<u>2,179,180</u>	<u>40,040</u>	<u>(392,932)</u>	<u>(432,972)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
Net Change in Fund Balance:	<u>\$ (3,113,905)</u>	<u>(934,725)</u>	<u>\$ 2,179,180</u>	<u>\$ 40,040</u>	<u>(392,932)</u>	<u>\$ (432,972)</u>
Fund Balances (Deficits), July 1, 2010		3,125,368			(24,662)	
Prior Period Adjustments						
Fund Balances (Deficits), July 1, 2010, Restated		<u>3,125,368</u>			<u>(24,662)</u>	
Fund Balances (Deficits), June 30, 2011		<u>\$ 2,190,643</u>			<u>\$ (417,594)</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
440,000	(863) 354,638	(863) (85,362)	90,000	53,280	(36,720)	6,731,120	6,141,749	(589,371)
			2,297,400	2,346,905	49,505			
				1,051	1,051	352,000	159,979	(192,021)
440,000	353,775	(86,225)	2,387,400	2,401,236	13,836	7,083,120	6,301,728	(781,392)
135,000	143,116	(8,116)						
			108,230	94,880	13,350	193,520	274,437	(80,917)
						6,698,530	5,934,719	763,811
			2,348,020	2,192,779	155,241			
271,800	211,522	60,278	382,847	116,769	266,078	169,820	63,966	105,854
406,800	354,638	52,162	2,839,097	2,404,428	434,669	7,061,870	6,273,122	788,748
33,200	(863)	(34,063)	(451,697)	(3,192)	448,505	21,250	28,606	7,356
<u>\$ 33,200</u>	<u>(863)</u>	<u>\$ (34,063)</u>	<u>\$ (451,697)</u>	<u>(3,192)</u>	<u>\$ 448,505</u>	<u>\$ 21,250</u>	<u>28,606</u>	<u>\$ 7,356</u>
	11,487			3,650,618			995,859	
	<u>11,487</u>			<u>3,650,618</u>			<u>995,859</u>	
	<u>\$ 10,624</u>			<u>\$ 3,647,426</u>			<u>\$ 1,024,465</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, 2011**  
**(Continued)**

	Traffic Congestion Relief			Community Access CTV		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				106,000	161,816	55,816
Fines and penalties						
Use of money and property		10,051	10,051		652	652
Intergovernmental	400,000		(400,000)			
Special assessments						
Contributions						
Other revenues						
Charges for services				500	211	(289)
<b>Total Revenues</b>	<u>400,000</u>	<u>10,051</u>	<u>(389,949)</u>	<u>106,500</u>	<u>162,679</u>	<u>56,179</u>
<b>Expenditures:</b>						
Current:						
General government						
Economic development				88,190	82,501	5,689
Administration					259	(259)
Non-departmental				13,540	25,040	(11,500)
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay	700,000	871,270	(171,270)			
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>700,000</u>	<u>871,270</u>	<u>(171,270)</u>	<u>101,730</u>	<u>107,800</u>	<u>(6,070)</u>
Excess of revenues over (under) expenditures	<u>(300,000)</u>	<u>(861,219)</u>	<u>(561,219)</u>	<u>4,770</u>	<u>54,879</u>	<u>50,109</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
Net Change in Fund Balance:	<u>\$ (300,000)</u>	<u>(861,219)</u>	<u>\$ (561,219)</u>	<u>\$ 4,770</u>	<u>54,879</u>	<u>\$ 50,109</u>
Fund Balances (Deficits), July 1, 2010		860,571			17,392	
Prior Period Adjustments						
Fund Balances (Deficits), July 1, 2010, Restated		<u>860,571</u>			<u>17,392</u>	
Fund Balances (Deficits), June 30, 2011		<u>\$ (648)</u>			<u>\$ 72,271</u>	

Federal ARRA			2007 Lease Revenue Bonds			2008 Lease Revenue Bonds		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
580,000		(580,000)		(3,025)	(3,025)		2,081	2,081
580,000		(580,000)		(3,025)	(3,025)		2,081	2,081
580,000		580,000	85,000	90,000	(5,000)	80,000	80,000	
			199,300	193,330	5,970	1,254,300	1,174,613	79,687
580,000		580,000	284,300	283,330	970	1,334,300	1,254,613	79,687
			(284,300)	(286,355)	(2,055)	(1,334,300)	(1,252,532)	81,768
			284,000	284,000		1,289,000	1,289,000	
			284,000	284,000		1,289,000	1,289,000	
\$ -		\$ -	\$ (300)	(2,355)	\$ (2,055)	\$ (45,300)	36,468	\$ 81,768
				91,162			569,227	
				91,162			569,227	
	\$ -			\$ 88,807			\$ 605,695	

**THIS PAGE INTENTIONALLY LEFT BLANK**



## **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, 2011**

	Central Garage	Central Services	Equipment Acquisition
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 640,985	\$ 268,851	\$ 7,471,454
Accounts receivable - net		2,980	690
Prepaid expenses		6,003	
Total current assets	<u>640,985</u>	<u>277,834</u>	<u>7,472,144</u>
Noncurrent Assets:			
Loans receivable			<u>57,963</u>
Depreciable:			
Buildings	67,824		85,322
Improvements	545,513	9,239	
Equipment	27,704	125,001	21,618,035
Intangibles			<u>836,336</u>
Total depreciable capital assets	641,041	134,240	22,539,693
Less accumulated depreciation	<u>(483,823)</u>	<u>(131,787)</u>	<u>(16,010,931)</u>
Depreciable capital assets, net	<u>157,218</u>	<u>2,453</u>	<u>6,528,762</u>
Total capital assets, net	<u>157,218</u>	<u>2,453</u>	<u>6,528,762</u>
Total Assets	<u>\$ 798,203</u>	<u>\$ 280,287</u>	<u>\$ 14,058,869</u>

Building Maintenance	Insurance	Totals
\$ 354,459	\$ 1,688,123	\$ 10,423,872
		3,670
		6,003
354,459	1,688,123	10,433,545
		57,963
		153,146
		554,752
4,670	18,219	21,793,629
		836,336
4,670	18,219	23,337,863
(4,670)	(18,219)	(16,649,430)
		6,688,433
		6,688,433
\$ 354,459	\$ 1,688,123	\$ 17,179,941

(Continued)

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2011**  
**(Continued)**

	Central Garage	Central Services	Equipment Acquisition
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 34,467	\$ 10,543	\$ 67
Claims and judgments payable			67,588
Capital lease payable			67,588
Compensated absences	7,688	17,211	
Accrued interest payable			2,921
	<u>42,155</u>	<u>27,754</u>	<u>70,576</u>
<b>Total current liabilities</b>	<u>42,155</u>	<u>27,754</u>	<u>70,576</u>
Noncurrent Liabilities:			
Capital lease payable			70,291
Compensated absences	3,739	42,839	
Claims and judgments payable			
	<u>3,739</u>	<u>42,839</u>	<u>70,291</u>
<b>Total noncurrent liabilities</b>	<u>3,739</u>	<u>42,839</u>	<u>70,291</u>
<b>Total Liabilities</b>	<u>45,894</u>	<u>70,593</u>	<u>140,867</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	157,218	2,453	6,390,883
Unrestricted	595,091	207,241	7,527,119
	<u>595,091</u>	<u>207,241</u>	<u>7,527,119</u>
<b>Total Net Assets</b>	<u>\$ 752,309</u>	<u>\$ 209,694</u>	<u>\$ 13,918,002</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 21,186	\$ 45,418	\$ 111,681
	56,247	56,247
		67,588
11,600	10,859	47,358
		2,921
<u>32,786</u>	<u>112,524</u>	<u>285,795</u>
		70,291
11,790	31,603	89,971
	56,247	56,247
<u>11,790</u>	<u>87,850</u>	<u>216,509</u>
<u>44,576</u>	<u>200,374</u>	<u>502,304</u>
		6,550,554
<u>309,883</u>	<u>1,487,749</u>	<u>10,127,083</u>
<u>\$ 309,883</u>	<u>\$ 1,487,749</u>	<u>\$ 16,677,637</u>

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2011**

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,308,577	\$ 1,177,981	\$ 1,208,548
Other revenues	316	1,380	
Total Operating Revenues	<u>1,308,893</u>	<u>1,179,361</u>	<u>1,208,548</u>
Expenses:			
Maintenance and operation	1,250,947	1,162,648	
Administration	36,080		
Insurance costs and claims			
Depreciation	37,484	626	2,106,792
Total Expenses	<u>1,324,511</u>	<u>1,163,274</u>	<u>2,106,792</u>
Operating Income (Loss)	(15,618)	16,087	(898,244)
Non-Operating Revenues (Expenses)			
Interest expense			(6,738)
Income (Loss) Before Capital Contributions and Transfers	(15,618)	16,087	(904,982)
Capital Contributions			513,122
Transfers in			
Transfers out	(100,000)	(100,000)	
Change in Net Assets	<u>(115,618)</u>	<u>(83,913)</u>	<u>(391,860)</u>
Net Assets, July 1, 2010	895,666	337,504	15,216,960
Prior Period Adjustments	(27,739)	(43,897)	(907,098)
Net Assets, July 1, 2010, Restated	<u>867,927</u>	<u>293,607</u>	<u>14,309,862</u>
Net Assets, June 30, 2011	<u>\$ 752,309</u>	<u>\$ 209,694</u>	<u>\$ 13,918,002</u>

Building Maintenance	Insurance	Totals
\$ 1,056,089	\$ 1,934,128	\$ 6,685,323
	343,009	344,705
<u>1,056,089</u>	<u>2,277,137</u>	<u>7,030,028</u>
928,920	673,440	4,015,955
41,410		77,490
	2,815,869	2,815,869
		<u>2,144,902</u>
<u>970,330</u>	<u>3,489,309</u>	<u>9,054,216</u>
85,759	(1,212,172)	(2,024,188)
		<u>(6,738)</u>
85,759	(1,212,172)	(2,030,926)
		513,122
	600,000	600,000
<u>(400,000)</u>		<u>(600,000)</u>
<u>(314,241)</u>	<u>(612,172)</u>	<u>(1,517,804)</u>
624,124	2,099,921	19,174,175
		(978,734)
<u>624,124</u>	<u>2,099,921</u>	<u>18,195,441</u>
<u>\$ 309,883</u>	<u>\$ 1,487,749</u>	<u>\$ 16,677,637</u>

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,308,893	\$ 1,176,381	\$ 1,207,858
Payments to suppliers and users	(840,695)	(503,084)	(71,372)
Payments to employees	<u>(420,507)</u>	<u>(630,932)</u>	<u>                    </u>
Net Cash Provided (Used) by Operating Activities	<u>47,691</u>	<u>42,365</u>	<u>1,136,486</u>
Cash flows from Non-Capital Financing Activities:			
Principal on loans receivable			(57,963)
Transfer in			
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>                    </u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(100,000)</u>	<u>(100,000)</u>	<u>(57,963)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions			513,122
Principal paid on long-term debt			(64,988)
Interest paid			(8,114)
Acquisitions of capital assets			<u>(904,793)</u>
Net Cash Used by Capital and Related Financing Activities			<u>(464,773)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,309)	(57,635)	613,750
Cash and Cash Equivalents, July 1, 2010	<u>693,294</u>	<u>326,486</u>	<u>6,857,704</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 640,985</u>	<u>\$ 268,851</u>	<u>\$ 7,471,454</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (15,618)	\$ 16,087	\$ (898,244)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	37,484	626	2,106,792
(Increase) Decrease in Operating Assets:			
Accounts receivable		(2,980)	(690)
Prepaid expenses		(6,003)	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	33,122	8,422	(71,372)
Compensated absences	<u>(7,297)</u>	<u>26,213</u>	<u>                    </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 47,691</u>	<u>\$ 42,365</u>	<u>\$ 1,136,486</u>



<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 1,056,089	\$ 2,277,137	\$ 7,026,358
(510,214)	(3,052,545)	(4,977,910)
<u>(456,846)</u>	<u>(405,893)</u>	<u>(1,914,178)</u>
89,029	(1,181,301)	134,270
		(57,963)
	600,000	600,000
<u>(400,000)</u>		<u>(600,000)</u>
<u>(400,000)</u>	<u>600,000</u>	<u>(57,963)</u>
		513,122
		(64,988)
		(8,114)
		<u>(904,793)</u>
		<u>(464,773)</u>
(310,971)	(581,301)	(388,466)
665,430	2,269,424	10,812,338
<u>\$ 354,459</u>	<u>\$ 1,688,123</u>	<u>\$ 10,423,872</u>
\$ 85,759	\$ (1,212,172)	\$ (2,024,188)
		2,144,902
		(3,670)
		(6,003)
3,195	20,590	(6,043)
75	10,281	29,272
<u>\$ 89,029</u>	<u>\$ (1,181,301)</u>	<u>\$ 134,270</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **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.

### **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.

## **AGENCY FUNDS (Continued)**

### **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.

### **POSTEMPLOYMENT BENEFIT TRUST**

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

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>87-3 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 1,118,491	\$ 15,754	\$ (404,204)	\$ 730,041
Cash and investments with fiscal agents	4,406,652	317,369	(1,638,410)	3,085,611
Interest receivable	4,284	5,623	(4,284)	5,623
	<u>5,529,427</u>	<u>338,746</u>	<u>(2,046,898)</u>	<u>3,821,275</u>
Total assets	<u>\$ 5,529,427</u>	<u>\$ 338,746</u>	<u>\$ (2,046,898)</u>	<u>\$ 3,821,275</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 5,529,427	\$ 338,746	\$ (2,046,898)	\$ 3,821,275
Total liabilities	<u>\$ 5,529,427</u>	<u>\$ 338,746</u>	<u>\$ (2,046,898)</u>	<u>\$ 3,821,275</u>

<b><u>84-1 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 1,550,642	\$ -	\$ (1,550,642)	\$ -
Interest receivable	7,077		(8,432)	(1,355)
	<u>1,557,719</u>	<u>-</u>	<u>(1,559,074)</u>	<u>(1,355)</u>
Total assets	<u>\$ 1,557,719</u>	<u>\$ -</u>	<u>\$ (1,559,074)</u>	<u>\$ (1,355)</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,557,719	\$ -	\$ (1,559,074)	\$ (1,355)
Total liabilities	<u>\$ 1,557,719</u>	<u>\$ -</u>	<u>\$ (1,559,074)</u>	<u>\$ (1,355)</u>

(Continued)

**CITY OF TRACY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>89-1 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 2,640,476	\$ 1,566,570	\$ (947,368)	\$ 3,259,678
Cash and investments with fiscal agents	2,341,965	933,712	(1,513,147)	1,762,530
Interest receivable	11,328	13,734	(11,328)	13,734
	<u>4,993,769</u>	<u>2,514,016</u>	<u>(2,471,843)</u>	<u>5,035,942</u>
Total assets	<u>\$ 4,993,769</u>	<u>\$ 2,514,016</u>	<u>\$ (2,471,843)</u>	<u>\$ 5,035,942</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to assessment district bondholders	4,993,769	2,514,016	(2,471,843)	5,035,942
	<u>4,993,769</u>	<u>2,514,016</u>	<u>(2,471,843)</u>	<u>5,035,942</u>
Total liabilities	<u>\$ 4,993,769</u>	<u>\$ 2,514,016</u>	<u>\$ (2,471,843)</u>	<u>\$ 5,035,942</u>
<b><u>94-1 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 400,007	\$ 420,749	\$ (326,624)	\$ 494,132
Cash and investments with fiscal agents	716,039	302,855	(381,965)	636,929
Interest receivable	1,636	1,853	(1,636)	1,853
	<u>1,117,682</u>	<u>725,457</u>	<u>(710,225)</u>	<u>1,132,914</u>
Total assets	<u>\$ 1,117,682</u>	<u>\$ 725,457</u>	<u>\$ (710,225)</u>	<u>\$ 1,132,914</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,117,682	\$ 725,457	\$ (710,225)	\$ 1,132,914
	<u>1,117,682</u>	<u>725,457</u>	<u>(710,225)</u>	<u>1,132,914</u>
Total liabilities	<u>\$ 1,117,682</u>	<u>\$ 725,457</u>	<u>\$ (710,225)</u>	<u>\$ 1,132,914</u>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>93-1 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 2,544,893	\$ 392,985	\$ (266,706)	\$ 2,671,172
Cash and investments with fiscal agents	760,224	272,164	(252,599)	779,789
Interest receivable	11,462	12,765	(11,462)	12,765
Total assets	<u>\$ 3,316,579</u>	<u>\$ 677,914</u>	<u>\$ (530,767)</u>	<u>\$ 3,463,726</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,316,579	\$ 677,914	\$ (530,767)	\$ 3,463,726
Total liabilities	<u>\$ 3,316,579</u>	<u>\$ 677,914</u>	<u>\$ (530,767)</u>	<u>\$ 3,463,726</u>
<b><u>98-1 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 1,809,867	\$ 4,716,327	\$ (3,437,489)	\$ 3,088,705
Cash and investments with fiscal agents	1,173,542	3,349,959	(4,487,074)	36,427
Interest receivable	6,137	7,376	(6,137)	7,376
Total assets	<u>\$ 2,989,546</u>	<u>\$ 8,073,662</u>	<u>\$ (7,930,700)</u>	<u>\$ 3,132,508</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,989,546	\$ 8,073,662	\$ (7,930,700)	\$ 3,132,508
Total liabilities	<u>\$ 2,989,546</u>	<u>\$ 8,073,662</u>	<u>\$ (7,930,700)</u>	<u>\$ 3,132,508</u>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>98-3 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 44,052	\$ 311,347	\$ (237,105)	\$ 118,294
Cash and investments with fiscal agents	1,361,372	224,025	(309,494)	1,275,903
Interest receivable	55	81	(55)	81
<b>Total assets</b>	<b>\$ 1,405,479</b>	<b>\$ 535,453</b>	<b>\$ (546,654)</b>	<b>\$ 1,394,278</b>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,405,479	\$ 535,453	\$ (546,654)	\$ 1,394,278
<b>Total liabilities</b>	<b>\$ 1,405,479</b>	<b>\$ 535,453</b>	<b>\$ (546,654)</b>	<b>\$ 1,394,278</b>
 <b><u>98-4 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 85,674	\$ 207,471	\$ (164,151)	\$ 128,994
Cash and investments with fiscal agents	305,965	146,925	(187,510)	265,380
Interest receivable	303	356	(303)	356
<b>Total assets</b>	<b>\$ 391,942</b>	<b>\$ 354,752</b>	<b>\$ (351,964)</b>	<b>\$ 394,730</b>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 391,942	\$ 354,752	\$ (351,964)	\$ 394,730
<b>Total liabilities</b>	<b>\$ 391,942</b>	<b>\$ 354,752</b>	<b>\$ (351,964)</b>	<b>\$ 394,730</b>

(Continued)



**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>99-1 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 8,463	\$ 1,182,563	\$ (538,369)	\$ 652,657
Cash and investments with fiscal agents	1,673,754	529,445	(1,188,259)	1,014,940
Interest receivable		1,337		1,337
<b>Total assets</b>	<b>\$ 1,682,217</b>	<b>\$ 1,713,345</b>	<b>\$ (1,726,628)</b>	<b>\$ 1,668,934</b>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,682,217	\$ 1,713,345	\$ (1,726,628)	\$ 1,668,934
<b>Total liabilities</b>	<b>\$ 1,682,217</b>	<b>\$ 1,713,345</b>	<b>\$ (1,726,628)</b>	<b>\$ 1,668,934</b>
<b><u>99-2 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 118,447	\$ 1,029,998	\$ (651,376)	\$ 497,069
Cash and investments with fiscal agents	1,785,969	637,607	(1,013,878)	1,409,698
Interest receivable	154	766	(154)	766
<b>Total assets</b>	<b>\$ 1,904,570</b>	<b>\$ 1,668,371</b>	<b>\$ (1,665,408)</b>	<b>\$ 1,907,533</b>
Due to assessment district bondholders	\$ 1,904,570	\$ 1,668,371	\$ (1,665,408)	\$ 1,907,533
<b>Total liabilities</b>	<b>\$ 1,904,570</b>	<b>\$ 1,668,371</b>	<b>\$ (1,665,408)</b>	<b>\$ 1,907,533</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>2000-01 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 296,043	\$ 966,917	\$ (669,853)	\$ 593,107
Cash and investments with fiscal agents	430,513	644,942	(900,283)	175,172
Accounts receivable	21,862		(21,862)	
Interest receivable	997	61	(997)	61
<b>Total assets</b>	<b><u>\$ 749,415</u></b>	<b><u>\$ 1,611,920</u></b>	<b><u>\$ (1,592,995)</u></b>	<b><u>\$ 768,340</u></b>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 749,415	\$ 1,611,920	\$ (1,592,995)	\$ 768,340
<b>Total liabilities</b>	<b><u>\$ 749,415</u></b>	<b><u>\$ 1,611,920</u></b>	<b><u>\$ (1,592,995)</u></b>	<b><u>\$ 768,340</u></b>
<b><u>2000-02 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 83,195	\$ (86,054)	\$ (2,859)
Cash and investments with fiscal agents	121,408	55,184	(69,718)	106,874
<b>Total assets</b>	<b><u>\$ 121,408</u></b>	<b><u>\$ 138,379</u></b>	<b><u>\$ (155,772)</u></b>	<b><u>\$ 104,015</u></b>
<u>Liabilities</u>				
Accounts payable	\$ 21,862	\$ -	\$ (21,862)	\$ -
Due to assessment district bondholders	99,546	138,379	(133,910)	104,015
<b>Total liabilities</b>	<b><u>\$ 121,408</u></b>	<b><u>\$ 138,379</u></b>	<b><u>\$ (155,772)</u></b>	<b><u>\$ 104,015</u></b>

(Continued)

**CITY OF TRACY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>2006-01 NE Industrial # 2</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 149,247	\$ 785,802	\$ (577,573)	\$ 357,476
Cash and investments with fiscal agents	1,909,517	567,391	(637,646)	1,839,262
Interest receivable	333	447	(333)	447
	<u>\$ 2,059,097</u>	<u>\$ 1,353,640</u>	<u>\$ (1,215,552)</u>	<u>\$ 2,197,185</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,059,097	\$ 1,353,640	\$ (1,215,552)	\$ 2,197,185
	<u>\$ 2,059,097</u>	<u>\$ 1,353,640</u>	<u>\$ (1,215,552)</u>	<u>\$ 2,197,185</u>
<b><u>1999 I205 Residential Reassessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 814,469	\$ 1,011,167	\$ (787,767)	\$ 1,037,869
Cash and investments with fiscal agents	1,688,574	720,400	(893,881)	1,515,093
Interest receivable	3,254	3,721	(3,254)	3,721
	<u>\$ 2,506,297</u>	<u>\$ 1,735,288</u>	<u>\$ (1,684,902)</u>	<u>\$ 2,556,683</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,506,297	\$ 1,735,288	\$ (1,684,902)	\$ 2,556,683
	<u>\$ 2,506,297</u>	<u>\$ 1,735,288</u>	<u>\$ (1,684,902)</u>	<u>\$ 2,556,683</u>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>2000-03 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 35,665	\$ 461	\$ -	\$ 36,126
Interest receivable	163	181	(163)	181
Total assets	<u>\$ 35,828</u>	<u>\$ 642</u>	<u>\$ (163)</u>	<u>\$ 36,307</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 35,828	\$ 642	\$ (163)	\$ 36,307
Total liabilities	<u>\$ 35,828</u>	<u>\$ 642</u>	<u>\$ (163)</u>	<u>\$ 36,307</u>
<b><u>2003-01 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 5,702	\$ 81,513	\$ (65,340)	\$ 21,875
Cash and investments with fiscal agents	124,487	55,613	(71,179)	108,921
Interest receivable	48	3	(48)	3
Total assets	<u>\$ 130,237</u>	<u>\$ 137,129</u>	<u>\$ (136,567)</u>	<u>\$ 130,799</u>
<u>Liabilities</u>				
Deposits payable	\$ 5,818	\$ -	\$ -	\$ 5,818
Due to assessment district bondholders	124,419	137,129	(136,567)	124,981
Total liabilities	<u>\$ 130,237</u>	<u>\$ 137,129</u>	<u>\$ (136,567)</u>	<u>\$ 130,799</u>

(Continued)

**CITY OF TRACY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Cultural Arts</u></b>				
<u>Assets:</u>				
Restricted cash and investments	\$ 2,344	\$ -	\$ (2,344)	\$ -
Total assets	<u>\$ 2,344</u>	<u>\$ -</u>	<u>\$ (2,344)</u>	<u>\$ -</u>
<u>Liabilities</u>				
Deposits	\$ 2,344	\$ -	\$ (2,344)	\$ -
Total liabilities	<u>\$ 2,344</u>	<u>\$ -</u>	<u>\$ (2,344)</u>	<u>\$ -</u>
 <b><u>Regional Transportation Impact</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 1,613,170	\$ 22,971	\$ (751)	\$ 1,635,390
Total assets	<u>\$ 1,613,170</u>	<u>\$ 22,971</u>	<u>\$ (751)</u>	<u>\$ 1,635,390</u>
<u>Liabilities</u>				
Due to other governments	\$ 751	\$ -	\$ (751)	\$ -
Deposits	1,612,419	22,971		1,635,390
Total liabilities	<u>\$ 1,613,170</u>	<u>\$ 22,971</u>	<u>\$ (751)</u>	<u>\$ 1,635,390</u>
 <b><u>Medical Leave Bank</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 1,980,174	\$ -	\$ (321,515)	\$ 1,658,659
Total assets	<u>\$ 1,980,174</u>	<u>\$ -</u>	<u>\$ (321,515)</u>	<u>\$ 1,658,659</u>
<u>Liabilities</u>				
Accounts payable	\$ 660	\$ -	\$ (80)	\$ 580
Deposits	1,979,514		(321,435)	1,658,079
Total liabilities	<u>\$ 1,980,174</u>	<u>\$ -</u>	<u>\$ (321,515)</u>	<u>\$ 1,658,659</u>

(Continued)

**CITY OF TRACY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Post Employment Benefit Trust</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 711	\$ 716,466	\$ (743,152)	\$ (25,975)
Accounts receivable	40,663	25,975	(40,663)	25,975
<b>Total assets</b>	<b>\$ 41,374</b>	<b>\$ 742,441</b>	<b>\$ (783,815)</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Deposits	\$ 41,374	\$ 742,441	\$ (783,815)	\$ -
<b>Total liabilities</b>	<b>\$ 41,374</b>	<b>\$ 742,441</b>	<b>\$ (783,815)</b>	<b>\$ -</b>
<b><u>Totals - All Agency Funds</u></b>				
<b><u>Assets:</u></b>				
Cash and investments, restricted	\$ 2,344	\$ -	\$ (2,344)	\$ -
Cash and investments	15,216,193	13,512,256	(11,776,039)	16,952,410
Cash and investments with fiscal agents	18,799,981	8,757,591	(13,545,043)	14,012,529
Accounts receivable	62,525	25,975	(62,525)	25,975
Interest receivable	47,231	48,304	(48,586)	46,949
<b>Total assets</b>	<b>\$ 34,128,274</b>	<b>\$ 22,344,126</b>	<b>\$ (25,434,537)</b>	<b>\$ 31,037,863</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 22,522	\$ -	\$ (21,942)	\$ 580
Due to other governments	751		(751)	
Deposits payable	3,641,469	765,412	(1,107,594)	3,299,287
Due to assessment district bondholders	30,463,532	21,578,714	(24,304,250)	27,737,996
<b>Total liabilities</b>	<b>\$ 34,128,274</b>	<b>\$ 22,344,126</b>	<b>\$ (25,434,537)</b>	<b>\$ 31,037,863</b>

CITY OF TRACY  
Summary of Statistical Section Pages  
June 30, 2011

**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.*

**Contents** **Page #**

**Financial Trend**..... 156

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

**Revenue Capacity** ..... 159

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

**Debt Capacity** ..... 171

*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 Information** ..... 177

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

**Operating Information**..... 181

*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, 2011. The City implemented GASB Statement No. 34 during 1999-2000 fiscal year; schedules presenting government-wide information include information beginning in 2002.*

## **FINANCIAL TRENDS**



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

	Fiscal years ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
Governmental activities										
Invested in capital assets, net of related debt	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381	\$ 224,599
Restricted	118,367	120,961	157,162	134,092	135,593	139,007	62,021	143,948	146,313	131,156
Unrestricted	33,347	46,711	34,330	45,861	42,395	15,645	79,527	41,927	25,546	18,682
<b>Total governmental activities net assets</b>	<b>641,767</b>	<b>631,621</b>	<b>640,333</b>	<b>631,802</b>	<b>574,112</b>	<b>512,231</b>	<b>513,456</b>	<b>484,198</b>	<b>478,240</b>	<b>374,437</b>
Business-type activities:										
Invested in capital assets, net of related debt	345,554	340,944	346,861	352,609	353,095	339,971	288,340	223,792	175,878	164,528
Restricted	227	222	183	244	555	3,344	31,249	766	1,513	766
Unrestricted	40,621	46,123	38,826	34,303	25,827	25,174	5,240	73,175	50,342	44,925
<b>Total business-type activities</b>	<b>386,402</b>	<b>387,289</b>	<b>385,870</b>	<b>387,156</b>	<b>379,477</b>	<b>368,489</b>	<b>324,829</b>	<b>297,733</b>	<b>227,733</b>	<b>210,219</b>
Primary government:										
Invested in capital assets, net of related debt	835,608	804,893	795,702	804,458	749,219	697,550	660,248	522,115	482,259	389,127
Restricted	118,593	121,183	157,345	134,336	136,148	142,351	93,270	144,714	147,826	131,922
Unrestricted	73,968	92,834	73,156	80,164	68,222	40,819	84,767	115,102	75,888	63,607
<b>Total primary government</b>	<b>\$ 1,028,169</b>	<b>\$ 1,018,910</b>	<b>\$ 1,026,203</b>	<b>\$ 1,018,958</b>	<b>\$ 953,589</b>	<b>\$ 880,720</b>	<b>\$ 838,285</b>	<b>\$ 781,931</b>	<b>\$ 705,973</b>	<b>\$ 584,656</b>

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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410	\$ 5,408
Public safety	35,509	36,567	36,663	35,074	30,178	28,434	26,684	23,660	20,699	19,595
Public works	24,371	21,855	29,492	24,661	29,391	24,821	20,952	79,722	24,083	13,393
Culture and leisure	5,143	12,202	9,159	7,502	3,929	3,760	4,119	3,607	3,070	4,251
Interest on long-term debt	4,121	4,063	4,201	3,548	4,084	3,994	3,626	4,306	3,008	2,902
Unallocated depreciation	617	631	295	820	649	506	860	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>88,057</b>	<b>82,702</b>	<b>89,005</b>	<b>78,788</b>	<b>74,622</b>	<b>68,947</b>	<b>62,939</b>	<b>121,066</b>	<b>58,270</b>	<b>45,549</b>
<b>Business-type Activities:</b>										
Water	21,229	19,580	19,173	18,786	16,106	16,029	9,363	10,076	8,266	8,737
Sewer	17,133	14,874	15,380	11,415	9,639	10,281	8,987	8,624	7,309	6,379
Airport	705	912	742	542	666	592	471	388	408	433
Solid waste	17,473	16,962	17,893	17,088	16,492	16,367	15,604	13,452	11,916	11,061
Transit	2,291	1,733	1,277	1,531	1,499	1,438	381	1,361	913	837
Drainage	3,402	2,618	2,646	3,486	3,247	3,957	978	854	762	725
<b>Total Business-Type Activities</b>	<b>62,233</b>	<b>56,679</b>	<b>57,111</b>	<b>52,848</b>	<b>47,649</b>	<b>48,664</b>	<b>35,784</b>	<b>34,755</b>	<b>29,574</b>	<b>28,172</b>
<b>Total Primary Government Expenses</b>	<b>\$ 150,290</b>	<b>\$ 139,381</b>	<b>\$ 146,116</b>	<b>\$ 131,636</b>	<b>\$ 122,271</b>	<b>\$ 117,611</b>	<b>\$ 98,723</b>	<b>\$ 155,821</b>	<b>\$ 87,844</b>	<b>\$ 73,721</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for Services:</b>										
Development fees	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711	\$ 7,169
Other public works	3,800	4,401	3,983	26,478	7,660	8,660	5,380	3,611	52	40
Parks and community services	757	1,208	1,065	1,206	1,480	3,621	973	804	619	634
Other activities	2,634	4,143	3,778	1,457	2,281	1,008	1,064	1,693	658	1,043
Operating grants and contributions	10,065	9,305	12,766	13,091	11,800	12,621	8,666	5,457	10,492	10,134
Capital grants and contributions	19,080	11,069	12,965	24,426	49,554	19,936	27,450	74,462	99,521	78,237
<b>Total Governmental Activities Program Revenues</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,475</b>	<b>51,127</b>	<b>47,563</b>	<b>91,565</b>	<b>119,053</b>	<b>97,257</b>
<b>Business-type Activities:</b>										
<b>Charges for Services:</b>										
Water	14,641	13,693	15,833	15,305	13,654	12,472	11,723	12,867	11,235	10,699
Sewer	12,032	11,490	11,661	12,513	12,115	8,471	7,805	7,023	5,594	5,809
Airport	342	373	257	281	265	272	278	221	216	200
Solid waste	16,321	17,320	16,774	17,950	15,006	15,147	13,937	14,402	12,669	11,877
Transit	899	1,295	940	92	1,231	109	113	92	74	65
Drainage	553	556	541	563	545	535	491	465	432	410
Operating grants and contributions	-	-	20	1,774	865	1,038	1,763	1,367	753	705
Capital grants and contributions	3,678	6,132	9,161	10,992	13,119	10,063	24,897	55,033	12,443	4,701
<b>Total Business-Type Activities Program Revenues</b>	<b>48,466</b>	<b>50,859</b>	<b>55,187</b>	<b>59,470</b>	<b>56,800</b>	<b>48,107</b>	<b>61,007</b>	<b>91,470</b>	<b>43,416</b>	<b>34,466</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 86,607</b>	<b>\$ 87,910</b>	<b>\$ 98,584</b>	<b>\$ 131,417</b>	<b>\$ 134,275</b>	<b>\$ 99,234</b>	<b>\$ 108,570</b>	<b>\$ 183,035</b>	<b>\$ 162,469</b>	<b>\$ 131,723</b>

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

	Fiscal Years Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
Net (expense)/revenue										
Governmental activities	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784	\$ 51,709
Business-type activities	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)	25,223	56,715	13,841	6,293
Total primary government net (expense) revenue	<u>(63,683)</u>	<u>(51,471)</u>	<u>(47,532)</u>	<u>(219)</u>	<u>12,002</u>	<u>(18,377)</u>	<u>9,847</u>	<u>27,217</u>	<u>74,625</u>	<u>58,002</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	22,533	24,013	29,324	31,160	23,859	24,613	17,616	15,886	14,155	11,759
Franchise taxes	2,474	2,223	2,138	1,991	2,010	1,808	1,700			
Sales and use taxes	11,408	9,225	10,964	12,407	13,053	12,587	12,162	11,944	9,723	8,618
Other taxes	1,621	1,604	1,886	4,321	2,373	2,979	1,578	5,362	2,819	3,339
Unrestricted motor vehicle in lieu	376	240	277	360	6,228	437	5,665	3,185	3,759	3,448
Investment earnings	1,280	4,840	9,023	12,016	10,406	7,934	5,738	2,576	9,608	11,392
Miscellaneous	1,663	449	527	2,275	1,098	930	175	2,760	4,240	3,371
Transfers	(384)	(5,563)			1			545	(1,285)	(15,510)
Total governmental activities	<u>40,971</u>	<u>37,031</u>	<u>54,139</u>	<u>64,530</u>	<u>59,028</u>	<u>51,288</u>	<u>44,634</u>	<u>42,258</u>	<u>43,019</u>	<u>26,417</u>
Business-type activities:										
Interest earnings	109	1,676	633	1,038	1,796	1,865	1,220	(271)	2,388	2,561
Miscellaneous		-	5	19			652	364		
Transfers	385	5,563			(1)			(545)	1,285	15,510
Total business-type activities	<u>494</u>	<u>7,239</u>	<u>638</u>	<u>1,057</u>	<u>1,795</u>	<u>1,865</u>	<u>1,872</u>	<u>(452)</u>	<u>3,673</u>	<u>18,071</u>
Total primary government	<u>41,465</u>	<u>44,270</u>	<u>54,777</u>	<u>65,587</u>	<u>60,823</u>	<u>53,153</u>	<u>46,506</u>	<u>41,806</u>	<u>46,692</u>	<u>44,488</u>
Change in net assets										
Governmental activities	(8,945)	(8,620)	8,531	57,689	61,881	33,469	29,258	12,760	103,803	78,126
Business-type activities	(13,273)	1,419	(1,286)	7,679	10,944	1,308	27,095	56,263	17,514	24,364
Total primary government	<u>\$ (22,218)</u>	<u>\$ (7,201)</u>	<u>\$ 7,245</u>	<u>\$ 65,368</u>	<u>\$ 72,825</u>	<u>\$ 34,777</u>	<u>\$ 56,353</u>	<u>\$ 69,023</u>	<u>\$ 121,317</u>	<u>\$ 102,490</u>

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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
<b>Governmental activities:</b>										
General government	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722	\$ 484	\$ 1,073	\$ 1,121	\$ 215	\$ 631
Police	1,365	1,513	1,984	1,422	1,760	1,691	1,380	743	1,122	1,237
Fire	6,302	6,386	10,372	7,506	7,648	5,635	4,678	3,997	3,192	2,969
Development and engineering	2,148	16,700	14,287	5,477	5,945	7,969	17,832	5,699	8,862	8,102
Public works	17,397	5,817	11,460	53,382	55,183	29,807	18,522	77,719	103,443	82,326
Parks, recreation, and community services	1,058	2,009	1,114	2,645	4,662	4,950	3,488	1,907	2,219	1,992
Interest in long-term debt	-	591	590	591	592	591	591	-	-	-
<b>Subtotal governmental activities</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,512</b>	<b>51,127</b>	<b>47,564</b>	<b>91,186</b>	<b>119,053</b>	<b>97,257</b>
<b>Business-type activities:</b>										
Water	14,658	15,534	16,859	19,044	16,050	12,487	17,230	61,390	16,410	11,882
Sewer	14,766	11,494	13,113	16,150	14,934	17,108	24,414	13,511	9,825	8,848
Solid waste	16,321	17,330	16,774	17,950	15,006	15,168	13,937	14,424	24,585	11,887
Airport	402	730	277	897	386	615	488	251	249	237
Transit	1,677	4,871	7,386	3,029	3,232	2,194	3,271	1,429	674	621
Drainage	640	900	777	2,400	7,190	535	1,667	465	3,589	991
<b>Subtotal business-type activities</b>	<b>48,464</b>	<b>50,859</b>	<b>55,186</b>	<b>59,470</b>	<b>56,798</b>	<b>48,107</b>	<b>61,007</b>	<b>91,470</b>	<b>55,332</b>	<b>34,466</b>
<b>Total primary government</b>	<b>\$ 86,605</b>	<b>\$ 87,910</b>	<b>\$ 98,583</b>	<b>\$ 131,417</b>	<b>\$ 134,310</b>	<b>\$ 99,234</b>	<b>\$ 108,571</b>	<b>\$ 182,656</b>	<b>\$ 174,385</b>	<b>\$ 131,723</b>

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

	Fiscal Years Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
General Fund:										
Reserved	\$ -	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755	\$ 1,028	\$ 762	\$ 911	\$ 1,359	\$ 567
Unreserved		17,626	16,705	17,193	17,356	19,471	19,038	18,905	15,323	12,478
Nonspendable	820									
Restricted	613									
Committed										
Assigned	2,198									
Unassigned	23,356									
<b>Total general fund</b>	<b>\$ 26,987</b>	<b>\$ 18,985</b>	<b>\$ 17,923</b>	<b>\$ 18,579</b>	<b>\$ 19,111</b>	<b>\$ 20,499</b>	<b>\$ 19,800</b>	<b>\$ 19,816</b>	<b>\$ 16,682</b>	<b>\$ 13,045</b>
All other governmental funds										
Reserved	\$ -	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578	\$ 21,790
Unreserved reported in:										
Special revenue funds		20,890	33,100	35,121	30,971	27,491	16,983	12,255	11,105	8,610
Capital projects funds		81,533	100,196	96,588	76,671	73,913	104,667	108,748	145,260	125,541
Debt service funds		-	-	-	-	-	-	-	8,099	6,717
Nonspendable	2,948									
Restricted	99,794									
Committed	4,131									
Assigned	20,043									
Unassigned										
Special revenue funds	(2,099)									
Capital projects funds										
Debt service funds										
<b>Total all other governmental funds</b>	<b>\$ 124,817</b>	<b>\$ 147,131</b>	<b>\$ 171,662</b>	<b>\$ 164,935</b>	<b>\$ 150,602</b>	<b>\$ 151,395</b>	<b>\$ 151,445</b>	<b>\$ 157,815</b>	<b>\$ 186,042</b>	<b>\$ 162,658</b>

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. Beginning in 2011, the City reclassified fund balances in accordance with GASB Statement No. 54.

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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(in thousands 000s)									
Revenues:										
Taxes	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698	\$ 23,716
Licenses, permits, and fees	3,092	3,040	3,112	2,839	3,501	3,688	4,944	5,497	24,639	21,614
Fines and forfeits	1,570	1,715	1,722	1,515	1,273	290	302	467	347	307
Use of money and property	2,792	4,197	9,046	11,992	9,900	7,479	5,361	2,576	8,981	11,038
Intergovernmental	17,758	15,282	12,899	13,578	18,130	16,948	18,537	17,283	13,248	12,962
Charges for services	10,110	8,525	8,438	5,186	4,913	5,041	6,529	6,905	5,886	6,640
Special assessments	4,933	4,699	5,583	4,843	8,845	10,796	20,580	25,163	1,659	1,300
Contributions from assessment districts	4,448	2,915	6,049	23,043	12,800	14,296		39,247	25,377	31,942
Other	1,148	1,656	4,595	2,058	1,810	2,684	4,072	5,134	3,236	2,383
<b>Total revenues</b>	<b>82,185</b>	<b>79,093</b>	<b>96,124</b>	<b>113,102</b>	<b>109,515</b>	<b>101,327</b>	<b>91,152</b>	<b>132,617</b>	<b>110,071</b>	<b>111,902</b>
Expenditures:										
General government	\$ 17,599	\$ 7,054	\$ 7,569	\$ 8,730	\$ 6,274	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398	\$ 3,763
Police	20,943	21,836	21,574	20,161	17,607	15,834	15,210	13,625	12,231	10,461
Fire	14,027	14,664	15,387	14,602	13,594	12,201	11,337	9,589	9,069	8,386
Community development	6,066	7,790	12,360	10,114	7,241	12,105	9,128	7,197	7,740	7,545
Public works	7,285	7,327	8,369	8,082	8,203	3,680	5,322	7,524	5,713	5,469
Parks and recreation	3,509	3,320	4,507	3,146	3,117	3,009	2,864	2,734	2,485	2,430
Capital outlay	18,731	23,152	20,502	28,712	47,363	41,653	38,775	124,383	33,444	16,060
Debt service-principal	1,315	1,490	11,300	3,620	1,430	1,390	5,060	380	1,005	940
Debt service-interest	3,945	3,994	3,799	3,390	3,934	3,849	3,484	3,570	2,801	2,816
Debt service-issue costs			1,163	237				2,503		
Intergovernmental	2,691	6,281	3,288	3,177	2,931	2,570	1,825	4,516	2,897	1,326
<b>Total expenditures</b>	<b>96,111</b>	<b>96,908</b>	<b>109,818</b>	<b>103,971</b>	<b>111,694</b>	<b>100,991</b>	<b>97,539</b>	<b>181,259</b>	<b>81,783</b>	<b>59,196</b>
Excess of revenue over (under) expenditures	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)	(48,642)	28,288	52,706
Other financing sources (uses):										
Bond proceeds			19,765	4,670				55,720		
Transfers in	3,836	21,828	26,040	12,680	22,148	11,595	9,304	4,567	5,125	8,610
Transfers out	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)	(24,854)
Payment to bond escrow agent								(34,072)		
<b>Total other financing sources (uses)</b>	<b>(385)</b>	<b>(5,563)</b>	<b>19,765</b>	<b>4,670</b>	<b>(2)</b>			<b>22,134</b>	<b>(1,265)</b>	<b>(16,244)</b>
<b>Net change in fund balances</b>	<b>\$ (14,311)</b>	<b>\$ (23,378)</b>	<b>\$ 6,071</b>	<b>\$ 13,801</b>	<b>\$ (2,181)</b>	<b>\$ 336</b>	<b>\$ (6,387)</b>	<b>\$ (26,508)</b>	<b>\$ 27,023</b>	<b>\$ 36,462</b>
Debt service as a percentage of non-capital expenditures	6.80%	7.44%	22.26%	10.36%	7.93%	9.68%	17.01%	12.80%	8.55%	9.54%

## 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 Tax and Other	Total
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
2011	22,532,932	273,325	671,278	11,408,245	2,474,332	675,819	986,504	39,022,435

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	
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	5,545,597,687	1,541,725,210	10,742,998	7,098,065,895	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%
2011	5,102,129,763	1,279,961,758	156,244,642	6,538,336,163	84,950,354	6,453,385,809	756,286,336	132,970,235	35,963,413	853,293,158	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**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>City Direct 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	0.17019%	0.17019%	0.17019%	0.17028%	0.17029%	0.1207%	0.1206%	0.1209%	0.1500%	0.1800%
Redevelopment Agency	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1204%	0.1470%	0.1798%
Total Direct Rate	1.2905%	1.2905%	1.2905%	1.2905%	1.2905%	1.2410%	1.2409%	1.2413%	1.2970%	1.3598%
<u>Overlapping rates:</u>										
San Joaquin County	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1963%	0.1963%	0.2100%	0.2000%
Tracy Unified School District	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%	0.1998%	0.1925%	0.1600%	0.1500%
ERAF			0.2790%	2.7900%	0.2790%	0.2801%	0.2801%	0.2793%	27.0000%	0.3000%
Delta Community College District	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%	0.0352%	0.0339%	0.0400%	0.0300%
All Other Districts	0.1760%	0.1760%	0.1760%	0.1760%	0.1760%	0.1779%	0.1779%	0.1771%	N/A	N/A

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
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
2011	10,028,301	10,028,301	100.00%	0.00	10,028,301	100.00%	7,306,678,967

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
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%
2010	1%	0.50%	0.25%	1%	6%	8.75%
2011	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 the expiration date of this 1% is 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

Fiscal Year	Water		Wastewater
	Monthly Base Rate	Per 100 cubic feet	Monthly Base Rate
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
2011	20.40	1.00	31.00

*Notes:*

*100 cubic feet = 748 gallons*

*Rates are based on 1 inch meter-the standard household meter size in Tracy.*

*Utility charges an excess use rate above normal demand.*

*Source:*

*Finance & Administrative Services Department-City of Tracy*

**THIS PAGE INTENTIONALLY LEFT BLANK**

## DEBT CAPACITY

**CITY OF TRACY  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental 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)			
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	136,580,000	395,533	-	26,378,839	32,305,000	142,147	216,656,519	2,657	81,548
2009	16,430,000	129,940,000	265,356	-	25,414,136	31,420,000	126,144	203,595,636	2,492	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
2011	14,280,000	135,810,000	137,879	-	23,402,994	29,580,000	91,541	203,302,414	2,443	83,418

Note: Special Assessment Bonds have no City commitments.

Source:

(a) California Municipal Statistics

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



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

Fiscal Year Ended June 30,	Outstanding General Bond Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
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	0.73%	813
2011	14,280,000	48,715,000	62,995,000	0.69%	771

Source:

Finance and Administrative Services Department, City of Tracy

**CITY OF TRACY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2011**

2010-11 Assessed Valuation:	\$	7,306,678,967
Redevelopment Incremental Valuation:		<u>853,293,158</u>
Adjusted Assessed Valuation:	\$	6,453,385,809

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt	% Applicable (1)	City's Share of
	6/30/11		Debt 6/30/11
San Joaquin Delta Community College District	\$ 143,540,615	11.670 %	\$ 16,751,190
Tracy Unified School District	47,815,000	61.858	29,577,403
Tracy Unified School District School Facilities Improvement District No. 3	17,794,637	89.956	16,007,344
Banta School District	720,000	35.496	255,571
Jefferson School District	6,397,194	63.441	4,058,444
City of Tracy Community Facilities District No. 87-1	14,645,000	100.	14,645,000
City of Tracy Community Facilities District No. 89-1	10,210,000	100.	10,210,000
City of Tracy Community Facilities District No. 93-1	3,000,000	100.	3,000,000
City of Tracy Community Facilities District No. 98-1	59,160,000	100.	59,160,000
City of Tracy Community Facilities District No. 98-3	2,945,000	100.	2,945,000
City of Tracy Community Facilities District No. 99-1	7,520,000	100.	7,520,000
City of Tracy Community Facilities District No. 99-2	10,440,000	100.	10,440,000
City of Tracy Community Facilities District No. 2000-1	13,425,000	100.	13,425,000
City of Tracy Community Facilities District No. 2006-1	10,605,000	100.	10,605,000
City of Tracy 1915 Act Bonds	14,280,000	100.	<u>14,280,000</u>
<b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 212,879,952</b>
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			<u>8,300,000</u>
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 204,579,952</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	183,520,000	12.493 %	23,752,994
Byron -Bethany Irrigation District General Fund Obligation	5,750,000	14.026	706,898
<b>City of Tracy General Fund Obligations</b>	<b>23,660,000</b>	<b>100.</b>	<b><u>23,660,000</u></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b>48,119,892</b>
 GROSS COMBINED TOTAL DEBT			 \$ 260,999,844 (2)
NET COMBINED TOTAL DEBT			\$ 252,699,844

(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 2009-10 Assessed Valuation:

Total Direct Debt (\$23,660,000)	2.69%
Total Net Overlapping Tax and Assessment Debt	2.32%

Ratios to Adjusted Assessed Valuation:

<b>Combined Direct Debt (\$23,660,000)</b> .....	<b>0.37%</b>
Gross Combined Total Debt.....	4.04%
Combined Total Debt.....	3.92%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(In Millions)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assessed Value	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,563	\$ 9,003	\$ 7,775	\$ 7,879	\$ 6,769	\$ 5,203	\$ 4,532
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,827	1,835	2,283	2,391	2,251	1,944	1,970	1,692	1,301	1,133
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	274	275	342	359	338	292	296	254	195	170
Total net debt applicable to limit	121	122	138	132	136	125	130	135	84	86
Legal debt margin	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 204</u>	<u>\$ 227</u>	<u>\$ 202</u>	<u>\$ 167</u>	<u>\$ 166</u>	<u>\$ 119</u>	<u>\$ 111</u>	<u>\$ 84</u>

Note:

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Water revenue bonds/EDA note</b>										
Water revenue	\$ 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	\$ 14,651,850
Less: operating expenses	(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)	(12,450,281)
Net available revenue	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	2,201,569
Debt service:										
Principal	369,401	394,439	275,000	1,038,703	938,962	1,960,910	878,166	964,703	1,035,686	1,099,165
Interest	233,851	204,831	288,618	568,637	477,056	791,373	850,589	731,215	665,810	637,999
Total Debt Service	603,252	599,270	563,618	1,607,340	1,416,018	2,752,283	1,728,755	1,695,918	1,701,496	1,737,164
Coverage	11.24	12.71	11.97	4.34	3.22	1.80	2.93	3.23	2.52	1.27
<b>Wastewater revenue bonds:</b>										
Wastewater revenue	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	12,038,615
Less: operating expenses	(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)	(7,784,380)
Net available revenue	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	4,254,235
Debt service:										
Principal	210,000	155,000	270,000	280,000	280,000	290,000	910,000	885,000	911,535	993,010
Interest	202,239	277,516	797,849	1,699,361	1,429,186	1,413,783	1,370,803	1,375,786	1,366,758	1,342,757
Total Debt Service	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	2,335,767
Coverage	7.83	4.62	2.29	2.33	2.78	4.83	2.81	2.31	2.39	1.82
<b>Tax allocation bonds:</b>										
Tax increment	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	7,594,352
Debt service:										
Principal	645,000	685,000	2,825,622	670,000	980,000	1,005,000	1,035,000	1,065,000	1,105,000	1,145,000
Interest	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	2,576,992
Total Debt Service	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	3,721,992
Coverage	1.75	1.98	1.24	1.88	2.14	2.54	2.73	2.75	2.38	2.04

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	City of Tracy							San Joaquin County				
	Population (2)	Labor Force (1)	Employment (1)	Unem- ployment Rate (1)	Unem- ployment Number (1)	Census Ratios		Population (1)	Labor Force (1)	Employment (1)	Unem- ployment Rate (1)	Unem- ployment Number (1)
						Employed (2)	Unemployed (2)					
2002	65,735	31,100	29,400	5.4%	N/A	N/A	N/A	608,858	275,700	251,200	8.90%	24,400
2003	69,990	31,700	29,900	5.6%	N/A	N/A	N/A	626,014	281,000	255,200	9.20%	25,800
2004	74,080	32,000	30,300	5.3%	N/A	N/A	N/A	642,049	282,600	257,800	8.80%	24,800
2005	78,310	32,500	30,900	4.8%	N/A	N/A	N/A	655,866	284,200	261,700	7.90%	22,500
2006	80,461	32,700	31,200	4.5%	N/A	N/A	N/A	662,395	284,300	263,200	7.40%	21,100
2007	81,107	32,930	31,310	4.9%	N/A	N/A	N/A	667,886	289,200	265,800	8.10%	23,300
2008	81,548	34,100	32,000	6.2%	N/A	N/A	N/A	672,388	293,000	262,700	10.30%	30,300
2009	81,714	34,169	28,872	9.6%	N/A	N/A	N/A	674,860	298,200	252,600	15.50%	45,600
2010	81,519	32,800	29,600	9.7%	N/A	N/A	N/A	685,306	298,900	247,200	17.30%	51,800
2011	83,418	32,900	29,800	9.6%	3,200	0.116975	0.068724	682,660	295,300	244,000	17.40%	51,300

Sources:

- (1) California Employment Development Department-Labor Market Information
- (2) California State Department of Finance (data shown is for the City of Tracy)

**City of Tracy**  
**Principal Property Tax Payers**  
**Current Fiscal Year and Nine Years Ago**

Taxpayer Name	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Leprino Foods Company Corp	88,068,240	1	1.21%			
Tracy Mall Partners Lp	86,224,570	2	1.18%			
Central Valley Ltd Liability	47,176,345	3	0.65%			
TCE Tracy Llc	29,092,202	4	0.40%			
Car Corral Hollow Llc	27,766,445	5	0.38%			
US Industrial Reit Container I	27,100,200	6	0.37%			
Fairfield Edgewood Station Lp	26,907,804	7	0.37%			
US Cold Storage Of Calif	26,834,240	8	0.37%			
Miref Chabot Tracy Llc	26,239,794	9	0.36%			
Osh Properties Llc	26,057,810	10	0.36%			
O Brien Mark T	25,849,587	11	0.35%			
YRC Inc	24,960,893	12	0.34%			
Catellus Corporate Ctr Tracy L	24,003,307	13	0.33%			
KLP Properties Inc Etal	19,971,471	14	0.27%			
Prologis Logistics Services In	19,907,508	15	0.27%			
Kaiser Foundation Health Plan	18,371,001	16	0.25%			
Inland Container Corp	17,884,611	17	0.24%			
Sycamore Village Invest	17,867,037	18	0.24%			
Queirolo Shirlee M	16,856,762	19	0.23%			
Wing A Prayer Inc.	16,774,423	20	0.23%			
Costco Wholesale Corp	16,396,755	21	0.22%			
Deutsche Bank Natl Trust Co Tr	16,374,406	22	0.22%			
Mclane Foodservice Inc	15,869,197	23	0.22%			
Save Mart Supermarket	15,430,556	24	0.21%			
Barbosa Investment Group Ltd P	13,734,910	25	0.19%			
<b>Total Top 25 Taxpayers</b>	<b>743,785,028</b>		<b>9.47%</b>			
<b>Total Taxable Assessed Value</b>	<b>7,306,678,967</b>					

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

Source: San Joaquin County Assessor's Office

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
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	7	7	16	17	6	6	6	6	6	6
Human Resources	6	6	9	9	9	7	7	6	6	6
Finance & Information Systems	23	23	26	27	25	25	24	24	24	24
Police	133	135	154	155	141	132	126	123	122	118
Fire	78	78	85	84	81	107	104	104	101	101
Economic Development	8	6	6	5						
Development and Engineering	41	44	55	55	52	54	52	52	54	52
Public Works	59	66	71	74	80	64	66	66	66	61
Parks and Community Services	59	50	48	49	40	18	18	19	19	19
Water	40	41	44	44	40	38	38	37	37	35
Wastewater	28	29	29	29	25	24	24	23	23	21
Airport	2	2	2	2	1	1	1	1	1	1
Solid waste	1	1	1	1	1	1	2	1	1	1
Transit	2	2	2	2	2	2	2	1	1	1
Drainage	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u><u>499</u></u>	<u><u>502</u></u>	<u><u>560</u></u>	<u><u>565</u></u>	<u><u>515</u></u>	<u><u>491</u></u>	<u><u>482</u></u>	<u><u>475</u></u>	<u><u>473</u></u>	<u><u>458</u></u>

Source: City of Tracy, Finance and Administrative Services Department

Note:

1. In 2001, Information System staff was merged with the Finance Department



## **OPERATING INFORMATION**

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Government</b>										
Building Permits Issued	915	844	898	774	790	1,136	1,271	1,587	1,627	1,926
Building Inspections requested	2,975	3,377	2,859	5,334	7,920	18,008	24,093	34,337	41,382	42,604
<b>Police:</b>										
Arrests	2,941	3,415	4,435	4,450	4,448	3,561	3,787	3,367	2,957	2,634
Parking citations issued	3,153	4,704	2,948	2,916	2,292	2,107	2,282	1,956	2,395	2,559
Traffic violations	6,668	7,347	7,007	6,867	8,059	6,132	6,959	6,662	9,423	7,768
<b>Fire:</b>										
Number of emergency calls	5,570	5,717	6,159	6,165	6,580	5,907	5,135	5,092	4,620	4,662
Inspections	2,383	1,614	3,776	3,814	3,586	2,316	2,106	2,590	2,444	2,945
<b>Water:</b>										
Water Mains (miles)	402	402	402	402	400	395	390	380	370	355
New connections	20	22	25	40	40	600	1,200	1,500	1,800	1,600
Maximum Daily Capacity (gallons)										
(thousands of gallons)	57	57	57	57	57	57	57	42	42	42
Average daily consumptions (gallons)										
(thousands of gallons)	14.4	16	16	16	16	16	16	16	15	14
<b>Sewer:</b>										
Sanitary Sewer (miles)	400	400	400	400	400	395	390	380	370	355
New connections	20	22	25	40	40	600	1,200	1,500	1,800	1,600
Average daily treatment (in gallons)	9	9	9	9	9	9	9	8	7	7
<b>Airport:</b>										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
<b>Solid waste:</b>										
Refuse collected (tons per day)	194	227	339	342	339	325	339	326	319	304
Recyclables collected (tons per day)	66	49	26	28	27	27	27	12	12	12
<b>Transit:</b>										
Average daily passengers	325	334	323	329	325	318	361	381	293	325
Total route miles	152,284	158,211	154,937	236,684	236,689	213,928	206,975	213,210	205,593	198,438

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	7	7	7	7	7	7	7	7	7	6
Public works:										
Number of street lights	5430	4781	4770	4,763	4,752	4,658	3,967	3,693	3,600	3,433
Number of traffic signals										
Parks and recreation:										
Number of parks	76	76	76	76	74	74	69	68	66	61
Number of community centers	3	3	3	3	3	3	3	3	3	2
Water:										
Water mains (miles)	395	395	395	395	395	395	390	380	370	355
Wastewater										
Sanitary sewers (miles)	395	395	395	395	395	395	390	380	370	355
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	8	8	8	6	8	8	8	8	8	8

Source: City of Tracy, Finance and Administrative Services Department