

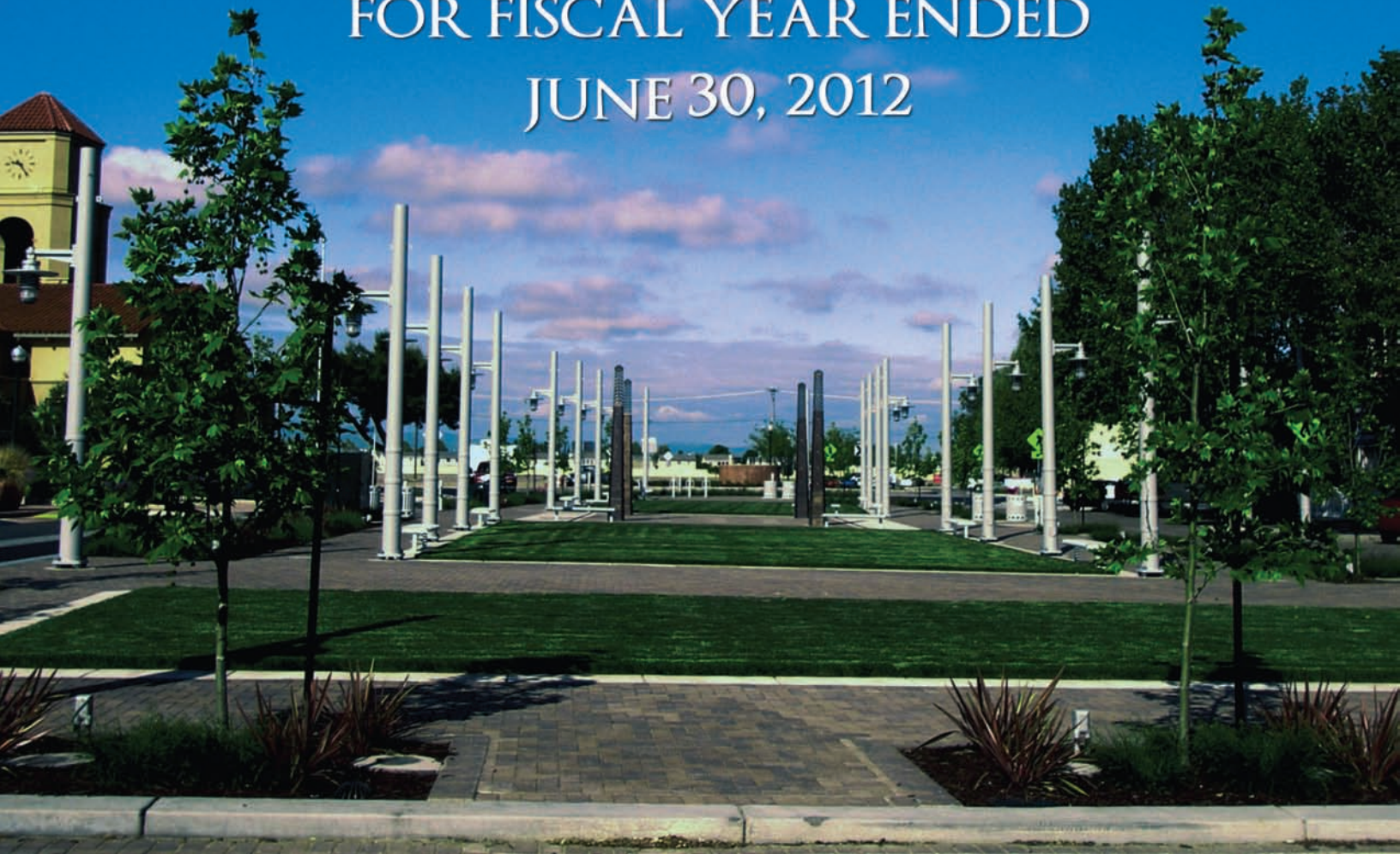


CITY OF TRACY



CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2012



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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2012

Prepared by the Finance and
Administrative Services Department

ZANE H. JOHNSTON

Director of Finance and Administrative Services

ROBERT HARMON, CPA

Senior Accountant

ALLAN J. BORWICK

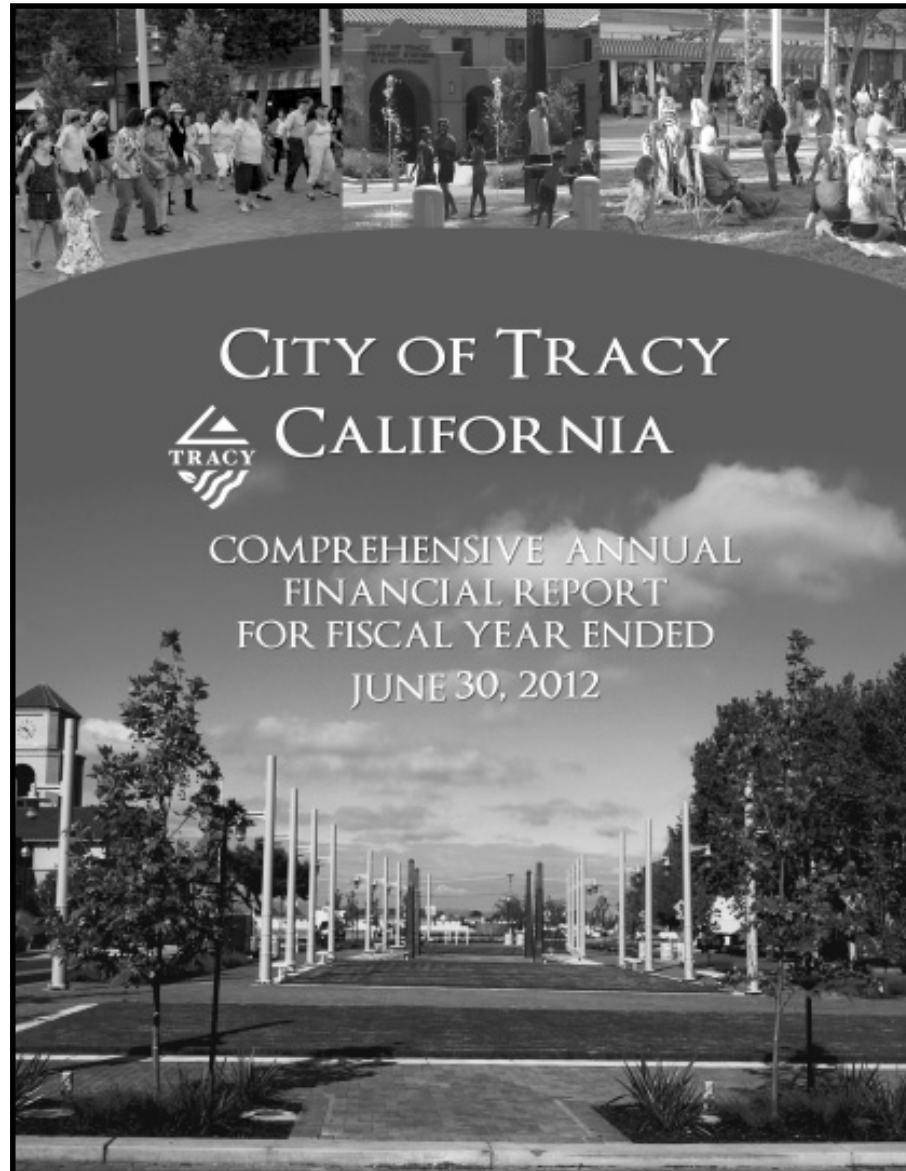
Budget Officer

ANNE BELL	Management Analyst
PEGGY POTKONJAK	Accounting Technician
ROCKI CHAPARRO	Accounting Technician
CAROL GORRIE	Accounting Technician
DON HIGGINS	Senior Accounting Assistant
ELIZABETH LEAL	Accounting Assistant
ROSEMARIE MARQUEZ	Accounting Assistant
MEAGAN MAYER	Accounting Assistant
LINDA MONIZ	Accounting Technician
GRACE SEGURA	Senior Accounting Assistant
EILEEN SOLARIO	Senior Accounting Assistant
CANDICE VALADAO	Accounting Technician
RAQUEL VOTAW	Senior Accounting Assistant
ISABEL YAMADA	Accounting Assistant

Special Thanks to Linda L. Biscocho – Accounting Officer (Retired)

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Introductory Section



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CITY OF TRACY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2012

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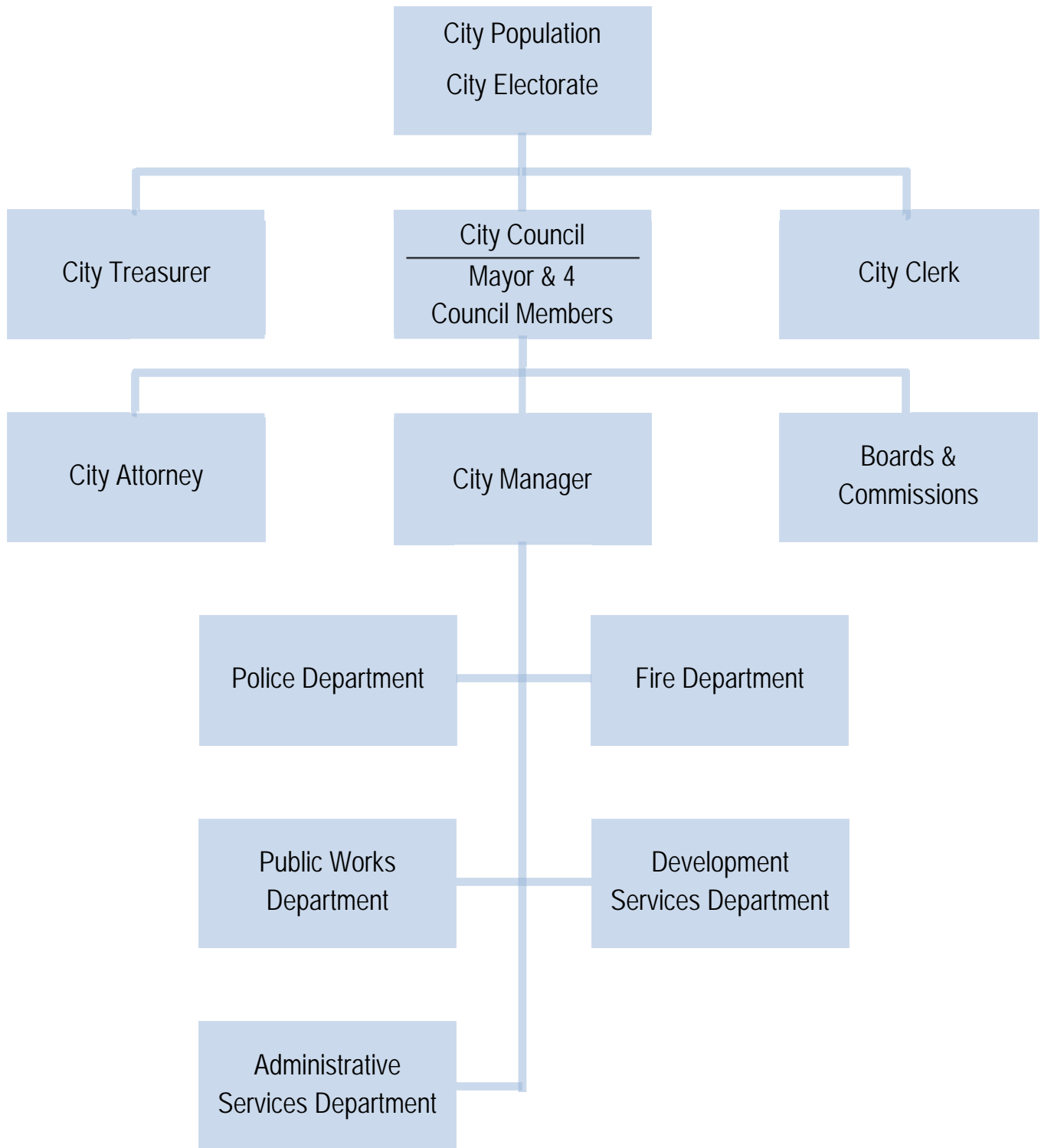
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City of Tracy Organization Chart



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2012

CITY COUNCIL

BRENT IVES

Mayor

MICHAEL MACIEL

Mayor Pro Tem

STEVE ABERCROMBIE

Council Member

BOB ELLIOTT

Council Member

ROBERT RICKMAN

Council Member

OTHER ELECTED OFFICIALS

RAYMOND McCRAY

City Treasurer

SANDRA EDWARDS

City Clerk

CITY OF TRACY, CALIFORNIA

OTHER CITY OFFICIALS

R. Leon Churchill
City Manager

Maria Hurtado
Assistant City Manager

Dan Sodergren
City Attorney

Zane H. Johnston
Finance & Administrative Services Director

OTHER DEPARTMENT HEADS

Alford Nero
Fire Chief

Gary Hampton
Police Chief

Kevin Tobeck
Public Works Director

Rod Buchanan
Parks and Community Services Director

Andrew Malik
Development Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tracy
California

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

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



Think Inside the Triangle™

CITY OF TRACY

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

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

December 4, 2012

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, 2012.

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 83,900 and 23 square miles in 2012.

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, 2012. 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 33% over five years. The past two years declines have been in the 1% to 5% range. However, the City has yet to reverse the continued negative property tax growth rate. It is hoped this trend will finally be over with the FY 13-14 assessed value. Property values for that fiscal year will be measured as of January 1, 2013 and Tracy has seen recent increases in home prices.

Sales tax is the one bright spot in the City’s revenue picture. The City has experienced 12 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 and others before it, the City has significantly been impacted by the economic recession. FY 11-12 was the 5th consecutive year that the City had to utilize reserve funds albeit the FY 11-12 draw was very minor. 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, 2012 the City had

\$26,934,784 in reserves. During this 5 year period the City has utilized a total of \$12.27 million or about \$2.46 million per year on average. The draw on reserves for FY 11-12 was just \$52,330 which was an improvement from the year earlier when the use of reserves was \$2.5 million. With reserves as of 6/30/12 of just under \$27 million this represents approximately 54% of expected General Fund expenses in FY 12-13.

Major Initiatives

Completed 12 Labor Contracts:

Successfully negotiated 12 multi-year labor contracts, saving \$2.6 million in benefit costs over a 3 year period and achieving an ongoing annual savings of \$3.5 million each year after the contracts expire.

Continued Implementation of 5-year "8 Point" Fiscal Plan:

Continued implementation of the 5-year plan to allow the City to be fiscally sound upon the sunset date of the Measure E half cent sales tax set to end on 3/31/16. The City has developed an 8 point plan to provide additional reduction to expenses with some new revenue to help mitigate the loss of Measure E revenue upon its expiration.

Initiated a City-wide restructuring plan:

The City will compress 9 previous City departments into 6 new departments thereby reducing the number of executive management positions by a third.

Completed the Downtown Plaza:

Prior to the dissolution of redevelopment, the City, working within state imposed requirements and deadlines, strategically used redevelopment funds to design, construct and complete the Downtown Plaza, located at 6th and Central.

Downtown Special Events:

With a beautiful new downtown gathering space (the Downtown Plaza), the City sponsored a variety of new special events in the area including the very successful summer block series.

In response to the economic challenges of the past 5 years, the City implemented 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 \$416,301 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 \$26,934,784 is actually comprised of \$18,985,114 in the General Fund and \$7,949,670 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, 2011. This was the 24nd 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.

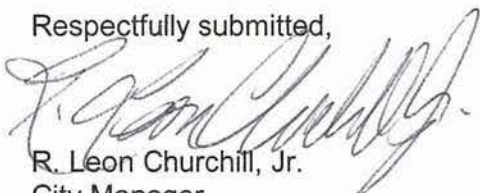
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 11-12. 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 Senior Accountant, Robert Harmon whose long hours, dedication, and attention to detail made possible the successful completion of the annual audit.

Respectfully submitted,

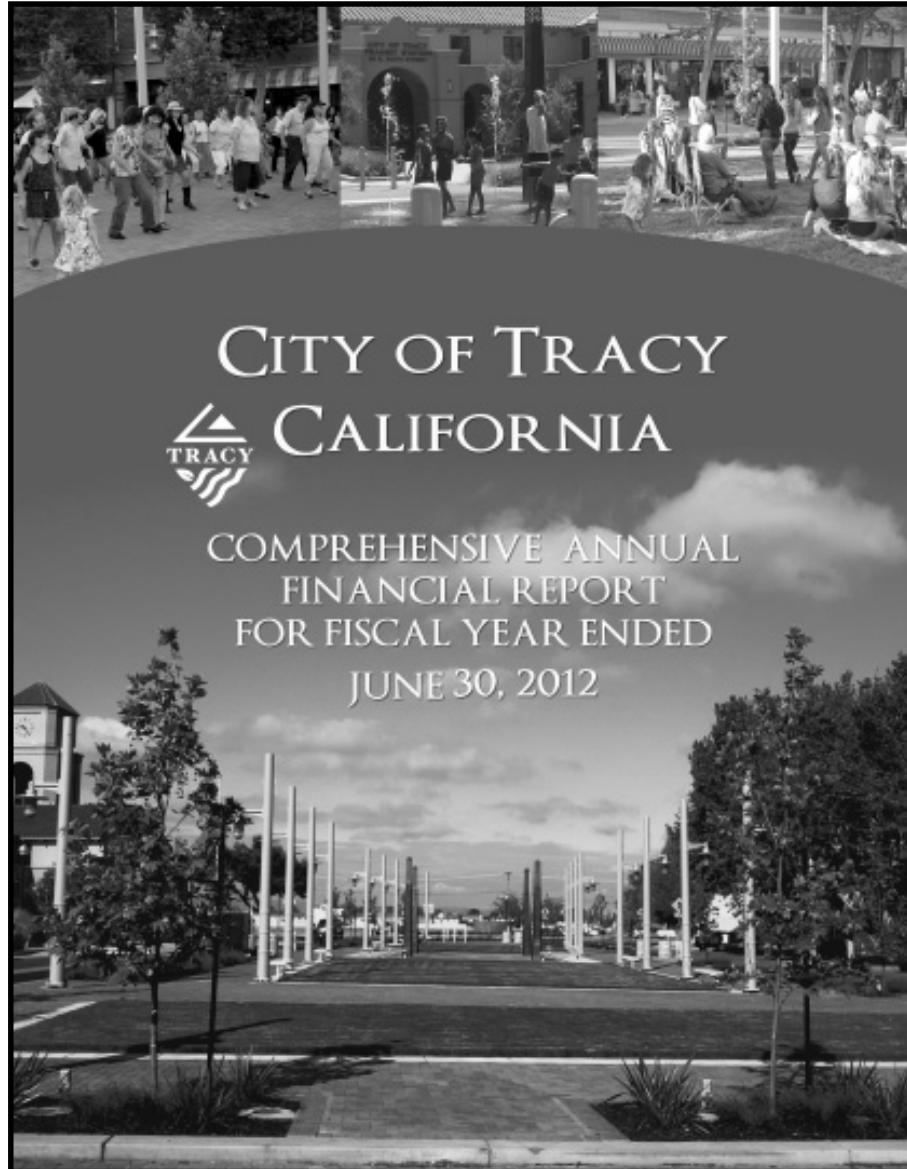


R. Leon Churchill, Jr.
City Manager



Zane H. Johnston
Finance & Administrative Services Director

Financial Section



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MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tracy
Tracy, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy, California (City), as of and for the fiscal year ended June 30, 2012, 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, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report December 13, 2012, 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, Community Development Agency Housing Special Revenue Fund, and Housing Successor 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 98 through 105 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 Trust 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 Trust 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
December 13, 2012

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The assets of the City of Tracy exceeded its liabilities by \$1,018,562 (net assets). Of this amount, \$62.0 million (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$9.6 million or .93% in fiscal year 2011-12 compared to the previous fiscal year.
- The governmental activities reported combined net assets of \$648.6 million at the end of the fiscal year 2012. This is an increase of 1.07% from last fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund is \$25.6 million compared to last year's \$23.4 million. This is an increase of .9% over the prior fiscal year.
- Total revenues of all governmental funds increased by 6.7% while that of proprietary funds increased 5.3% in FY 2011-12. The governmental funds' revenue increase came from an increase in sales taxes partially offset by a decrease in both property taxes and capital grants and contributions. The increase in proprietary funds total revenues came from an increase in operating revenues.
- On January 31, 2012, the state dissolved all redevelopment agencies in the state. An Oversight Board was created to handle the wind-down activities of the City of Tracy Community Development Agency (CDA) through a Successor Agency (SA). The CDA assets and debts have been transferred to an Agency Fund pending disposition by the Oversight Board. As a result of this transfer, the city's governmental funds experienced a \$31 million extraordinary gain.

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.
- **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, and the Successor Agency to the former Community Development Agency.

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.

Fund Financial Statements (Continued)

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

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

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

The City is also the agent for the Successor Agency to the former Community Development Agency, holding assets of this agency pending final disposition by the Oversight Board. The City's fiduciary activities are reported under Private Purpose Trust Funds in the Combining Statement of Net Assets and the Combining Statement of Changes in Net Assets. 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 98 and 99. 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 77 (good or better condition 70-100) as of the end of the fiscal year, the condition of the pavement was 12 points higher than the City's administrative policy to achieve a minimum rating of 65 (fair condition 50-69). This year's rating decreased slightly from the previous year's rating of 82.

Government-wide Financial Analysis

Net Assets

Net assets are a useful indicator of a government's financial position. The City of Tracy's assets exceeded liabilities by more than \$1,018.6 million at the close of fiscal year 2011-2012. Of this amount, \$851 million or 83.5% 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. \$106 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 \$62 million or 6% maybe used to meet its ongoing obligations to citizens and creditors.

Table 1
City of Tracy
Schedule of Net Assets
June 30, 2012
(in Thousands)

Description	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Cash & Investments	\$ 143,786	\$ 164,124	\$ 27,086	\$ 31,301	\$ 170,872	\$ 195,425
Other Assets	29,935	26,887	9,338	15,075	39,273	41,962
Capital Assets	513,598	538,588	388,335	398,442	901,933	937,030
Total Assets	687,319	729,599	424,759	444,818	1,112,078	1,174,417
Long-Term Debt Outstanding	26,369	73,977	45,451	50,387	71,820	124,364
Other Liabilities	12,304	13,855	9,392	8,029	21,696	21,884
Total Liabilities	38,673	87,832	54,843	58,416	93,516	146,248
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	510,323	490,053	340,537	345,554	850,860	835,607
Restricted	105,425	118,367	232	227	105,657	118,594
Unrestricted	32,898	33,347	29,147	40,621	62,045	73,968
Total Net Assets	\$ 648,646	\$ 641,767	\$ 369,916	\$ 386,402	\$1,018,562	\$1,028,169

Government-wide Financial Analysis (Continued)

Net Assets (Continued)

In governmental activities, the total net assets increased by \$6.9 million while the net assets for proprietary funds decreased by \$16.4 million. The slight increase of 1% in governmental activities was due primarily to the Downtown 6th Street Plaza project. The decrease in net assets for proprietary funds was due to ongoing operating losses in most funds.

In this fiscal year, in total, all the proprietary funds suffered an operating income loss of \$5.1 million or a decrease of 67% compared to the operating losses incurred last fiscal year. The sewer fund's losses for the year of \$3.4 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 less than 1% in the amount of \$.5 million while an increase of 3.9% in total operating revenues helped to minimize 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. The lone exception is the solid waste fund which had a slight operating surplus of \$.27M. 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. Solid waste rates were increased in January of this fiscal year.

The combined operating losses incurred by the city's utility funds (water, sewer and drainage funds) in the amount of \$12.3 million during the current fiscal year are 10% lower compared to that of the previous fiscal year. These continued 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. Losses in the utility funds include depreciation of \$18.7 million which accounts for \$32.5% of operating expenses.

The Sewer Fund incurred another operating loss during the fiscal year in the amount of \$3.9 million. Operating revenue decreased by 4.6% compared to that of last fiscal year, however operating expenses also decreased but at a lower rate of 2.8% which resulted in an operating loss that is similar to 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 decreased by 1.5% while operating revenues increased by 1.9%.

Government-wide Financial Analysis (Continued)

Net Assets (Continued)

The Solid Waste Fund had a slight operating surplus of \$.27 million for the fiscal year compared to an operating loss of \$1.1 million in the prior fiscal year. Operating revenues increased by 15.5% while operating expenses only increased by 6.3% during the year. The increase in operating revenue is due to a mid-year rate increase.

Although the Airport fund continues to report an operating loss, this year's losses of \$.27 million are slightly less than last year's loss of \$.28 million. The airport fund's major source of revenues is from hangar rentals, sale of fuel and federal and state grants. This year, both operating revenues and operating expenses are stagnant. The city has contracted out fuel sales to a private contractor but continues to manage and operate the airport.

Just like the airport fund, the Transit Fund also incurred operating losses in the amount of \$1.6 million during the year. This year's operating losses are 16% higher than that of the previous fiscal year. Operating revenue decreased by 8.5% compared to that of last fiscal year while operating expenses increased at a rate of 6.3%. The reason for the losses is the same as that of the utility funds. The ever-increasing cost of fuel further adds to the operating losses.

Changes in Net Assets

The City's net assets showed an overall decrease of .93% compared to that of last year. The city's governmental activities recorded an increase of 1% while city's business activities recorded a reduction of 4.3% in net assets. Table 2 shows the elements these changes in detail.

Governmental Activities

Governmental activities increased the city's net assets by \$6.9 million or 1.0%. This was due to primarily to the Downtown 6th Street Plaza completed during the fiscal year. Revenues remained relatively stable with a very slight drop of .3%, however, some elements of general revenues showed large changes with property tax revenue decreasing by 17.8% while other tax revenues increased by over 42%. The main reasons for these changes are a decrease in property taxes due to the dissolution of the CDA and the increase in sales tax revenue from Measure E.

Measure E is a 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 reductions in total revenues 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 increased in the coming fiscal years.

Table 2
City of Tracy
Schedule of Changes in Net Assets
June 30, 2012
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 10,175	\$ 8,996	\$ 46,526	\$ 44,788	\$ 56,701	\$ 53,784
Operating contributions and grants	9,482	10,065			9,482	10,065
Capital grants and contributions	15,528	19,080	2,801	3,678	18,329	22,758
Total Program revenues	35,185	38,141	49,327	48,466	84,512	86,607
General Revenues:						
Property Taxes	18,527	22,533			18,527	22,533
Other Taxes	22,608	15,879			22,608	15,879
Other General Revenues	2,561	2,943	520	109	3,081	3,052
Transfers		(384)		385	-	1
Total general revenues & transfers	43,696	40,971	520	494	44,216	41,465
Total Revenues	78,881	79,112	49,847	48,960	128,728	128,072
Expenses						
General government	6,283	18,296			6,283	18,296
Police	22,326	21,406			22,326	21,406
Fire	15,275	14,104			15,275	14,104
Development & Engineering	7,616	7,531			7,616	7,531
Public Works	44,803	16,840			44,803	16,840
Parks & Community Services	5,097	5,142			5,097	5,142
Interest on Long-term Debt	1,925	4,121			1,925	4,121
Unallocated Depreciation	566	617			566	617
Water			22,295	21,229	22,295	21,229
Sewer			18,980	17,133	18,980	17,133
Solidwaste			18,585	17,473	18,585	17,473
Storm Drainage			3,352	3,403	3,352	3,403
Airport			686	704	686	704
Transit			2,435	2,291	2,435	2,291
Total Expenses	103,891	88,057	66,333	62,233	170,224	150,290
Change in Net Assets	(25,010)	(8,945)	(16,486)	(13,273)	(41,496)	(22,218)
Extraordinary Gain on Transfer of Assets	31,889	-			31,889	-
Total Change in Net Assets	6,879	(8,945)	(16,486)	(13,273)	(9,607)	(22,218)
Net Assets, Beginning	641,767	650,712	386,402	399,675	1,028,169	1,050,387
Net Assets, Ending	\$ 648,646	\$ 641,767	\$ 369,916	\$ 386,402	\$ 1,018,562	\$ 1,028,169

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, 2012, the City's governmental funds presented a combined fund balance of almost \$136.3 million, a decrease of \$15.5 million or 10.2% when compared to that of the prior year. This fiscal year, only the Business Improvement District, TEA Grant, South County Fire Authority and Parks COP funds posted a negative fund balance. This negative balance was the result of having capital outlay expenditures exceeding the revenues for these 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, \$25.6 million is unrestricted. The total unrestricted fund balance represents over 52% of the total general fund expenditures.

The City of Tracy's debt service funds have a combined fund balance of \$2 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds increased by \$.03 million or an increase of 1.5% compared to that of last fiscal year.

The fund balance of capital project funds decreased by \$11.2 million or 10.6%.

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 \$29.1 million for the year ended June 30, 2012, down by 28% compared to last year's unrestricted net assets of \$40.6 million. This reduction is due mainly to the operating losses incurred by most of the proprietary funds during the year and disposition of some capital assets.

Although water fund's total operating revenues decreased by 1.4%, its operating expenses also decreased by 1.3% which resulted in an operating loss of \$5.9 million. This year's losses are only slightly lower 1% compared to the losses of the previous year.

Financial Analysis of the Proprietary Funds (Continued)

The sewer fund also posted an operating loss in the amount of \$3.9 million. Just like the water fund, total operating revenues decreased but a corresponding decrease in expenses was not sufficient to offset the decrease in revenues. Total operating expenses decreased by 2.8% or \$.43 million. The decrease in operating expenses was contributed by slightly lower depreciation charges.

The airport fund posted a 1% increase in total operating revenues and an increase of 2.4% in operating expenses.

The solid waste fund's operating expenses increased by 6.3% while its total operating revenues increased by 15.5% which resulted in an operating surplus of \$.27 million. This surplus was due to higher charges for services from a rate increase during the fiscal year.

The operations of the transit fund posted an operating loss of \$1.65 million which is 13.7% higher compared to last year's losses of \$1.39 million. This can be attributed to a reduction in transit subsidies from the federal, state and county levels.

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 \$2.2 million.
- The actual expenditures reported a favorable variance. The actual expenditures were lower than the estimated by \$1.7 million.
- The net excess of revenues over expenditures for the fiscal year ended June 30, 2012 is \$1.4 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 prior years cost saving measures by not filling vacancies in anticipation of declining revenues due to retirement or resignations nor added more positions. The city's efforts in cutting costs and expenditures resulted in revenues exceeding expenditures by \$1.375 million compared to the prior fiscal year when expenditures exceeded revenues by an equal amount.

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, 2012, amounts to \$902 million (net of accumulated depreciation). These capital assets include the asset descriptions shown on the table below. The total decrease in the city's investments in capital assets for the year is 3.7% or \$35 million. There is a 4.6% decrease in capital assets for governmental activities while business-type activities experienced a decrease of 2.5%. More detailed information of the City's capital assets can be found in Note 5.

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

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2012
(in Thousands)

Description	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 159,399	\$ 159,790	\$ 11,769	\$ 11,769	\$ 171,168	\$ 171,559
Streets and Roads	212,438	212,438			212,438	212,438
Construction in-Progress	22,947	18,519	5,849	4,390	28,796	22,909
Buildings and Improvements	135,712	167,112	219,296	239,336	355,008	406,448
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	27,855	27,855			27,855	27,855
Traffic Signals	17,374	17,374			17,374	17,374
Equipment	24,005	28,529	43,800	47,097	67,805	75,626
Infrastructure	7,798	491	243,571	242,992	251,369	243,483
Intangible Assets	849	987	69,222	63,936	70,071	64,923
Less: Total Accumulated Depreciation	(94,779)	(94,507)	(205,172)	(211,079)	(299,951)	(305,586)
Total Capital Assets	\$ 513,598	\$ 538,588	\$ 388,335	\$ 398,441	\$ 901,933	\$ 937,029

Long-term Debt. At the end of fiscal year 2012, the City's total debt showed a reduction of 41.4% or \$53.9 million; however this decline is deceiving as \$48.7 million of the decline directly results from the dissolution of the CDA and the subsequent transfer of assets and debt into an agency fund. The decline not related to the CDA was 6.4% or \$5.2 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 ratings of AAA and Aaa, respectively, were received by the City's most recent insured debt issuance.

City of Tracy
Schedule of Long Term Debt
June 30, 2012
(in Thousands)

Debt Description	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
2008 Lease Revenue Bonds	\$ 19,285	\$ 19,385			\$ 19,285	\$ 19,385
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,490	1,585			1,490	1,585
2003 Tax Allocation Bonds	-	48,715			-	48,715
Capital Leases	70	138			70	138
2003 Wastewater Revenue Bonds			\$ 680	\$ 1,000	680	1,000
2004 Wastewater Revenue Bonds			27,950	28,580	27,950	28,580
U. S. EDA Notes			-	1,267	-	1,267
Irrigation District Notes			3,000	5,000	3,000	5,000
State of California-Department of Transportation Loan			73	92	73	92
State of California-Department of Health Services			16,275	17,136	16,275	17,136
Compensated Absences	2,909	3,053	537	508	3,446	3,561
Claims and Judgments	112	112			112	112
Post Retirement Benefits	1,142	855			1,142	855
Total Long Term Liabilities	\$ 27,698	\$ 76,533	\$ 48,515	\$ 53,583	\$ 76,213	\$ 130,116

Economic Outlook and Major Initiatives

As the current economic crisis continues, fiscal year 2011-12 clearly shows its effects. As unemployment lowers the purchasing power of the city's population, property values continue to decline together with the revenues related to it such as property transfer taxes and property taxes. Though the City prepared for the decline in revenues as the result of the passage of Measure A, an ordinance that limited the City's growth, there was no preparation made for the decline in property values due to the current housing market. The city dipped again into its reserves just to maintain a \$25.7 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, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 124,632,735	\$ 26,746,733	\$ 151,379,468
Cash and investments with fiscal agents	19,039,537	339,304	19,378,841
Restricted cash and investments	113,455		113,455
Accounts receivable	7,454,879	10,297,086	17,751,965
Inventory		354,190	354,190
Interest receivable	415,100	258,015	673,115
Prepaid items	62,566	301,405	363,971
Internal balances	2,051,562	(2,051,562)	
Deferred charges, net of accumulated amortization	1,220,533	178,986	1,399,519
Deposits	1,000,000		1,000,000
Loans receivable	14,927,023		14,927,023
Advances to CDA successor agency	2,803,520		2,803,520
Capital assets, not being depreciated	394,783,617	17,617,355	412,400,972
Capital assets, being depreciated, net of accumulated depreciation	<u>118,814,526</u>	<u>370,717,482</u>	<u>489,532,008</u>
 Total Assets	 <u>687,319,053</u>	 <u>424,758,994</u>	 <u>1,112,078,047</u>
LIABILITIES			
Accounts payable	4,500,838	4,519,081	9,019,919
Accrued interest payable	347,469	117,263	464,732
Deposits payable	3,953,039	1,497,899	5,450,938
Unearned revenue	2,173,200	194,275	2,367,475
Noncurrent liabilities:			
Due within one year	1,329,180	3,063,606	4,392,786
Due in more than one year	<u>26,369,170</u>	<u>45,450,948</u>	<u>71,820,118</u>
 Total Liabilities	 <u>38,672,896</u>	 <u>54,843,072</u>	 <u>93,515,968</u>
NET ASSETS			
Invested in capital assets, net of related debt	510,322,920	340,536,499	850,859,419
Restricted for:			
Debt service	1,699,221	231,967	1,931,188
Public safety	80,581		80,581
Streets and roads	4,954,198		4,954,198
Community development	1,313,817		1,313,817
Special districts	3,939,730		3,939,730
Projects	79,024,543		79,024,543
Housing	14,412,699		14,412,699
Unrestricted	<u>32,898,448</u>	<u>29,147,456</u>	<u>62,045,904</u>
 Total Net assets	 <u>\$ 648,646,157</u>	 <u>\$ 369,915,922</u>	 <u>\$ 1,018,562,079</u>

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, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	\$ (90,644)	\$ -	\$ -	\$ -
City attorney	(762,643)			
Administration	(1,616,703)			
Personnel	(655,324)			
Finance	(2,264,708)			
Community Promotion	(136,674)			
Non-departmental	(58,766)	1,795,570		121,950
Economic development	(814,469)		209,057	555,461
Public safety				
Police	(22,319,823)	329,371	1,027,571	32,671
Fire	(15,275,319)	174,140	4,590,589	
Public works				
Development and engineering	(7,710,883)	1,617,308		356,995
Public works	(44,731,691)	5,203,749	3,654,388	14,366,040
Culture and leisure				
Cultural arts	(1,812,992)	266,548		
Parks and community services	(3,149,004)	788,711		94,419
Interest on long-term debt	(1,925,434)			
Unallocated depreciation	(565,673)			
Total Governmental Activities	<u>(103,890,750)</u>	<u>10,175,397</u>	<u>9,481,605</u>	<u>15,527,536</u>
Business-type Activities:				
Water	(22,294,703)	14,432,969		68,003
Sewer	(18,979,715)	11,479,903		1,189,474
Airport	(686,320)	374,661		42,552
Solid waste	(18,584,986)	18,851,976		5,651
Transit	(2,435,632)	822,447		1,195,552
Drainage	(3,351,836)	563,884		299,920
Total Business-type Activities	<u>(66,333,192)</u>	<u>46,525,840</u>		<u>2,801,152</u>
Total Government	<u>\$ (170,223,942)</u>	<u>\$ 56,701,237</u>	<u>\$ 9,481,605</u>	<u>\$ 18,328,688</u>

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

Total General Revenues and Transfers

Change in Net Assets before Extraordinary Item

Gain on Transfer of Assets and Liabilities to CDA Successor Trust Funds

Change in Net Assets

Net Assets July 1, 2011

Net Assets, June 30, 2012

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>
\$ (90,644)	\$ -	\$ (90,644)
(762,643)		(762,643)
(1,616,703)		(1,616,703)
(655,324)		(655,324)
(2,264,708)		(2,264,708)
(136,674)		(136,674)
1,858,754		1,858,754
(49,951)		(49,951)
(20,930,210)		(20,930,210)
(10,510,590)		(10,510,590)
(5,736,580)		(5,736,580)
(21,507,514)		(21,507,514)
(1,546,444)		(1,546,444)
(2,265,874)		(2,265,874)
(1,925,434)		(1,925,434)
(565,673)		(565,673)
<u>(68,706,212)</u>		<u>(68,706,212)</u>
	(7,793,731)	(7,793,731)
	(6,310,338)	(6,310,338)
	(269,107)	(269,107)
	272,641	272,641
	(417,633)	(417,633)
	<u>(2,488,032)</u>	<u>(2,488,032)</u>
	<u>(17,006,200)</u>	<u>(17,006,200)</u>
<u>(68,706,212)</u>	<u>(17,006,200)</u>	<u>(85,712,412)</u>
18,527,327		18,527,327
2,442,841		2,442,841
18,422,071		18,422,071
745,975		745,975
673,342		673,342
282,674		282,674
41,270		41,270
800,992	520,291	1,321,283
1,759,889		1,759,889
<u>43,696,381</u>	<u>520,291</u>	<u>44,216,672</u>
(25,009,831)	(16,485,909)	(41,495,740)
<u>31,888,677</u>		<u>31,888,677</u>
6,878,846	(16,485,909)	(9,607,063)
<u>641,767,311</u>	<u>386,401,831</u>	<u>1,028,169,142</u>
<u>\$ 648,646,157</u>	<u>\$ 369,915,922</u>	<u>\$ 1,018,562,079</u>

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FUND FINANCIAL STATEMENTS

GASB Statement No. 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while nonmajor funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current fiscal year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (Combined financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

The funds described below were determined to be Major Funds by the City for the fiscal year 2012. 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.

HOUSING SUCCESSOR

This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

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, 2012**

	<u>General Fund</u>	<u>Community Development Agency Housing</u>	<u>Housing Successor</u>	<u>North East Industrial Plan Area #1</u>
ASSETS				
Cash and investments	\$ 25,415,783	\$ -	\$ 34,145	\$ 1,930,219
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable	2,929,781			1,063
Interest receivable	167,289		41	3,348
Prepaid items	1,839			
Deposits				
Loans receivable	544,825		12,578,649	
Due from other funds	965,245			
Advances to CDA successor agency			2,803,520	
Advances to other funds	244,057			
	<u>244,057</u>			
Total Assets	<u>\$ 30,268,819</u>	<u>\$ -</u>	<u>\$ 15,416,355</u>	<u>\$ 1,934,630</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,892,020	\$ -	\$ 63	\$ 6,178
Due to other funds				
Deposits payable	1,102,868			
Deferred revenue	339,795		12,578,649	
Advances from other funds				1,747,454
	<u>3,334,683</u>		<u>12,578,712</u>	<u>1,753,632</u>
Total Liabilities	<u>3,334,683</u>		<u>12,578,712</u>	<u>1,753,632</u>
Fund Balances:				
Nonspendable				
Prepaid items	1,839			
Advances	244,057			
Loans receivable	544,825			
Restricted	445,042		2,837,643	180,998
Committed				
Assigned	22,191			
Unassigned	25,676,182			
	<u>26,934,136</u>		<u>2,837,643</u>	<u>180,998</u>
Total Fund Balances	<u>26,934,136</u>		<u>2,837,643</u>	<u>180,998</u>
Total Liabilities and Fund Balances	<u>\$ 30,268,819</u>	<u>\$ -</u>	<u>\$ 15,416,355</u>	<u>\$ 1,934,630</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
\$ -	\$ 85,763,392	\$ 113,143,539
	19,039,537	19,039,537
	113,455	113,455
	4,514,216	7,445,060
	244,422	415,100
	45,825	47,664
	1,000,000	1,000,000
	2,794,393	15,917,867
	3,528,890	4,494,135
	1,747,454	2,803,520
	<u>1,747,454</u>	<u>1,991,511</u>
<u>\$ -</u>	<u>\$ 118,791,584</u>	<u>\$ 166,411,388</u>
\$ -	\$ 2,274,327	\$ 4,172,588
	2,686,630	2,686,630
	2,850,171	3,953,039
	4,578,405	17,496,849
		<u>1,747,454</u>
	<u>12,389,533</u>	<u>30,056,560</u>
	45,825	47,664
		244,057
		544,825
	92,088,446	95,552,129
	15,338,827	15,361,018
	<u>(1,071,047)</u>	<u>24,605,135</u>
	<u>106,402,051</u>	<u>136,354,828</u>
<u>\$ -</u>	<u>\$ 118,791,584</u>	<u>\$ 166,411,388</u>

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Fund balances of governmental funds \$ 136,354,828

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

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

Capital assets	\$ 584,811,611	
Less: accumulated depreciation	<u>(76,868,169)</u>	507,943,442

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

Deferred charges	1,409,319	
Less: accumulated amortization	<u>(188,786)</u>	1,220,533

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)

(345,980)

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

Compensated absences (Does not include Internal Service Fund)	(2,788,602)	
Bonds payable	(23,465,000)	
Postretirement benefit accrual	<u>(1,141,564)</u>	(27,395,166)

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.

16,548,444

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

15,323,649

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

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

Net assets of governmental activities

\$ 648,646,157

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	General	Community Development Agency Housing	Housing Successor	North East Industrial Plan Area #1
REVENUES				
Taxes	\$ 34,079,771	\$ -		\$ -
Licenses, permits, and fees	2,997,556			
Fines and penalties	1,526,402			
Use of money and property	993,509	(11,209)	39,199	(269)
Intergovernmental	1,199,722	7,230		
Charges for services	8,213,167			
Special assessments	352,344			
Contributions	4,651			603,571
Other revenues	1,262,786			
	<u>50,629,908</u>	<u>(3,979)</u>	<u>39,199</u>	<u>603,302</u>
Total Revenues				
EXPENDITURES				
Current:				
General government				
Economic development	288,055	193,074	96,081	
General government	3,210,150			
Finance	2,264,708			
Non-departmental	222,398	24,500		
Public safety				
Police	21,888,918			
Fire	8,736,518			
Public works				
Development and engineering	5,966,717			
Public works	3,081,959			
Culture and leisure				
Cultural arts	1,233,076			
Parks and community services	2,230,294			
Intergovernmental				
Capital outlay	132,688			547,764
Debt service:				
Principal payments				
Interest and fiscal charges				
	<u>49,255,481</u>	<u>217,574</u>	<u>96,081</u>	<u>547,764</u>
Total Expenditures				
Excess of Revenues over (under)				
Expenditures	<u>1,374,427</u>	<u>(221,553)</u>	<u>(56,882)</u>	<u>55,538</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		871,833		
Transfers out	<u>(1,427,405)</u>			
Total Other Financing Sources (Uses)	<u>(1,427,405)</u>	<u>871,833</u>		
Net Change in Fund Balances before				
Extraordinary Items	(52,978)	650,280	(56,882)	55,538
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities				
to RDA Successor Trust Funds		<u>(6,293,202)</u>	<u>2,894,525</u>	
Net Changes in Fund Balances	(52,978)	(5,642,922)	2,837,643	55,538
Fund Balances, July 1, 2011	<u>26,987,114</u>	<u>5,642,922</u>		<u>125,460</u>
Fund Balances, June 30, 2012	<u>\$ 26,934,136</u>	<u>\$ -</u>	<u>\$ 2,837,643</u>	<u>\$ 180,998</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
\$ 4,359,166	\$ 2,954,194	\$ 41,393,131
	175,856	3,173,412
	25,900	1,552,302
16,815	421,608	1,459,653
44,415	10,740,871	11,992,238
	174,585	8,387,752
	3,742,119	4,094,463
	4,795,884	5,404,106
	31,649	1,294,435
<u>4,420,396</u>	<u>23,062,666</u>	<u>78,751,492</u>
	237,259	814,469
	51,838	3,261,988
		2,264,708
	383,799	630,697
	6,650	21,895,568
	6,468,601	15,205,119
	401,202	6,367,919
	4,448,523	7,530,482
		1,233,076
		2,230,294
	19,077,677	19,758,129
	195,000	195,000
<u>1,262,289</u>	<u>1,360,491</u>	<u>2,622,780</u>
<u>1,262,289</u>	<u>32,631,040</u>	<u>84,010,229</u>
<u>3,158,107</u>	<u>(9,568,374)</u>	<u>(5,258,737)</u>
	1,827,405	2,699,238
<u>(1,271,833)</u>		<u>(2,699,238)</u>
<u>(1,271,833)</u>	<u>1,827,405</u>	
1,886,274	(7,740,969)	(5,258,737)
<u>(4,915,439)</u>	<u>(1,876,539)</u>	<u>(10,190,655)</u>
(3,029,165)	(9,617,508)	(15,449,392)
<u>3,029,165</u>	<u>116,019,559</u>	<u>151,804,220</u>
<u>\$ -</u>	<u>\$ 106,402,051</u>	<u>\$ 136,354,828</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, 2012**

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 \$ (15,449,392)

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.

Repayment of loans	<u>\$ (21,522)</u>	(21,522)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

Capital outlay expenditures are added back to fund balances	17,158,236	
Depreciation expense not reported in governmental funds	<u>(8,155,722)</u>	9,002,514

Gain or loss on disposition of capital assets is not reported in the governmental funds. This is the loss on disposition of capital assets that occurred during the current period		(29,485,844)
--	--	--------------

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	195,000	
Amortization of deferred charges	<u>(133,497)</u>	61,503

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	(287,006)	
Interest payable	830,843	
Accrued interest receivable	150,949	
Compensated absences	<u>126,662</u>	821,448

Difference in the gain/loss on transfer of assets and liabilities to RDA successor trust funds between the government activities and the fund financial statements.		42,079,332
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		<u>(129,193)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 6,878,846</u></u>
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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 2012.

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, 2012**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	\$ 8,062,841	\$ 15,847,673	\$ 189
Cash and investments with fiscal agents		339,304	
Accounts receivable - net	3,028,206	2,419,095	53,762
Inventory	354,190		
Interest receivable	93,222	140,334	
Prepaid expenses	14,486		
Total current assets	11,552,945	18,746,406	53,951
Noncurrent:			
Deferred charges, net of accumulated amortization		178,986	
Loans receivable			
Advances to other funds	862,500		
	862,500	178,986	
Capital Assets:			
Nondepreciable			
Land	29,016	5,978,199	15,826
Construction in progress	1,346,908	3,796,036	216,047
Total nondepreciable capital assets	1,375,924	9,774,235	231,873
Depreciable			
Infrastructure	108,077,910	79,391,586	
Buildings	43,467,914	78,155,067	356,080
Improvements	29,612,034	21,624,557	6,144,435
Equipment	11,388,453	29,442,003	93,134
Intangibles	68,904,122	125,878	191,726
Total depreciable capital assets	261,450,433	208,739,091	6,785,375
Less accumulated depreciation	(83,070,983)	(80,067,552)	(5,156,402)
Net depreciable capital assets	178,379,450	128,671,539	1,628,973
Net capital assets	179,755,374	138,445,774	1,860,846
Total noncurrent assets	180,617,874	138,624,760	1,860,846
Total assets	\$ 192,170,819	\$ 157,371,166	\$ 1,914,797

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	
\$ 1,302,759	\$ 499,690	\$ 1,033,581	\$ 26,746,733	\$ 11,489,196
			339,304	
3,145,970	1,570,079	79,974	10,297,086	9,819
			354,190	
14,305	2,356	7,798	258,015	
555		286,364	301,405	14,902
<u>4,463,589</u>	<u>2,072,125</u>	<u>1,407,717</u>	<u>38,296,733</u>	<u>11,513,917</u>
			178,986	
				12,749
			<u>862,500</u>	
			<u>1,041,486</u>	<u>12,749</u>
	1,427,226	4,318,335	11,768,602	
	455,281	34,481	5,848,753	
	<u>1,882,507</u>	<u>4,352,816</u>	<u>17,617,355</u>	
		56,101,726	243,571,222	
	11,553,833		133,532,894	153,146
	2,311,298	26,070,483	85,762,807	554,752
44,219	2,813,640	19,624	43,801,073	22,158,996
			69,221,726	698,908
<u>44,219</u>	<u>16,678,771</u>	<u>82,191,833</u>	<u>575,889,722</u>	<u>23,565,802</u>
<u>(43,651)</u>	<u>(3,549,830)</u>	<u>(33,283,822)</u>	<u>(205,172,240)</u>	<u>(17,911,101)</u>
<u>568</u>	<u>13,128,941</u>	<u>48,908,011</u>	<u>370,717,482</u>	<u>5,654,701</u>
<u>568</u>	<u>15,011,448</u>	<u>53,260,827</u>	<u>388,334,837</u>	<u>5,654,701</u>
<u>568</u>	<u>15,011,448</u>	<u>53,260,827</u>	<u>389,376,323</u>	<u>5,667,450</u>
<u>\$ 4,464,157</u>	<u>\$ 17,083,573</u>	<u>\$ 54,668,544</u>	<u>\$ 427,673,056</u>	<u>\$ 17,181,367</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,782,818	\$ 1,022,380	\$ -
Deposits payable	542,565	4,500	34,998
Due to other funds			702,200
Accrued interest payable	7,500	107,337	2,426
Claims payable, current portion			
Current portion - compensated absences	86,942	66,255	5,331
Current portion - long-term debt	1,882,230	985,000	19,464
Deferred revenue			
Total current liabilities	<u>4,302,055</u>	<u>2,185,472</u>	<u>764,419</u>
Noncurrent Liabilities:			
Advances from other funds			1,106,557
Capital lease payable			
Notes payable	17,392,152		53,478
Revenue bonds payable		345,000	
Compensated absences	164,041	146,815	15,141
Claims payable			
Certificates of participation payable		<u>27,300,000</u>	
Total noncurrent liabilities	<u>17,556,193</u>	<u>27,791,815</u>	<u>1,175,176</u>
Total Liabilities	<u>21,858,248</u>	<u>29,977,287</u>	<u>1,939,595</u>
NET ASSETS			
Investment in capital assets, net of related debt	160,480,992	109,994,760	1,787,904
Restricted for debt service		231,967	
Unrestricted	<u>9,831,579</u>	<u>17,167,152</u>	<u>(1,812,702)</u>
Total Net Assets (Deficit)	<u>\$ 170,312,571</u>	<u>\$ 127,393,879</u>	<u>\$ (24,798)</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	
\$ 1,408,975	\$ 287,555	\$ 17,353	\$ 4,519,081	\$ 328,250
		915,836	1,497,899	
14,805	1,090,500		1,807,505	
			117,263	1,489
				56,247
3,614	8,926	5,844	176,912	50,483
			2,886,694	70,293
	194,275		194,275	
<u>1,427,394</u>	<u>1,581,256</u>	<u>939,033</u>	<u>11,199,629</u>	<u>506,762</u>
			1,106,557	
			17,445,630	
			345,000	
3,030	20,688	10,603	360,318	69,914
				56,247
			<u>27,300,000</u>	
<u>3,030</u>	<u>20,688</u>	<u>10,603</u>	<u>46,557,505</u>	<u>126,161</u>
<u>1,430,424</u>	<u>1,601,944</u>	<u>949,636</u>	<u>57,757,134</u>	<u>632,923</u>
568	15,011,448	53,260,827	340,536,499	5,584,408
			231,967	
3,033,165	470,181	458,081	29,147,456	10,964,036
<u>\$ 3,033,733</u>	<u>\$ 15,481,629</u>	<u>\$ 53,718,908</u>	<u>\$ 369,915,922</u>	<u>\$ 16,548,444</u>

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 14,382,072	\$ 11,477,903	\$ 368,911
Other operating revenues	50,897	2,000	5,750
Total Operating Revenues	<u>14,432,969</u>	<u>11,479,903</u>	<u>374,661</u>
Operating Expenses			
Purchase of water	3,832,732		
Maintenance and operation	7,773,566	7,211,358	331,894
Administration	589,800	406,070	74,560
Insurance costs and claims			
Depreciation	8,130,187	7,737,992	240,072
Total Operating Expenses	<u>20,326,285</u>	<u>15,355,420</u>	<u>646,526</u>
Operating Income (Loss)	<u>(5,893,316)</u>	<u>(3,875,517)</u>	<u>(271,865)</u>
Non-Operating Revenues (Expenses)			
Interest income	126,228	233,635	
Interest expense	(531,639)	(1,313,920)	(39,794)
Gain (Loss) on sale of capital assets	(1,436,779)	(2,310,375)	
Total Non-Operating Income (Loss)	<u>(1,842,190)</u>	<u>(3,390,660)</u>	<u>(39,794)</u>
Income (Loss) Before Capital Contributions and Transfers	(7,735,506)	(7,266,177)	(311,659)
Capital Contributions and Grants	68,003	1,189,474	42,552
Transfers in			418,235
Transfers out	(418,235)		
Change in Net Assets	(8,085,738)	(6,076,703)	149,128
Net Assets, July 1, 2011	<u>178,398,309</u>	<u>133,470,582</u>	<u>(173,926)</u>
Net Assets (Deficit), June 30, 2012	<u>\$ 170,312,571</u>	<u>\$ 127,393,879</u>	<u>\$ (24,798)</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	
\$ 18,851,924	\$ 80,893	\$ 563,884	\$ 45,725,587	\$ 8,224,834
52	741,554		800,253	468,924
18,851,976	822,447	563,884	46,525,840	8,693,758
			3,832,732	
18,547,123	1,407,911	453,357	35,725,209	4,484,648
37,590	110,250	29,900	1,248,170	75,385
				2,596,314
273	917,471	2,868,579	19,894,574	2,018,249
18,584,986	2,435,632	3,351,836	60,700,685	9,174,596
266,990	(1,613,185)	(2,787,952)	(14,174,845)	(480,838)
143,951	8,666	7,811	520,291	
			(1,885,353)	(4,085)
			(3,747,154)	(241,607)
143,951	8,666	7,811	(5,112,216)	(245,692)
410,941	(1,604,519)	(2,780,141)	(19,287,061)	(726,530)
5,651	1,195,552	299,920	2,801,152	597,337
			418,235	
			(418,235)	
416,592	(408,967)	(2,480,221)	(16,485,909)	(129,193)
2,617,141	15,890,596	56,199,129	386,401,831	16,677,637
\$ 3,033,733	\$ 15,481,629	\$ 53,718,908	\$ 369,915,922	\$ 16,548,444

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers	\$ 14,425,466	\$ 11,561,246	\$ 383,262
Receipts from interfund charges			
Payments to suppliers and users	(6,062,424)	(4,659,538)	(157,413)
Payments to employees	(3,939,405)	(3,001,044)	(249,039)
Net Cash Provided (Used) by Operating Activities	<u>4,423,637</u>	<u>3,900,664</u>	<u>(23,190)</u>
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds			177,200
Advances to/from other funds	4,797,342		(449,888)
Principal received on loans receivable			
Transfers in			418,235
Transfers out	(418,235)		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>4,379,107</u>		<u>145,547</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants received	68,003	1,189,474	42,552
Acquisitions of capital assets	(7,048,099)	(5,716,048)	(111,617)
Interest paid	(524,139)	(1,316,321)	(40,412)
Principal payments - long-term debt	(4,128,612)	(950,000)	(18,599)
Proceeds from sales of capital assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,632,847)</u>	<u>(6,792,895)</u>	<u>(128,076)</u>
Cash Flows from Investing Activities:			
Interest received	95,485	174,927	
Net Cash Provided (Used) by Investing Activities	<u>95,485</u>	<u>174,927</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(2,734,618)	(2,717,304)	(5,719)
Cash and Cash Equivalents, July 1, 2011	<u>10,797,459</u>	<u>18,904,281</u>	<u>5,908</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 8,062,841</u>	<u>\$ 16,186,977</u>	<u>\$ 189</u>
Noncash Transactions			
Amortization of deferred charges	\$ -	\$ 7,331	\$ -
Disposition of assets	\$ (1,436,779)	\$ (2,310,375)	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 8,062,841	\$ 15,847,673	\$ 189
Cash and investments with fiscal agents		<u>339,304</u>	
Total Cash and Investments	<u>\$ 8,062,841</u>	<u>\$ 16,186,977</u>	<u>\$ 189</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	
\$ 18,259,249	\$ 820,741	\$ 565,667	\$ 46,015,631	\$ -
(17,644,558)	(1,122,856)	(256,648)	(29,903,437)	8,687,609
<u>(134,564)</u>	<u>(344,682)</u>	<u>(207,823)</u>	<u>(7,876,557)</u>	<u>(4,892,377)</u>
480,127	(646,797)	101,196	8,235,637	1,722,000
14,805	145,500		337,505	
			4,347,454	45,214
			418,235	
			<u>(418,235)</u>	
14,805	145,500		4,684,959	45,214
5,651	1,354,827	299,920	2,960,427	597,337
	(361,917)	(296,373)	(13,534,054)	(1,226,124)
			(1,880,872)	(5,517)
			(5,097,211)	(67,586)
5,651	992,910	3,547	(17,551,710)	(701,890)
135,237	6,752	3,857	416,258	
135,237	6,752	3,857	416,258	
635,820	498,365	108,600	(4,214,856)	1,065,324
666,939	1,325	924,981	31,300,893	10,423,872
<u>\$ 1,302,759</u>	<u>\$ 499,690</u>	<u>\$ 1,033,581</u>	<u>\$ 27,086,037</u>	<u>\$ 11,489,196</u>
\$ -	\$ -	\$ -	\$ 7,331	\$ -
\$ -	\$ -	\$ -	\$ (3,747,154)	\$ -
\$ 1,302,759	\$ 499,690	\$ 1,033,581	\$ 26,746,733	\$ 11,489,196
			339,304	
<u>\$ 1,302,759</u>	<u>\$ 499,690</u>	<u>\$ 1,033,581</u>	<u>\$ 27,086,037</u>	<u>\$ 11,489,196</u>

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012
(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)	\$ (5,893,316)	\$ (3,875,517)	\$ (271,865)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	8,130,187	7,737,992	240,072
(Increase) Decrease in Operating Assets:			
Accounts receivable	(168,496)	81,343	2,451
Inventory	(354,190)		
Prepaid items	2,042,397		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	491,088	(53,151)	
Compensated absences	14,974	9,997	2
Claims and judgments payable			
Deposits payable	160,993		6,150
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,423,637</u>	<u>\$ 3,900,664</u>	<u>\$ (23,190)</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	
\$ 266,990	\$ (1,613,185)	\$ (2,787,952)	\$ (14,174,845)	\$ (480,838)
273	917,471	2,868,579	19,894,574	2,018,249
(592,727)	148,294	(3,217)	(532,352)	(6,149)
			(354,190)	
			2,042,397	(8,899)
805,533	48,280	17,353	1,309,103	216,569
58	2,343	1,433	28,807	(16,932)
	(150,000)	5,000	22,143	
<u>\$ 480,127</u>	<u>\$ (646,797)</u>	<u>\$ 101,196</u>	<u>\$ 8,235,637</u>	<u>\$ 1,722,000</u>

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FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

TRUST FUNDS

Trust funds are used to account for resources held and administered by the City as a fiduciary capacity for individuals, private organizations, or 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
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments, restricted	\$ 3,449,903	\$ -
Cash and investments	3,996,134	10,725,844
Cash and investments with fiscal agents	3,776,747	16,961,900
Accounts receivable	401,267	16,447
Interest receivable	23,987	10,459
Deferred charges, net of accumulated amortization	3,103,548	
Capital assets, not being depreciated	2,581,457	
Capital assets, being depreciated, net of accumulated depreciation	<u>850,479</u>	
Total Assets	<u>18,183,522</u>	<u>27,714,650</u>
 LIABILITIES		
Accounts payable	251	3,600
Accrued interest payable	811,362	
Deposits payable		3,100,931
Unearned revenue	1,143,472	
Due to assessment district bondholders		24,610,119
Noncurrent liabilities:		
Due within one year	1,245,000	
Due in more than one year	<u>49,078,520</u>	
Total Liabilities	<u>52,278,605</u>	<u>27,714,650</u>
 NET ASSETS		
Unrestricted	<u>(34,095,083)</u>	
Total Net assets	<u><u>\$ (34,095,083)</u></u>	<u><u>\$ -</u></u>

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

**CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012**

	<u>Private-Purpose Trust Funds</u>
Additions:	
Investment revenue	\$ 93,118
Net assets received upon dissolution of redevelopment agency	(31,888,677)
Other revenues	<u>250,000</u>
Total additions	<u>(31,545,559)</u>
Deductions:	
Administration	121,065
Depreciation	40,500
Interest expenses	2,137,959
Pass-through payments	<u>250,000</u>
Total deductions	<u>2,549,524</u>
Change in net assets	(34,095,083)
Net Assets July 1, 2011	<u> </u>
Net Assets, June 30, 2012	<u><u>\$ (34,095,083)</u></u>

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

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NOTE TO BASIC FINANCIAL STATEMENTS

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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. The activities of the Agency were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012. See Note 19 for more information.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, (“*Derivative Instruments: Application of Hedge Accounting Termination Provisions.*”) This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2012.

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, 2012

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.

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

General Fund - 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds (Continued)

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.

Housing Successor Fund - This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

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, 2012

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. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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

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

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

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

F. Property Taxes

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

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

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

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

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

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

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

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

G. Capital Assets

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

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

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

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

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

H. Compensated Absences

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

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Postemployment Benefits

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank. Miscellaneous employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. Safety employees: Police employees can bank their unused sick leave if they have at least ten (10) years of employment. Fire employees have 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.

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, 2012, those costs for 35 retirees totaled \$288,287, and the total liability amount in the medical leave bank is \$1,369,792.

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments Valuation

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

3. State Investment Pool

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

4. Cash and Cash Equivalents

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

A. Budgetary Information (Continued)

The City does not adopt budgets for the Proposition 1B, Residential and Commercial Rehabilitation Loan, Traffic Congestion Relief, and Grow Tracy Special Revenue Funds, Parks COP and 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 \$24,798 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 \$3,149 exists in the Business Improvement District Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of \$289,215 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 \$776,495 exists in the South County Fire Authority Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$2,188 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:

Proposition K Transportation Tax Special Revenue Fund	\$ 721,976
State Gas Tax Street Special Revenue Fund	692,544
Tea Grant Special Revenue Fund	1,089,909

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 151,379,468
Cash and investments with fiscal agents	19,378,841
Restricted cash and investments	113,455
Fiduciary funds:	
Restricted cash and investments	3,449,903
Cash and investments	14,721,978
Cash and investments with fiscal agents	<u>20,738,647</u>
 Total cash and investments	 <u>\$ 209,782,292</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 3,709
Deposits with financial institutions	9,007,022
Investments	<u>200,771,561</u>
 Total cash and investments	 <u>\$ 209,782,292</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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
Corporate Bonds	N/A	None	None
Municipal Bonds	N/A	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, 2012

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, 2012

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	\$ 14,325,506	\$ 3,000,229	\$ 11,325,277	\$ -	\$ -
Money Market Funds	26,508,177	26,508,177			
Federal Agency Securities	67,142,539	12,633,219	38,669,043	15,840,277	
Commerical Paper	6,383,081	6,383,081			
Corporate Notes	34,528,667	10,335,214	19,819,386	4,374,067	
Corporate Bonds	9,392,444	4,048,350	5,344,094		
Negotiable Time Deposits	1,500,000	1,500,000			
Municipal Bonds	490,055		490,055		
State Investment Pool	383,599	383,599			
Held by Debt Trustee:					
U.S. Treasury Notes	4,016,855	1,754,334	1,762,987	499,534	
Money Market Funds	30,434,840	30,434,840			
Federal Agency Securities	5,665,798	2,036,905	2,024,910	1,603,983	
	<u>\$200,771,561</u>	<u>\$ 99,017,948</u>	<u>\$ 79,435,752</u>	<u>\$ 22,317,861</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, 2012

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	\$ 14,325,506	N/A	\$ 14,325,506	\$ -	\$ -	\$ -	\$ -
Money Market Funds	26,508,177	N/A					26,508,177
Federal Agency Securities	67,142,539	N/A		67,142,539			
Commerical Paper	6,383,081	N/A			6,383,081		
Corporate Notes	34,528,667	N/A		7,754,093	5,887,828	20,886,746	
Corporate Bonds	9,392,444	N/A			9,392,444		
Negotiable Time Deposits	1,500,000	N/A			1,500,000		
Municipal Bonds	490,055	N/A			490,055		
State Investment Pool	383,599	N/A					383,599
Held by Debt Trustee:							
U.S. Treasury Notes	4,016,855	N/A	4,016,855				
Money Market Funds	30,434,840	N/A					30,434,840
Federal Agency Securities	5,665,798	N/A		5,665,798			
Total	\$200,771,561		\$ 18,342,361	\$ 80,562,430	\$ 23,653,408	\$ 20,886,746	\$ 57,326,616

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	\$ 17,979,902
FNMA	Federal agency securities	18,897,838
FHLMC	Federal agency securities	19,932,054

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, 2012

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, 2012, \$9,490,590 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, 2012, 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	\$ 14,325,506
Federal Agency Securities	67,142,539
Commercial Paper	6,383,081
Corporate Note	34,528,667
Negotiable Time Deposits	1,500,000
Municipal Bonds	490,055

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, 2012

NOTE 4 – LOANS RECEIVABLE

A. Community Development Agency Loans

As of February 1, 2012, the following Community Development Agency Loans were transferred to the City of Tracy Housing Successor Fund.

The Agency 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 \$304,044 at June 30, 2012.

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, 2012, principal and accrued interest totaled \$873,915.

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, 2012, principal and accrued interest totaled \$2,393,646.

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, 2012 including accrued interest is \$49,740.

The City loaned 37 individuals \$2,153,335 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – LOANS RECEIVABLE (Continued)

A. Community Development Agency Loans (Continued)

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, 2012, the developer owes \$4,560,234 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, 2012 is \$2,243,735 which includes accrued interest of \$268,735.

B. 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, 2012 was \$1,003,593.

C. Development Loan

In September 2006, the City loaned a property owner \$40,000 to assist in the demolition of a structure in order for the property owner to construct new housing units on the site. The loan is due and payable when the properties are sold. The balance as of June 30, 2012 is \$40,000.

D. 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, 2012 was \$49,393.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – LOANS RECEIVABLE (Continued)

E. Employee Computer Loans

All full-time permanent City employees who have completed their probationary period are eligible to obtain an interest free loan to purchase a computer. All requests for loans are subject to review by the participating employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally until paid in full. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2012, employees had \$12,749 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 \$2,446 including principal and interest at 4%. The balance of the loan as of June 30, 2012 is \$504,825.

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 2011, 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, 2012, the balance of the loan is \$2,745,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Transfers to CDA Successor	Balance at June 30, 2012
Nondepreciable Capital Assets:						
Land	\$ 159,790,130	\$ 1,462,033	\$ -	\$ 727,924	\$ (2,581,457)	\$ 159,398,630
Roads accounted for using the modified approach	212,438,025					212,438,025
Construction in progress	18,519,397	15,167,382		(10,739,817)		22,946,962
Total Nondepreciable Capital Assets	390,747,552	16,629,415		(10,011,893)	(2,581,457)	394,783,617
Capital assets, being depreciated						
Buildings and improvements	105,741,246	5,388	(31,595,226)	1,300,563		75,451,971
Improvements	61,370,809			340,046	(1,450,790)	60,260,065
Grading, curb & gutter, sidewalk, and driveway approaches	27,855,373					27,855,373
Traffic signals	17,374,347					17,374,347
Equipment	28,528,525	936,225	(7,258,011)	1,798,160		24,004,899
Infrastructure and drainage	490,567	812,145		6,495,039		7,797,751
Intangibles	986,818	1,187	(216,700)	78,085		849,390
Total Depreciable Capital Assets	242,347,685	1,754,945	(39,069,937)	10,011,893	(1,450,790)	213,593,796
Less accumulated depreciation for:						
Buildings and improvements	(20,217,019)	(2,489,947)	2,109,383			(20,597,583)
Improvements	(32,024,157)	(4,002,909)			559,811	(35,467,255)
Grading, curb & gutter, sidewalk, and driveway approaches	(9,951,672)	(685,081)				(10,636,753)
Traffic signals	(9,307,566)	(634,172)				(9,941,738)
Equipment	(22,486,351)	(1,963,536)	7,224,805			(17,225,082)
Infrastructure and drainage	(15,013)	(198,510)				(213,523)
Intangibles	(505,818)	(199,816)	8,298			(697,336)
Total Accumulated Depreciation	(94,507,596)	(10,173,971)	9,342,486		559,811	(94,779,270)
Net Depreciable Capital Assets	147,840,089	(8,419,026)	(29,727,451)	10,011,893	(890,979)	118,814,526
Net Governmental Capital Assets	\$ 538,587,641	\$ 8,210,389	\$ (29,727,451)	\$ -	\$ (3,472,436)	\$ 513,598,143

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 29,016	\$ -	\$ -	\$ -	\$ 29,016
Construction in progress	744,094	6,904,020		(6,301,206)	1,346,908
Total Nondepreciable Capital Assets	773,110	6,904,020		(6,301,206)	1,375,924
Depreciable Capital Assets:					
Infrastructure	107,522,471			555,439	108,077,910
Buildings	50,649,779		(7,181,865)		43,467,914
Improvements	29,646,427		(34,393)		29,612,034
Equipment	13,639,100	144,079	(2,873,193)	478,467	11,388,453
Intangibles	63,636,822			5,267,300	68,904,122
Total Depreciable Capital Assets	265,094,599	144,079	(10,089,451)	6,301,206	261,450,433
Accumulation Depreciation					
Infrastructure	(28,212,034)	(2,195,309)			(30,407,343)
Buildings	(20,598,147)	(1,332,831)	5,754,039		(16,176,939)
Improvements	(13,567,178)	(1,837,505)	30,784		(15,373,899)
Equipment	(8,263,240)	(1,259,389)	2,867,849		(6,654,780)
Intangibles	(12,952,869)	(1,505,153)			(14,458,022)
Total Accumulated Depreciation	(83,593,468)	(8,130,187)	8,652,672		(83,070,983)
Net Depreciable Capital Assets	181,501,131	(7,986,108)	(1,436,779)	6,301,206	178,379,450
Net Water Utility Capital Assets	\$ 182,274,241	\$ (1,082,088)	\$ (1,436,779)	\$ -	\$ 179,755,374
Business-type Activities	Balance at				Balance at
Sewer Utility	July 1, 2011	Additions	Deletions	Transfers	June 30, 2012
Nondepreciable Capital Assets:					
Land	\$ 5,978,199	\$ -	\$ -	\$ -	\$ 5,978,199
Construction in progress	3,400,248	5,662,351		(5,266,563)	3,796,036
Total Nondepreciable Capital Assets	9,378,447	5,662,351		(5,266,563)	9,774,235
Depreciable Capital Assets:					
Infrastructure	79,367,465			24,121	79,391,586
Buildings	95,405,239		(17,250,172)		78,155,067
Improvements	17,498,065			4,126,492	21,624,557
Equipment	30,260,608	43,097	(1,969,492)	1,107,790	29,442,003
Intangibles	107,118	10,600		8,160	125,878
Total Depreciable Capital Assets	222,638,495	53,697	(19,219,664)	5,266,563	208,739,091

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities Sewer Utility (Continued)	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Accumulation Depreciation					
Infrastructure	\$ (25,336,042)	\$ (1,581,956)	\$ -		(26,917,998)
Buildings	(43,009,505)	(2,318,976)	15,018,920		(30,309,561)
Improvements	(9,441,220)	(847,332)			(10,288,552)
Equipment	(11,400,337)	(2,958,523)	1,890,369		(12,468,491)
Intangibles	(51,745)	(31,205)			(82,950)
Total Accumulated Depreciation	<u>(89,238,849)</u>	<u>(7,737,992)</u>	<u>16,909,289</u>		<u>(80,067,552)</u>
Net Depreciable Capital Assets	<u>133,399,646</u>	<u>(7,684,295)</u>	<u>(2,310,375)</u>	<u>5,266,563</u>	<u>128,671,539</u>
Net Sewer Utility Capital Assets	<u>\$ 142,778,093</u>	<u>\$ (2,021,944)</u>	<u>\$ (2,310,375)</u>	<u>\$ -</u>	<u>\$ 138,445,774</u>
Business-type Activities Municipal Airport	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	107,928	111,617		(3,498)	216,047
Total Nondepreciable Capital Assets	<u>123,754</u>	<u>111,617</u>		<u>(3,498)</u>	<u>231,873</u>
Depreciable Capital Assets:					
Buildings	356,080				356,080
Improvements	6,144,435				6,144,435
Equipment	91,467		(1,831)	3,498	93,134
Intangibles	191,726				191,726
Total Depreciable Capital Assets	<u>6,783,708</u>		<u>(1,831)</u>	<u>3,498</u>	<u>6,785,375</u>
Accumulation Depreciation					
Buildings	(186,874)	(12,352)			(199,226)
Improvements	(4,462,375)	(222,679)			(4,685,054)
Equipment	(77,186)	(5,041)	1,831		(80,396)
Intangibles	(191,726)				(191,726)
Total Accumulated Depreciation	<u>(4,918,161)</u>	<u>(240,072)</u>	<u>1,831</u>		<u>(5,156,402)</u>
Net Depreciable Capital Assets	<u>1,865,547</u>	<u>(240,072)</u>		<u>3,498</u>	<u>1,628,973</u>
Net Municipal Airport Capital Assets	<u>\$ 1,989,301</u>	<u>\$ (128,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,860,846</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Solidwaste					
Depreciable Capital Assets:					
Equipment	\$ 44,219	\$ -	\$ -	\$ -	\$ 44,219
Total Depreciable Capital Assets	44,219				44,219
Accumulation Depreciation					
Equipment	(43,378)	(273)			(43,651)
Total Accumulated Depreciation	(43,378)	(273)			(43,651)
Net Depreciable Capital Assets	841	(273)			568
Net Solid Waste Capital Assets	\$ 841	\$ (273)	\$ -	\$ -	\$ 568
Business-type Activities	Balance at				Balance at
Municipal Transit	July 1, 2011	Additions	Deletions	Transfers	June 30, 2012
Nondepreciable Capital Assets:					
Land	\$ 1,427,226	\$ -	\$ -	\$ -	\$ 1,427,226
Construction in progress	99,985	355,296			455,281
Total Nondepreciable Capital Assets	1,527,211	355,296			1,882,507
Depreciable Capital Assets:					
Buildings	11,553,833				11,553,833
Improvements	2,311,298				2,311,298
Equipment	3,042,099	8,621	(237,080)		2,813,640
Total depreciable Capital Assets	16,907,230	8,621	(237,080)		16,678,771
Accumulation depreciation					
Buildings	(859,320)	(487,745)			(1,347,065)
Improvements	(214,729)	(154,970)			(369,699)
Equipment	(1,795,390)	(274,756)	237,080		(1,833,066)
Total Accumulated Depreciation	(2,869,439)	(917,471)	237,080		(3,549,830)
Net Depreciable Capital Assets	14,037,791	(908,850)			13,128,941
Net Transit Capital Assets	\$ 15,565,002	\$ (553,554)	\$ -	\$ -	\$ 15,011,448

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Drainage					
Nondepreciable Capital Assets:					
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	38,028	296,373		(299,920)	34,481
Total Nondepreciable Capital Assets	4,356,363	296,373		(299,920)	4,352,816
Depreciable Capital Assets:					
Infrastructure	56,101,726				56,101,726
Improvements	25,770,563			299,920	26,070,483
Equipment	19,624				19,624
Total Depreciable Capital Assets	81,891,913			299,920	82,191,833
Accumulation Depreciation					
Infrastructure	(16,264,021)	(1,124,535)			(17,388,556)
Improvements	(14,131,598)	(1,744,044)			(15,875,642)
Equipment	(19,624)				(19,624)
Total Accumulated Depreciation	(30,415,243)	(2,868,579)			(33,283,822)
Net Depreciable Capital Assets	51,476,670	(2,868,579)		299,920	48,908,011
Net Drainage Capital Assets	\$ 55,833,033	\$ (2,572,206)	\$ -	\$ -	\$ 53,260,827
Total Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	\$ 11,768,602	\$ -	\$ -	\$ -	\$ 11,768,602
Construction in progress	4,390,283	13,329,657		(11,871,187)	5,848,753
Total Nondepreciable Capital Assets	16,158,885	13,329,657		(11,871,187)	17,617,355
Depreciable Capital Assets:					
Infrastructure	242,991,662			579,560	243,571,222
Buildings	157,964,931		(24,432,037)		133,532,894
Improvements	81,370,788		(34,393)	4,426,412	85,762,807
Equipment	47,097,117	195,797	(5,081,596)	1,589,755	43,801,073
Intangibles	63,935,666	10,600		5,275,460	69,221,726
Total Depreciable Capital Assets	593,360,164	206,397	(29,548,026)	11,871,187	575,889,722

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Total Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Accumulation Depreciation					
Infrastructure	(69,812,097)	(4,901,800)			(74,713,897)
Buildings	(64,653,846)	(4,151,904)	20,772,959		(48,032,791)
Improvements	(41,817,100)	(4,806,530)	30,784		(46,592,846)
Equipment	(21,599,155)	(4,497,982)	4,997,129		(21,100,008)
Intangibles	(13,196,340)	(1,536,358)			(14,732,698)
Total Accumulated Depreciation	<u>(211,078,538)</u>	<u>(19,894,574)</u>	<u>25,800,872</u>		<u>(205,172,240)</u>
Net Depreciable Capital Assets	<u>382,281,626</u>	<u>(19,688,177)</u>	<u>(3,747,154)</u>	11,871,187	<u>370,717,482</u>
Net Business-type Capital Assets	<u>\$ 398,440,511</u>	<u>\$ (6,358,520)</u>	<u>\$ (3,747,154)</u>	<u>\$ -</u>	<u>\$ 388,334,837</u>

B. Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

City administration - nondepartmental	\$ 1,156,781
Police	424,255
Fire	70,200
Development and engineering	1,342,964
Public works	5,115,473
Cultural arts	579,916
Parks and recreation	918,710
Unallocated	<u>565,672</u>

Total Depreciation Expense - Governmental Activities \$ 10,173,971

Business-type Activities:

Water utility	\$ 8,130,187
Sewer utility	7,737,992
Municipal airport	240,072
Solid waste	273
Municipal transit	917,471
Drainage	<u>2,868,579</u>

Total Depreciation Expense - Business-type Activities \$ 19,894,574

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

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 2012, the City expended \$1,347,061 to preserve its roads. The City estimates that it will be required to expend approximately \$2,073,800 in the fiscal year 2013 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, 2012.

<u>Receivable Funds</u>	<u>Amount</u>	<u>Payable Funds</u>	<u>Amount</u>
<u>Major Governmental Fund</u>		<u>Major Proprietary Funds</u>	
General	\$ 965,245	Municipal Airport	\$ 702,200
		Solid Waste	14,805
<u>Nonmajor Governmental Funds</u>		Municipal Transit	1,090,500
Capital Projects Deposit	2,302,700		
General Projects	1,226,190	<u>Nonmajor Governmental Funds</u>	
		Business Improvement District	1,160
		Proposition 1B	570,750
		Transportation Development	510,000
		TEA Grant	655,440
		South County Fire Authority	949,280
Totals	<u>\$ 4,494,135</u>		<u>\$ 4,494,135</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

B. Long-term Interfund Advances

At June 30, 2012, the funds below had made advances which were not expected to be repaid within the next fiscal year.

<u>Funds making advances</u>	<u>Funds receiving advances</u>	<u>Amount</u>
<u>Major Governmental Fund</u>	<u>Major Proprietary Fund</u>	
General	Municipal Airport	\$ 244,057
Water	Municipal Airport	862,500
<u>Nonmajor Governmental Fund</u>	<u>Major Governmental Fund</u>	
Northeast Industrial	Northeast Industrial	
Plan Area #2	Plan Area #1	1,747,454
Totals		\$ 2,854,011

Municipal Airport advance to be repaid over 33 years at 2.42% interest, interest only for 3 years, annual payments of \$40,770 for remaining 30 years. 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	\$ 1,427,405
Agency Housing	\$ 871,833	Community Development	
<u>Nonmajor Governmental Funds</u>		Agency Debt Service	1,271,833
Suoth County Fire Authority	250,000		
Traffic Congestion Relief	4,405		
2007 Lease Revenue Bonds	284,000		
2008 Lease Revenue Bonds	1,289,000		
<u>Major Proprietary Fund</u>		<u>Major Proprietary Fund</u>	
Municipal Airport	418,235	Water Utility	418,235
Totals	\$ 3,117,473		\$ 3,117,473

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

D. Advance to CDA Successor Agency

As of February 1, 2012, the redevelopment agency ceased operations as a component unit of the City and all assets and liabilities were transferred to a private purpose trust fund except for housing assets. The \$2,803,520 was an advance payment from Community Development Housing fund to Community Development Agency Debt Service 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 to the Housing Successor Fund upon approval from Department of Finance.

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, 2012, total \$2,908,999 for governmental activities and \$537,230 for business-type activities.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

B. 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, 2012 was \$27,950,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	745,000	1,149,814	1,894,814
2018-2022	4,210,000	5,246,978	9,456,978
2023-2027	5,250,000	4,190,491	9,440,491
2028-2032	6,620,000	2,806,018	9,426,018
2033-2037	8,390,000	1,033,837	9,423,837
	<u>\$27,950,000</u>	<u>\$19,296,664</u>	<u>\$ 47,246,664</u>

C. 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, 2012 is \$19,285,000

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

C. 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
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	220,000	1,134,826	1,354,826
2018-2022	1,600,000	5,467,869	7,067,869
2023-2027	2,675,000	4,882,423	7,557,423
2028-2032	4,250,000	3,849,774	8,099,774
2033-2037	6,490,000	2,186,899	8,676,899
2038-2039	3,415,000	224,010	3,639,010
	<u>\$ 19,285,000</u>	<u>\$ 22,362,106</u>	<u>\$ 41,647,106</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, 2012 was \$680,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ 335,000	\$ 17,520	\$ 352,520
2014	345,000	6,038	351,038
	<u>\$ 680,000</u>	<u>\$ 23,558</u>	<u>\$ 703,558</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

C. 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, 2012 is \$2,690,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 119,500	\$ 119,500
2014		119,500	119,500
2015		119,500	119,500
2016		119,500	119,500
2017		119,500	119,500
2018-2022		597,500	597,500
2023-2027	455,000	580,436	1,035,436
2028-2032	1,000,000	413,970	1,413,970
2033-2037	1,235,000	171,900	1,406,900
	<u>\$ 2,690,000</u>	<u>\$ 2,361,306</u>	<u>\$ 5,051,306</u>

4) 2007 Lease Revenue Bonds – Series B

On October 25, 2007, the City issued \$1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2009. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2012 was \$1,490,000.

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, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

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

Fiscal Years Ending June 30,	Principal	Interest	Total
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	115,000	44,580	159,580
2018-2022	625,000	151,640	776,640
2023-2025	340,000	25,075	365,075
	<u>\$ 1,490,000</u>	<u>\$ 441,615</u>	<u>\$ 1,931,615</u>

D. 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. During the fiscal year, the City paid off its entire outstanding balance in an amount of \$1,266,669. The outstanding balance of the note at June 30, 2012 was \$0.

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, 2012 was \$72,942. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
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>\$ 72,942</u>	<u>\$ 8,554</u>	<u>\$ 81,496</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, 2012 the City has balance due of \$16,274,382. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	968,268	289,651	1,257,919
2018-2022	5,194,111	1,095,483	6,289,594
2028-2032	5,834,840	454,758	6,289,598
2033-2028	621,687	7,272	628,959
	<u>\$ 16,274,382</u>	<u>\$ 3,223,364</u>	<u>\$ 19,497,746</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, 2012 was \$3,000,000. Maturity date is July 1, 2014. Annual debt service requirements are as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ 1,000,000	\$ 90,000	\$ 1,090,000
2014	1,000,000	60,000	1,060,000
2015	1,000,000	30,000	1,030,000
	<u>\$ 3,000,000</u>	<u>\$ 180,000</u>	<u>\$ 3,180,000</u>

E. 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, 2012 was \$170,293. The future minimum debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	\$ 70,293	\$ 2,810	\$ 73,103
	<u>\$ 70,293</u>	<u>\$ 2,810</u>	<u>\$ 73,103</u>

F. Changes in Long-Term Liabilities

	Balance at July 1, 2011	Additions	Reductions	Transfers	Balance at June 30, 2012	Due within One Year
Governmental Activities:						
Bonds Payable:						
2003 Tax Allocation Bonds	\$48,715,000	\$ -	\$ -	\$(48,715,000)	\$ -	\$ -
2008 Lease Revenue Bonds	19,385,000		100,000		19,285,000	125,000
2007 Revenue Bonds A	2,690,000				2,690,000	
2007 Revenue Bonds B	1,585,000		95,000		1,490,000	95,000
Capital Leases	137,879		67,586		70,293	70,293
Compensated Absences	3,052,593	898,671	1,042,265		2,908,999	982,640
Claims and Judgments	112,494				112,494	56,247
Postretirement Benefits	854,558	416,301	129,295		1,141,564	
Totals	<u>\$76,532,524</u>	<u>\$ 1,314,972</u>	<u>\$ 1,434,146</u>	<u>\$(48,715,000)</u>	<u>\$27,698,350</u>	<u>\$ 1,329,180</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, claims and judgments, and compensated absences are generally liquidated by the general fund.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

F. Changes in Long-Term Liabilities (Continued)

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due within One Year
Business-type Activities:					
Certificates of Participation:					
2004 Wastewater Certificates of Participation	\$28,580,000	\$ -	\$ 630,000	\$ 27,950,000	\$ 650,000
Bonds Payable:					
2003 Wastewater Revenue Bonds	1,000,000		320,000	680,000	335,000
Notes Payable:					
U.S. Economic Development State of California Department of Transportation	1,266,669		1,266,669		
State of California Department of Health Services	91,541		18,599	72,942	19,464
Irrigation District Notes	17,136,325		861,943	16,274,382	882,230
Compensated Absences	5,000,000		2,000,000	3,000,000	1,000,000
	508,423	208,064	179,257	537,230	176,912
Totals	<u>\$53,582,958</u>	<u>\$ 208,064</u>	<u>\$ 5,276,468</u>	<u>\$ 48,514,554</u>	<u>\$ 3,063,606</u>

G. 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.

H. Defeased Debt

As of June 30, 2012, 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, 2012, is as follows:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

<u>Description</u>	<u>Fiscal Year</u>		<u>Balance</u>
	<u>Issue</u> <u>Year</u>	<u>Maturity</u> <u>Year</u>	<u>Outstanding</u> <u>June 30, 2012</u>
93-1 Community Facilities District	1997	2027	\$ 1,010,000
98-4 Morrison Homes Assessment District	1999	2024	1,590,000
99-1 Community Facilities District, 04 Refunding	2004	2025	7,130,000
99-2 Community Facilities District	2000	2026	3,395,000
2000-02 Assessment District	2000	2026	640,000
94-1 Tracy OPJPA 2002 Revenue Bonds, Series A	2002	2022	2,945,000
99-2 Community Facilities District, Series 2002	2003	2028	6,790,000
93-1 Community Facilities District, Series 2002	2003	2033	1,920,000
2003-01 Assessment District	2003	2029	785,000
2003-1205 Residential Assessment District, Series A	2004	2023	6,425,000
2003B Junior Lien	2004	2023	325,000
89-1 Community Facilities District, Series A	2004	2021	8,530,000
89-1 Community Facilities District, Series B	2004	2021	820,000
2005C Revenue bonds (JPA)	2006	2036	13,525,000
2005B Revenue Bonds Junior Lien (JPA)	2006	2036	2,985,000
2005A Revenue Bonds Senior Lien (JPA)	2006	2029	59,835,000
2006-01 NE Industrial Phase II	2007	2037	10,560,000
2011 TOP JPA Revenue Bonds	2012	2028	13,685,000
			<u>\$ 142,895,000</u>

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate \$17.7 million at June 30, 2012.

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, 2012

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 13.808% for miscellaneous employees and 27.253% for fire and police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2012, the City’s annual pension cost of \$7,160,910 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2009, 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 22 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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>			
6/30/2010	\$ 2,371,498	100%	\$ -
6/30/2011	2,169,247	100%	-
6/30/2012	2,552,157	100%	-
<u>Safety</u>			
6/30/2010	\$ 3,941,590	100%	\$ -
6/30/2011	4,034,010	100%	-
6/30/2012	4,608,752	100%	-

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. The City does not explicitly pay for the cost of retiree health premiums, however. The medical plans consist of two HealthNet HMO options, a HealthNet PPO, HealthNet High Deductible Health Plan (HDHP), 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

Annual required contribution	\$	429,163
Plus - Interest contribution		42,728
Less - Amortization adjustment		<u>(55,590)</u>
Annual OPEB cost (expense)		416,301
Contribution made		<u>(129,295)</u>
Increase in net OPEB obligation		287,006
Net OPEB obligation - beginning of fiscal year		<u>854,558</u>
Net OPEB obligation - end of fiscal year		<u>\$ 1,141,564</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
6/30/10	\$ 303,834	32%	\$ 674,275
6/30/11	300,734	80%	854,558
6/30/12	416,301	31%	1,141,564

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,213,284, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,213,284. The covered payroll (annual payroll of active employees covered by the plan) was \$33.2 million, and the ratio of the UAAL to the covered payroll was 9.7 percent.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

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

In the July 1, 2011 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 8.0 percent initially, graded down 1% per year to an ultimate 5% per year beginning in 2014. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2011 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 13 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

B. Fund Balances

As of June 30, 2012, 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 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

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 \$25,676,182 includes a Reserve for Economic Uncertainties in an amount of \$8,002,008

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, 2012 are as follows:

	<u>Governmental</u>	<u>Business-type</u>
Debt Services:		
Sewer	\$ -	\$ 231,967
Other	1,699,221	
	<u>1,699,221</u>	<u>231,967</u>
Restricted for Public Safety:		
Asset forfeiture	80,581	
	<u>80,581</u>	
Streets and Roads:		
Construction and maintenance	4,954,198	
	<u>4,954,198</u>	
Community Development	<u>1,313,817</u>	
Special District:		
Landscaping	<u>3,939,730</u>	
Projects:		
Specific Area/Locations	79,024,540	
	<u>79,024,540</u>	
Housing	<u>14,412,699</u>	
Total Restricted Net Assets	<u>\$ 105,424,786</u>	<u>\$ 231,967</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 14 – RESTRICTED NET ASSETS (Continued)

Included in total governmental restricted net assets at June 30, 2012 are net assets restricted by enabling legislation of \$103,725,565.

NOTE 15 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (see Note13 for a description of these categories). A detailed schedule of fund balances at June 30, 2012 is as follows:

	<u>General</u>	<u>Housing Successor</u>	<u>North East Industrial Plan Area #1</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid items	\$ 1,839		\$ -	\$ 45,825	\$ 47,664
Advances	244,057				244,057
Loans receivable	544,825				544,825
Total nonspendable fund balances	<u>790,721</u>			<u>45,825</u>	<u>836,546</u>
Restricted for:					
Auto theft					
Traffic fines	420,674				420,674
State COPS	24,368				24,368
Housing		2,837,643			2,837,643
Special area projects			180,998	65,333,677	65,514,675
Debt service				2,046,690	2,046,690
Community development				855,014	855,014
Assets forfeiture				79,756	79,756
Streets and roads				4,954,198	4,954,198
CDBG				5,821	5,821
Landscaping district				3,939,730	3,939,730
Cable TV				146,546	146,546
Tracy GROW				1,000,000	1,000,000
Capital projects				13,727,014	13,727,014
Total restricted fund balances	<u>445,042</u>	<u>2,837,643</u>	<u>180,998</u>	<u>92,088,446</u>	<u>95,552,129</u>
Assigned to:					
General					
AC Trust	22,191				22,191
Capital projects				15,338,827	15,338,827
	<u>22,191</u>			<u>15,338,827</u>	<u>15,361,018</u>
Unassigned					
Economic uncertainty	8,002,008				8,002,008
Unassigned	17,674,174			(1,071,047)	16,603,127
	<u>25,676,182</u>			<u>(1,071,047)</u>	<u>24,605,135</u>
Total fund balances	<u>\$ 26,934,136</u>	<u>\$ 2,837,643</u>	<u>\$ 180,998</u>	<u>\$106,402,051</u>	<u>\$136,354,828</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012

NOTE 18 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

During the fiscal year ended June 30, 2012, the City contributed \$2,596,314 for current year coverage and received refunds of \$284,675.

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, 2012 has reserve deposits which cover claims and IBNRs except for \$112,494.

	Worker's Compensation	General Liability	Total	
			2012	2011
Beginning balance	\$ 60,838	\$ 51,656	\$ 112,494	\$ 112,494
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)				135
Claims paid				(135)
Ending balance	\$ 60,838	\$ 51,656	\$ 112,494	\$ 112,494

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 19 - SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Tracy that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 2012-021.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 19 - SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss(gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental fund – (decrease)/increase to net assets of the Successor Agency Trust Funds	\$ 10,190,655
Capital assets recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	3,472,436
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	3,163,232
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(48,715,000)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government- wide financial statements of the City)	<u>\$ (31,888,677)</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 20 – SUCCESSOR AGENCY

A. Capital assets of the Successor Agency as of June 30, 2012 consisted of the following:

	Balance at July 1, 2011	Transfers from CDA	Additions	Deletions	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	\$ -	\$ 2,581,457	\$ -	\$ -	\$ 2,581,457
Total Nondepreciable Capital Assets		2,581,457			2,581,457
Capital assets, being depreciated Improvements		1,450,790			1,450,790
Total Depreciable Capital Assets		1,450,790			1,450,790
Less accumulated depreciation for: Improvements		(559,811)	(40,500)		(600,311)
Total Accumulated Depreciation		(559,811)	(40,500)		(600,311)
Net Depreciable Capital Assets		890,979	(40,500)		850,479
Total Capital Assets, Net	\$ -	\$ 3,472,436	\$ (40,500)	\$ -	\$ 3,431,936

B. Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

	Balance at July 1, 2011	Transfers from CDA	Additions	Reductions	Balance at June 30, 2012	Due within One Year
2003 Tax Allocation Bonds	\$ -	\$ 48,715,000	\$ -	\$ 1,195,000	\$ 47,520,000	\$ 1,245,000
Advances from Successor Housing Fund		2,803,520			2,803,520	
Totals	\$ -	\$ 51,518,520	\$ -	\$ 1,195,000	\$ 50,323,520	\$ 1,245,000

Tax Allocation Bonds

Former Community Development Agency Tax Allocation Bonds

In 1994, the former 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, 2012

NOTE 20 – SUCCESSOR AGENCY (Continued)

Tax Allocation Bonds (Continued)

Former 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, 2012 was \$47,520,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	1,485,000	2,227,661	3,712,661
2018-2022	8,565,000	9,997,980	18,562,980
2023-2027	11,005,000	7,563,520	18,568,520
2028-2032	14,275,000	4,294,712	18,569,712
2033-2034	6,865,000	567,856	7,432,856
	<u>\$ 47,520,000</u>	<u>\$34,168,075</u>	<u>\$81,688,075</u>

Advances from Successor Housing Fund

Successor Housing Fund 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 former Housing Fund was authorized by State SERAF legislation. The fund will repay to the Housing Successor Fund upon approval from Department of Finance.

NOTE 21 – SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through December 13, 2012, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012**

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, 2012**

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 \$2,973,800 in fiscal year 2013. 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	1,347,061
2013	77	2,973,800	

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 \$1,347,061 for street preservation for fiscal year 2012.

**CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012**

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
7/1/2007	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%
7/1/2011	3,213,284	-	3,213,284	0%	33,174,229	9.7%

CITY OF TRACY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2012

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, 2012

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 31,497,600	\$ 31,497,600	\$ 34,079,771	\$ 2,582,171
Licenses, permits, and fees	3,167,130	3,167,130	2,997,556	(169,574)
Fines and forfeitures	1,709,000	1,709,000	1,526,402	(182,598)
Use of money and property	992,000	992,000	993,509	1,509
Intergovernmental	1,123,370	1,381,843	1,199,722	(182,121)
Charges for services	7,974,300	7,988,496	8,213,167	224,671
Special assessments	345,000	345,000	352,344	7,344
Contributions			4,651	4,651
Other revenues	1,371,520	1,371,520	1,262,786	(108,734)
Total revenues	<u>48,179,920</u>	<u>48,452,589</u>	<u>50,629,908</u>	<u>2,177,319</u>
EXPENDITURES				
Current:				
General government:				
Economic development	344,690	393,690	288,055	105,635
General government	3,293,980	3,505,093	3,210,150	294,943
Finance	2,114,580	2,179,640	2,264,708	(85,068)
Non-departmental	250,020	306,160	222,398	83,762
Public safety:				
Police	22,416,850	22,324,267	21,888,918	435,349
Fire	8,486,770	8,486,770	8,736,518	(249,748)
Public works:				
Development and engineering	6,098,310	6,181,495	5,966,717	214,778
Public works	3,321,320	3,315,410	3,081,959	233,451
Culture and leisure:				
Cultural arts	1,225,960	1,225,410	1,233,076	(7,666)
Parks and community services	2,888,020	2,881,070	2,230,294	650,776
Capital outlay	106,000	168,312	132,688	35,624
Total expenditures	<u>50,546,500</u>	<u>50,967,317</u>	<u>49,255,481</u>	<u>1,711,836</u>
Excess of revenues over (under) expenditures	<u>(2,366,580)</u>	<u>(2,514,728)</u>	<u>1,374,427</u>	<u>3,889,155</u>
Other financing sources (uses):				
Transfers in				
Transfers out	<u>(1,173,000)</u>	<u>(1,173,000)</u>	<u>(1,427,405)</u>	<u>(254,405)</u>
Total other financing sources (uses)	<u>(1,173,000)</u>	<u>(1,173,000)</u>	<u>(1,427,405)</u>	<u>(254,405)</u>
Net change in fund balance	(3,539,580)	(3,687,728)	(52,978)	3,634,750
Fund balance at beginning of fiscal year	<u>26,987,114</u>	<u>26,987,114</u>	<u>26,987,114</u>	
Fund balance at end of fiscal year	<u>\$ 23,447,534</u>	<u>\$ 23,299,386</u>	<u>\$ 26,934,136</u>	<u>\$ 3,634,750</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 140,000	\$ 140,000	\$ (11,209)	\$ (151,209)
Intergovernmental			7,230	7,230
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>(3,979)</u>	<u>(143,979)</u>
EXPENDITURES				
Current:				
General government				
Economic development	378,060	206,630	193,074	13,556
Non-departmental	<u>42,000</u>	<u>42,000</u>	<u>24,500</u>	<u>17,500</u>
Total expenditures	<u>420,060</u>	<u>248,630</u>	<u>217,574</u>	<u>31,056</u>
Excess of revenues over (under) expenditures	<u>(280,060)</u>	<u>(108,630)</u>	<u>(221,553)</u>	<u>(112,923)</u>
Other financing sources (uses):				
Transfers in	<u>1,848,000</u>	<u>1,848,000</u>	<u>871,833</u>	<u>(976,167)</u>
Total other financing sources (uses)	<u>1,848,000</u>	<u>1,848,000</u>	<u>871,833</u>	<u>(976,167)</u>
Net change in fund balance before extraordinary item	1,567,940	1,739,370	650,280	(1,089,090)
Extraordinary item				
Loss on transfer of assets and liabilities to RDA successor trust funds			<u>(6,293,202)</u>	<u>(6,293,202)</u>
Net change in fund balance	1,567,940	1,739,370	(5,642,922)	(7,382,292)
Fund balance at beginning of fiscal year	<u>5,642,922</u>	<u>5,642,922</u>	<u>5,642,922</u>	
Fund balance at end of fiscal year	<u>\$ 7,210,862</u>	<u>\$ 7,382,292</u>	<u>\$ -</u>	<u>\$ (7,382,292)</u>

See accompanying notes to required supplemental information

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
HOUSING SUCCESSOR
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 39,199	\$ 39,199
Total revenues			39,199	39,199
EXPENDITURES				
Current:				
General government				
Economic development		171,430	96,081	75,349
Total expenditures		171,430	96,081	75,349
Excess of revenues over (under) expenditures		(171,430)	(56,882)	114,548
Net change in fund balance before extraordinary item		(171,430)	(56,882)	114,548
Extraordinary item				
Gain on transfer of assets and liabilities to RDA successor trust funds			2,894,525	2,894,525
Net change in fund balance		(171,430)	2,837,643	3,009,073
Fund balance at beginning of fiscal year				
Fund balance at end of fiscal year	\$ -	\$ (171,430)	\$ 2,837,643	\$ 3,009,073

See accompanying notes to required supplemental information

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 8,454,900	\$ 4,359,166	\$ (4,095,734)
Use of money and property	25,000	16,815	(8,185)
Intergovernmental	710,000	44,415	(665,585)
Total revenues	<u>9,189,900</u>	<u>4,420,396</u>	<u>(4,769,504)</u>
EXPENDITURES			
Current:			
General government			
Economic development	843,000		843,000
Debt service:			
Principal payments	1,195,000		1,195,000
Interest and fiscal charges	2,526,500	1,262,289	1,264,211
Pass through	2,615,000		2,615,000
Total expenditures	<u>7,179,500</u>	<u>1,262,289</u>	<u>5,917,211</u>
Excess of revenues over (under) expenditures	<u>2,010,400</u>	<u>3,158,107</u>	<u>1,147,707</u>
Other financing sources (uses):			
Transfers out	<u>(2,248,000)</u>	<u>(1,271,833)</u>	<u>976,167</u>
Total other financing sources (uses)	<u>(2,248,000)</u>	<u>(1,271,833)</u>	<u>976,167</u>
Net change in fund balance before extraordinary items	(237,600)	1,886,274	2,123,874
Extraordinary item			
Loss on transfer of assets and liabilities to RDA successor trust funds		<u>(4,915,439)</u>	<u>(4,915,439)</u>
Net change in fund balance	(237,600)	(3,029,165)	(2,791,565)
Fund balance at beginning of fiscal year	<u>3,029,165</u>	<u>3,029,165</u>	
Fund balance at end of fiscal year	<u>\$ 2,791,565</u>	<u>\$ -</u>	<u>\$ (2,791,565)</u>

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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.

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.

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.

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
Assets				
Cash and investments	\$ 7	\$ 79,521	\$ 10	\$ 879
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable	(1)		1,205,764	509,168
Interest receivable		235	(1,108)	
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		825		
Total Assets	\$ 6	\$ 80,581	\$ 1,204,666	\$ 510,047
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	1,160		570,750	510,000
Deposits payable	1,995			
Deferred revenue				
Total Liabilities	3,155		570,750	510,000
Fund Balances:				
Nonspendable				
Prepaid items		825		
Restricted		79,756	633,916	47
Assigned				
Unassigned	(3,149)			
Total Fund Balances (Deficits)	(3,149)	80,581	633,916	47
Total Liabilities and Fund Balances	\$ 6	\$ 80,581	\$ 1,204,666	\$ 510,047

Special Revenue Funds

Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 2,161,479	\$ 1,672,525	\$ 3	\$ 11,453	\$ 4,045,768
258,444 6,857	232,792 6,542	442,162	11,352 43	12,605
				49,393
<u>\$ 2,426,780</u>	<u>\$ 1,911,859</u>	<u>\$ 442,165</u>	<u>\$ 22,848</u>	<u>\$ 4,107,766</u>
\$ 767	\$ 17,637	\$ 75,940 655,440	\$ 387	\$ 168,036
			16,640	
<u>767</u>	<u>17,637</u>	<u>731,380</u>	<u>17,027</u>	<u>168,036</u>
2,426,013	1,894,222		5,821	3,939,730
		(289,215)		
<u>2,426,013</u>	<u>1,894,222</u>	<u>(289,215)</u>	<u>5,821</u>	<u>3,939,730</u>
<u>\$ 2,426,780</u>	<u>\$ 1,911,859</u>	<u>\$ 442,165</u>	<u>\$ 22,848</u>	<u>\$ 4,107,766</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
Assets				
Cash and investments	\$ 81,096	\$ 250,005	\$ -	\$ 100,658
Cash and investments with fiscal agents				
Restricted cash and investments	113,455			
Accounts receivable		1,789,090		45,525
Interest receivable	252			363
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items				
Total Assets	<u>\$ 194,803</u>	<u>\$ 2,039,095</u>	<u>\$ -</u>	<u>\$ 146,546</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,678	\$ 57,841	\$ -	\$ -
Due to other funds		949,280		
Deposits payable		19,379		
Deferred revenue	27,675	1,789,090		
Total Liabilities	<u>33,353</u>	<u>2,815,590</u>		
Fund Balances:				
Nonspendable				
Prepaid items				
Restricted	161,450			146,546
Assigned				
Unassigned		(776,495)		
Total Fund Balances (Deficits)	<u>161,450</u>	<u>(776,495)</u>		<u>146,546</u>
Total Liabilities and Fund Balances	<u>\$ 194,803</u>	<u>\$ 2,039,095</u>	<u>\$ -</u>	<u>\$ 146,546</u>

Debt Service Funds

Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ 89,346	\$ -	\$ 627,275	\$ 1,323,675
	320	(2,188)	2,162	3,912
1,000,000				
<u>\$ 1,000,000</u>	<u>\$ 89,666</u>	<u>\$ (2,188)</u>	<u>\$ 629,437</u>	<u>\$ 1,327,587</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,000,000	89,666		629,437	1,327,587
		(2,188)		
<u>1,000,000</u>	<u>89,666</u>	<u>(2,188)</u>	<u>629,437</u>	<u>1,327,587</u>
<u>\$ 1,000,000</u>	<u>\$ 89,666</u>	<u>\$ (2,188)</u>	<u>\$ 629,437</u>	<u>\$ 1,327,587</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
Assets				
Cash and investments	\$ 5,435,346	\$ 10,261,766	\$ 2,825,206	\$ 5,421,164
Cash and investments with fiscal agents		4,363,929		
Restricted cash and investments				
Accounts receivable	2,678		4,050	
Interest receivable	13,903	27,678	6,904	16,385
Due from other funds				
Deposits				
Advances to other funds		1,747,454		
Loans receivable	2,745,000			
Prepaid items			45,000	
	<u>5,435,346</u>	<u>10,261,766</u>	<u>2,825,206</u>	<u>5,421,164</u>
Total Assets	<u>\$ 8,196,927</u>	<u>\$ 16,400,827</u>	<u>\$ 2,881,160</u>	<u>\$ 5,437,549</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3	\$ 115,358	\$ 4,667	\$ 177
Due to other funds				
Deposits payable				762,058
Deferred revenue	2,745,000			
	<u>2,745,003</u>	<u>115,358</u>	<u>4,667</u>	<u>762,235</u>
Total Liabilities	<u>2,745,003</u>	<u>115,358</u>	<u>4,667</u>	<u>762,235</u>
Fund Balances:				
Nonspendable				
Prepaid items			45,000	
Restricted		16,285,469	2,831,493	4,675,314
Assigned	5,451,924			
Unassigned				
	<u>5,451,924</u>	<u>16,285,469</u>	<u>2,876,493</u>	<u>4,675,314</u>
Total Fund Balances (Deficits)	<u>5,451,924</u>	<u>16,285,469</u>	<u>2,876,493</u>	<u>4,675,314</u>
Total Liabilities and Fund Balances	<u>\$ 8,196,927</u>	<u>\$ 16,400,827</u>	<u>\$ 2,881,160</u>	<u>\$ 5,437,549</u>

Capital Projects Funds					
Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
\$ 3,037,806	\$ 3,650,266	\$ 8,703,521 250,000	\$ 3,338,537	\$ 5,843,557 5,033	\$ 3,517 693,561
2,067 8,236	17,519 2,302,700	26,168	10,071	17,159	
<u>\$ 3,048,109</u>	<u>\$ 5,970,485</u>	<u>\$ 8,979,689</u>	<u>\$ 3,348,608</u>	<u>\$ 5,865,749</u>	<u>\$ 697,078</u>
\$ 178,706	\$ -	\$ 950	\$ -	\$ -	\$ 514
175,901	832,265			825,000	3,000
<u>354,607</u>	<u>832,265</u>	<u>950</u>		<u>825,000</u>	<u>3,514</u>
2,693,502	5,138,220	8,978,739	3,348,608	5,040,749	693,564
<u>2,693,502</u>	<u>5,138,220</u>	<u>8,978,739</u>	<u>3,348,608</u>	<u>5,040,749</u>	<u>693,564</u>
<u>\$ 3,048,109</u>	<u>\$ 5,970,485</u>	<u>\$ 8,979,689</u>	<u>\$ 3,348,608</u>	<u>\$ 5,865,749</u>	<u>\$ 697,078</u>

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
Assets				
Cash and investments	\$ 3,451,619	\$ 20,656,348	\$ 2,691,039	\$ 85,763,392
Cash and investments with fiscal agents			13,727,014	19,039,537
Restricted cash and investments				113,455
Accounts receivable			11,125	4,514,216
Interest receivable	10,947	59,457		244,422
Due from other funds			1,226,190	3,528,890
Deposits				1,000,000
Advances to other funds				1,747,454
Loans receivable				2,794,393
Prepaid items				45,825
Total Assets	\$ 3,462,566	\$ 20,715,805	\$ 17,655,368	\$ 118,791,584
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,876	\$ 2,190	\$ 1,642,600	\$ 2,274,327
Due to other funds				2,686,630
Deposits payable			230,573	2,850,171
Deferred revenue				4,578,405
Total Liabilities	2,876	2,190	1,873,173	12,389,533
Fund Balances:				
Nonspendable				
Prepaid items				45,825
Restricted	3,459,690	20,713,615	13,727,014	92,088,446
Assigned			2,055,181	15,338,827
Unassigned				(1,071,047)
Total Fund Balances (Deficits)	3,459,690	20,713,615	15,782,195	106,402,051
Total Liabilities and Fund Balances	\$ 3,462,566	\$ 20,715,805	\$ 17,655,368	\$ 118,791,584

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 1,914,594
Licenses, permits, and fees				
Fines and penalties		25,900		
Use of money and property	(5)	327	(7,535)	
Intergovernmental	113,979		1,205,764	
Special assessments				
Contributions				
Other revenues				
Charges for services				
Total Revenues	113,974	26,227	1,198,229	1,914,594
EXPENDITURES:				
Current:				
General government				
Economic development	117,144			
General government				
Non-departmental				33,000
Public safety				
Police		6,650		
Fire				
Public works				
Development and engineering				151,176
Public works				476,500
Capital outlay		15,133	137,255	
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	117,144	21,783	137,255	660,676
Excess of Revenues Over (Under) Expenditures	(3,170)	4,444	1,060,974	1,253,918
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances Before Extraordinary Items	(3,170)	4,444	1,060,974	1,253,918
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	(3,170)	4,444	1,060,974	1,253,918
Fund Balances (Deficits), July 1, 2011	21	76,137	(427,058)	(1,253,871)
Fund Balances (Deficits), June 30, 2012	\$ (3,149)	\$ 80,581	\$ 633,916	\$ 47

Special Revenue Funds

Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 1,039,600	\$ -	\$ -	\$ -	\$ -
11,629	9,671		228	18,554
529,162	2,438,952	1,218,288	87,350	2,458,818
376				733
<u>1,580,767</u>	<u>2,448,623</u>	<u>1,218,288</u>	<u>87,578</u>	<u>2,478,105</u>
			92,381	
	34,750			76,750
721,976	1,906,883 803,411	1,089,909		2,065,140 43,911
<u>721,976</u>	<u>2,745,044</u>	<u>1,089,909</u>	<u>92,381</u>	<u>2,185,801</u>
<u>858,791</u>	<u>(296,421)</u>	<u>128,379</u>	<u>(4,803)</u>	<u>292,304</u>
858,791	(296,421)	128,379	(4,803)	292,304
858,791	(296,421)	128,379	(4,803)	292,304
1,567,222	2,190,643	(417,594)	10,624	3,647,426
<u>\$ 2,426,013</u>	<u>\$ 1,894,222</u>	<u>\$ (289,215)</u>	<u>\$ 5,821</u>	<u>\$ 3,939,730</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, 2012
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				175,856
Fines and penalties				
Use of money and property	924		(3,757)	601
Intergovernmental		4,590,589		
Special assessments				
Contributions				
Other revenues				
Charges for services		174,139		446
Total Revenues	924	4,764,728	(3,757)	176,903
EXPENDITURES:				
Current:				
General government				
Economic development				27,734
General government				51,838
Non-departmental		221,399		17,900
Public safety				
Police				
Fire		6,468,601		
Public works				
Development and engineering				
Public works				
Capital outlay		125,688		5,156
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		6,815,688		102,628
Excess of Revenues Over (Under) Expenditures	924	(2,050,960)	(3,757)	74,275
OTHER FINANCING SOURCES (USES):				
Transfers in		250,000	4,405	
Total Other Financing Sources (Uses)		250,000	4,405	
Net Change in Fund Balances Before Extraordinary Items	924	(1,800,960)	648	74,275
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	924	(1,800,960)	648	74,275
Fund Balances (Deficits), July 1, 2011	160,526	1,024,465	(648)	72,271
Fund Balances (Deficits), June 30, 2012	<u>\$ 161,450</u>	<u>\$ (776,495)</u>	<u>\$ -</u>	<u>\$ 146,546</u>

Debt Service Funds

Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -
	1,089	(1,907)	6,003	6,664
	<u>1,089</u>	<u>(1,907)</u>	<u>6,003</u>	<u>6,664</u>
	95,000		100,000	
	<u>189,230</u>		<u>1,171,261</u>	
	284,230		1,271,261	
	<u>(283,141)</u>	<u>(1,907)</u>	<u>(1,265,258)</u>	<u>6,664</u>
	284,000		1,289,000	
	<u>284,000</u>		<u>1,289,000</u>	
	859	(1,907)	23,742	6,664
	<u>859</u>	<u>(1,907)</u>	<u>23,742</u>	<u>6,664</u>
1,000,000	<u>88,807</u>	<u>(281)</u>	<u>605,695</u>	<u>1,320,923</u>
<u>\$ 1,000,000</u>	<u>\$ 89,666</u>	<u>\$ (2,188)</u>	<u>\$ 629,437</u>	<u>\$ 1,327,587</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, 2012
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Fines and penalties				
Use of money and property	(35,715)	(80,315)	9,256	52,602
Intergovernmental				
Special assessments			4,110	349,733
Contributions				818,508
Other revenues				
Charges for services				
Total Revenues	<u>(35,715)</u>	<u>(80,315)</u>	<u>13,366</u>	<u>1,220,843</u>
EXPENDITURES:				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering	10,000			
Public works				
Capital outlay	5,438	1,188,194	1,330,714	136,470
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>15,438</u>	<u>1,188,194</u>	<u>1,330,714</u>	<u>136,470</u>
Excess of Revenues Over (Under) Expenditures	<u>(51,153)</u>	<u>(1,268,509)</u>	<u>(1,317,348)</u>	<u>1,084,373</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances Before Extraordinary Items	(51,153)	(1,268,509)	(1,317,348)	1,084,373
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	(51,153)	(1,268,509)	(1,317,348)	1,084,373
Fund Balances (Deficits), July 1, 2011	<u>5,503,077</u>	<u>17,553,978</u>	<u>4,193,841</u>	<u>3,590,941</u>
Fund Balances (Deficits), June 30, 2012	<u>\$ 5,451,924</u>	<u>\$ 16,285,469</u>	<u>\$ 2,876,493</u>	<u>\$ 4,675,314</u>

Capital Projects Funds

Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,137	29,800	43,108	27,734	7,751	110,307
		610,974	318,484		103,854
729,984	36,677	250,000			15,319
<u>744,121</u>	<u>66,477</u>	<u>904,082</u>	<u>346,218</u>	<u>7,751</u>	<u>229,480</u>
					240,026
1,377,146	65,052	206,600	44,917	129,790	3,677,131
<u>1,377,146</u>	<u>65,052</u>	<u>206,600</u>	<u>44,917</u>	<u>129,790</u>	<u>3,917,157</u>
<u>(633,025)</u>	<u>1,425</u>	<u>697,482</u>	<u>301,301</u>	<u>(122,039)</u>	<u>(3,687,677)</u>
					(1,876,539)
(633,025)	1,425	697,482	301,301	(122,039)	(3,687,677)
<u>(633,025)</u>	<u>1,425</u>	<u>697,482</u>	<u>301,301</u>	<u>(122,039)</u>	<u>(5,564,216)</u>
<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>\$ 2,693,502</u>	<u>\$ 5,138,220</u>	<u>\$ 8,978,739</u>	<u>\$ 3,348,608</u>	<u>\$ 5,040,749</u>	<u>\$ 693,564</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, 2012
(Continued)

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 2,954,194
Licenses, permits, and fees				175,856
Fines and penalties				25,900
Use of money and property	75,176	123,501	1,780	421,608
Intergovernmental			452,933	10,740,871
Special assessments				3,742,119
Contributions			2,960,715	4,795,884
Other revenues			15,221	31,649
Charges for services				174,585
				<u>174,585</u>
Total Revenues	<u>75,176</u>	<u>123,501</u>	<u>3,430,649</u>	<u>23,062,666</u>
EXPENDITURES:				
Current:				
General government				
Economic development				237,259
General government				51,838
Non-departmental				383,799
Public safety				
Police				6,650
Fire				6,468,601
Public works				
Development and engineering				401,202
Public works				4,448,523
Capital outlay	217,505	1,065,003	6,691,278	19,077,677
Debt service:				
Principal payments				195,000
Interest and fiscal charges				1,360,491
				<u>1,360,491</u>
Total Expenditures	<u>217,505</u>	<u>1,065,003</u>	<u>6,691,278</u>	<u>32,631,040</u>
Excess of Revenues Over (Under) Expenditures	<u>(142,329)</u>	<u>(941,502)</u>	<u>(3,260,629)</u>	<u>(9,568,374)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				1,827,405
				<u>1,827,405</u>
Total Other Financing Sources (Uses)				<u>1,827,405</u>
Net Change in Fund Balances Before Extraordinary Items	(142,329)	(941,502)	(3,260,629)	(7,740,969)
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				(1,876,539)
				<u>(1,876,539)</u>
Net Changes in Fund Balances	(142,329)	(941,502)	(3,260,629)	(9,617,508)
Fund Balances (Deficits), July 1, 2011	<u>3,602,019</u>	<u>21,655,117</u>	<u>19,042,824</u>	<u>116,019,559</u>
Fund Balances (Deficits), June 30, 2012	<u>\$ 3,459,690</u>	<u>\$ 20,713,615</u>	<u>\$ 15,782,195</u>	<u>\$ 106,402,051</u>

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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, 2012

	Business Improvement District			Asset Forfeiture		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties				20,000	25,900	5,900
Use of money and property		(5)	(5)		327	327
Intergovernmental		113,979	113,979			
Special assessments	135,000		(135,000)			
Contributions						
Other revenues						
Charges for services						
Total Revenues	135,000	113,974	(21,026)	20,000	26,227	6,227
Expenditures:						
Current:						
General government						
Economic development	135,000	117,144	17,856			
General governmental						
Non-departmental						
Public safety						
Police				28,750	6,650	22,100
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay				15,250	15,133	117
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	135,000	117,144	17,856	44,000	21,783	22,217
Excess of revenues over (under) expenditures		(3,170)	(3,170)	(24,000)	4,444	28,444
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	\$ -	(3,170)	\$ (3,170)	\$ (24,000)	4,444	\$ 28,444
Fund Balances (Deficits), July 1, 2011		21			76,137	
Fund Balances (Deficits), June 30, 2012		<u>\$ (3,149)</u>			<u>\$ 80,581</u>	

Transportation Development			Proposition K Transportation Tax			State Gas Tax Street		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 1,400,000	\$ 1,914,594	\$ 514,594	\$ 980,000	\$ 1,039,600	\$ 59,600	\$ -	\$ -	\$ -
			618,442	11,629 529,162	11,629 (89,280)	2,194,050	9,671 2,438,952	9,671 244,902
				376	376			
<u>1,400,000</u>	<u>1,914,594</u>	<u>514,594</u>	<u>1,598,442</u>	<u>1,580,767</u>	<u>(17,675)</u>	<u>2,194,050</u>	<u>2,448,623</u>	<u>254,573</u>
37,000	33,000	4,000				39,000	34,750	4,250
175,000 576,500	151,176 476,500	23,824 100,000		721,976	(721,976)	2,013,500	1,906,883	106,617
							803,411	(803,411)
<u>788,500</u>	<u>660,676</u>	<u>127,824</u>		<u>721,976</u>	<u>(721,976)</u>	<u>2,052,500</u>	<u>2,745,044</u>	<u>(692,544)</u>
<u>611,500</u>	<u>1,253,918</u>	<u>642,418</u>	<u>1,598,442</u>	<u>858,791</u>	<u>(739,651)</u>	<u>141,550</u>	<u>(296,421)</u>	<u>(437,971)</u>
<u>\$ 611,500</u>	<u>1,253,918</u>	<u>\$ 642,418</u>	<u>\$ 1,598,442</u>	<u>858,791</u>	<u>\$ (739,651)</u>	<u>\$ 141,550</u>	<u>(296,421)</u>	<u>\$ (437,971)</u>
	(1,253,871)			1,567,222			2,190,643	
	<u>\$ 47</u>			<u>\$ 2,426,013</u>			<u>\$ 1,894,222</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, 2012
(Continued)

	TEA Grant			Community Development Block Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property					228	228
Intergovernmental	9,944,181	1,218,288	(8,725,893)	461,330	87,350	(373,980)
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues	<u>9,944,181</u>	<u>1,218,288</u>	<u>(8,725,893)</u>	<u>461,330</u>	<u>87,578</u>	<u>(373,752)</u>
Expenditures:						
Current:						
General government						
Economic development				333,330	92,381	240,949
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay		1,089,909	(1,089,909)			
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures		<u>1,089,909</u>	<u>(1,089,909)</u>	<u>333,330</u>	<u>92,381</u>	<u>240,949</u>
Excess of revenues over (under) expenditures	<u>9,944,181</u>	<u>128,379</u>	<u>(9,815,802)</u>	<u>128,000</u>	<u>(4,803)</u>	<u>(132,803)</u>
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	<u>\$ 9,944,181</u>	<u>128,379</u>	<u>\$ (9,815,802)</u>	<u>\$ 128,000</u>	<u>(4,803)</u>	<u>\$ (132,803)</u>
Fund Balances (Deficits), July 1, 2011		(417,594)			10,624	
Fund Balances (Deficits), June 30, 2012		<u>\$ (289,215)</u>			<u>\$ 5,821</u>	

Landscaping District			South County Fire Authority			Community Access CTV		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90,000	18,554	(71,446)	6,713,000	4,590,589	(2,122,411)	160,000	175,856	15,856
2,366,000	2,458,818	92,818					601	601
	733	733	148,400	174,139	25,739	500	446	(54)
2,456,000	2,478,105	22,105	6,861,400	4,764,728	(2,096,672)	160,500	176,903	16,403
						33,166	27,734	5,432
88,300	76,750	11,550	199,900	221,399	(21,499)	58,000	51,838	6,162
			6,788,445	6,468,601	319,844	13,700	17,900	(4,200)
2,229,530	2,065,140	164,390						
	43,911	(43,911)	133,030	125,688	7,342	4,904	5,156	(252)
2,317,830	2,185,801	132,029	7,121,375	6,815,688	305,687	109,770	102,628	7,142
138,170	292,304	154,134	(259,975)	(2,050,960)	(1,790,985)	50,730	74,275	23,545
				250,000	250,000			
				250,000	250,000			
\$ 138,170	292,304	\$ 154,134	\$ (259,975)	(1,800,960)	\$ (1,540,985)	\$ 50,730	74,275	\$ 23,545
	3,647,426			1,024,465			72,271	
	\$ 3,939,730			\$ (776,495)			\$ 146,546	

(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, 2012
(Continued)

	2007 Lease Revenue Bonds			2008 Lease Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property		1,089	1,089		6,003	6,003
Intergovernmental						
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues		1,089	1,089		6,003	6,003
Expenditures:						
Current:						
General government						
Economic development						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments	90,000	95,000	(5,000)	80,000	100,000	(20,000)
Interest and fiscal charges	194,800	189,230	5,570	1,274,500	1,171,261	103,239
Total Expenditures	284,800	284,230	570	1,354,500	1,271,261	83,239
Excess of revenues over (under) expenditures	(284,800)	(283,141)	1,659	(1,354,500)	(1,265,258)	89,242
Other Financing Sources (Uses):						
Transfers in	284,000	284,000		1,289,000	1,289,000	
Total Other Financing Sources (Uses)	284,000	284,000		1,289,000	1,289,000	
Net Change in Fund Balances	\$ (800)	859	\$ 1,659	\$ (65,500)	23,742	\$ 89,242
Fund Balances (Deficits), July 1, 2011		88,807			605,695	
Fund Balances (Deficits), June 30, 2012		<u>\$ 89,666</u>			<u>\$ 629,437</u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

CENTRAL GARAGE FUND

Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

CENTRAL SERVICES FUND

Established to account for monies received from various funds for postage, telephone, and copying charges.

EQUIPMENT ACQUISITION FUND

Established to account for the replacement of equipment utilized by City departments.

BUILDING MAINTENANCE FUND

Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

INSURANCE FUND

Established to finance and account for the City's risk management and insurance programs.

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Central Garage	Central Services	Equipment Acquisition
ASSETS			
Current assets:			
Cash and investments	\$ 653,636	\$ 260,523	\$ 8,123,828
Accounts receivable - net			9,819
Prepaid expenses		14,902	
Total current assets	<u>653,636</u>	<u>275,425</u>	<u>8,133,647</u>
Noncurrent Assets:			
Loans receivable			<u>12,749</u>
Depreciable:			
Buildings	67,824		85,322
Improvements	545,513	9,239	
Equipment	27,704	125,001	22,001,621
Intangibles			698,908
Total depreciable capital assets	641,041	134,240	22,785,851
Less accumulated depreciation	<u>(521,307)</u>	<u>(132,413)</u>	<u>(17,252,711)</u>
Depreciable capital assets, net	<u>119,734</u>	<u>1,827</u>	<u>5,533,140</u>
Total capital assets, net	<u>119,734</u>	<u>1,827</u>	<u>5,533,140</u>
Total Assets	<u>\$ 773,370</u>	<u>\$ 277,252</u>	<u>\$ 13,679,536</u>

Building Maintenance	Insurance	Totals
\$ 475,757	\$ 1,975,452	\$ 11,489,196
		9,819
		14,902
475,757	1,975,452	11,513,917
		12,749
		153,146
		554,752
4,670		22,158,996
		698,908
4,670		23,565,802
(4,670)		(17,911,101)
		5,654,701
		5,654,701
\$ 475,757	\$ 1,975,452	\$ 17,181,367

(Continued)

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Central Garage	Central Services	Equipment Acquisition
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 13,530	\$ 7,483	\$ 181,226
Claims and judgments payable			70,293
Capital lease payable			1,489
Compensated absences	9,968	21,801	
Accrued interest payable			1,489
	<u>23,498</u>	<u>29,284</u>	<u>253,008</u>
Total current liabilities	<u>23,498</u>	<u>29,284</u>	<u>253,008</u>
Noncurrent Liabilities:			
Compensated absences	3,707	29,116	
Claims and judgments payable			
	<u>3,707</u>	<u>29,116</u>	
Total noncurrent liabilities	<u>3,707</u>	<u>29,116</u>	
Total Liabilities	<u>27,205</u>	<u>58,400</u>	<u>253,008</u>
NET ASSETS			
Investment in capital assets, net of related debt	119,734	1,827	5,462,847
Unrestricted	626,431	217,025	7,963,681
	<u>746,165</u>	<u>218,852</u>	<u>13,426,528</u>
Total Net Assets	<u>\$ 746,165</u>	<u>\$ 218,852</u>	<u>\$ 13,426,528</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 45,420	\$ 80,591	\$ 328,250
	56,247	56,247
		70,293
11,669	7,045	50,483
		1,489
<u>57,089</u>	<u>143,883</u>	<u>506,762</u>
17,498	19,593	69,914
	56,247	56,247
<u>17,498</u>	<u>75,840</u>	<u>126,161</u>
<u>74,587</u>	<u>219,723</u>	<u>632,923</u>
401,170	1,755,729	5,584,408
		10,964,036
<u>\$ 401,170</u>	<u>\$ 1,755,729</u>	<u>\$ 16,548,444</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,304,316	\$ 1,361,924	\$ 1,193,564
Other revenues	193		
Total Operating Revenues	<u>1,304,509</u>	<u>1,361,924</u>	<u>1,193,564</u>
Expenses:			
Maintenance and operation	1,238,069	1,352,140	56,544
Administration	35,100		
Insurance costs and claims			
Depreciation	<u>37,484</u>	<u>626</u>	<u>1,980,139</u>
Total Expenses	<u>1,310,653</u>	<u>1,352,766</u>	<u>2,036,683</u>
Operating Income (Loss)	(6,144)	9,158	(843,119)
Non-Operating Revenues (Expenses)			
Interest expense			(4,085)
Loss on sale of capital assets			<u>(241,607)</u>
Income (Loss) Before Capital Contributions and Transfers	(6,144)	9,158	(1,088,811)
Capital Contributions			<u>597,337</u>
Change in Net Assets	(6,144)	9,158	(491,474)
Net Assets, July 1, 2011	<u>752,309</u>	<u>209,694</u>	<u>13,918,002</u>
Net Assets, June 30, 2012	<u>\$ 746,165</u>	<u>\$ 218,852</u>	<u>\$ 13,426,528</u>

Building Maintenance	Insurance	Totals
\$ 1,069,587	\$ 3,295,443 468,731	\$ 8,224,834 468,924
<u>1,069,587</u>	<u>3,764,174</u>	<u>8,693,758</u>
938,015 40,285	899,880 2,596,314	4,484,648 75,385 2,596,314 2,018,249
<u>978,300</u>	<u>3,496,194</u>	<u>9,174,596</u>
91,287	267,980	(480,838)
		(4,085) (241,607)
<u>91,287</u>	<u>267,980</u>	<u>(726,530)</u>
		597,337
<u>91,287</u>	<u>267,980</u>	<u>(129,193)</u>
<u>309,883</u>	<u>1,487,749</u>	<u>16,677,637</u>
<u>\$ 401,170</u>	<u>\$ 1,755,729</u>	<u>\$ 16,548,444</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,304,509	\$ 1,364,904	\$ 1,184,435
Payments to suppliers and users	(920,517)	(595,556)	124,615
Payments to employees	(371,341)	(777,676)	
Net Cash Provided (Used) by Operating Activities	<u>12,651</u>	<u>(8,328)</u>	<u>1,309,050</u>
Cash flows from Non-Capital Financing Activities:			
Principal on loans receivable			45,214
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>45,214</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions			597,337
Principal paid on long-term debt			(67,586)
Interest paid			(5,517)
Acquisitions of capital assets			(1,226,124)
Net Cash Used by Capital and Related Financing Activities			<u>(701,890)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,651	(8,328)	652,374
Cash and Cash Equivalents, July 1, 2011	<u>640,985</u>	<u>268,851</u>	<u>7,471,454</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 653,636</u>	<u>\$ 260,523</u>	<u>\$ 8,123,828</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (6,144)	\$ 9,158	\$ (843,119)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	37,484	626	1,980,139
(Increase) Decrease in Operating Assets:			
Accounts receivable		2,980	(9,129)
Prepaid expenses		(8,899)	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(20,937)	(3,060)	181,159
Compensated absences	2,248	(9,133)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,651</u>	<u>\$ (8,328)</u>	<u>\$ 1,309,050</u>

Building Maintenance	Insurance	Totals
\$ 1,069,587	\$ 3,764,174	\$ 8,687,609
(464,241)	(3,036,678)	(4,892,377)
<u>(484,048)</u>	<u>(440,167)</u>	<u>(2,073,232)</u>
121,298	287,329	1,722,000
		<u>45,214</u>
		<u>45,214</u>
		597,337
		(67,586)
		(5,517)
		<u>(1,226,124)</u>
		<u>(701,890)</u>
121,298	287,329	1,065,324
<u>354,459</u>	<u>1,688,123</u>	<u>10,423,872</u>
<u>\$ 475,757</u>	<u>\$ 1,975,452</u>	<u>\$ 11,489,196</u>
\$ 91,287	\$ 267,980	\$ (480,838)
		2,018,249
		(6,149)
		(8,899)
24,234	35,173	216,569
<u>5,777</u>	<u>(15,824)</u>	<u>(16,932)</u>
<u>\$ 121,298</u>	<u>\$ 287,329</u>	<u>\$ 1,722,000</u>

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are fiduciary funds that include a statement of net assets and statement of changes in net assets. These funds are used to account for assets held by the City as trustee for the Successor Agency to the Community Development Agency of the City of Tracy. The trust funds are custodial in nature and do not involve measurement of results of operations, however, they do use the full accrual basis of accounting to recognize receivables and payables.

Private-purpose trust funds are presented separately in the Fund Financial Statements, including the funds below:

DOWNTOWN PROJECTS FUND

Established to account for the activities of the Successor Agency which relate to ongoing Downtown Projects.

CDA SUCCESSOR AGENCY FUND

The CDA Successor Agency Fund accounts for other current activities of the Successor Agency.

REDEVELOPMENT OBLIGATIONS FUND

The Redevelopment Obligations Fund accounts for activity related to enforceable obligations of the Successor Agency.

**CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012**

	<u>Downtown Projects</u>	<u>CDA Successor Agency</u>	<u>Redevelopment Obligations Funds</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 2,003,137	\$ 841,408	\$ 1,151,589	\$ 3,996,134
Cash and investments with fiscal agents		3,776,747		3,776,747
Restricted cash and investments		3,449,903		3,449,903
Accounts receivable		401,267		401,267
Interest receivable	2,337	17,259	4,391	23,987
Deferred charges, net of accumulated amortization		3,103,548		3,103,548
Capital assets, not being depreciated		2,581,457		2,581,457
Capital assets, being depreciated, net of accumulated depreciation		<u>850,479</u>		<u>850,479</u>
Total Assets	<u>2,005,474</u>	<u>15,022,068</u>	<u>1,155,980</u>	<u>18,183,522</u>
LIABILITIES				
Accounts payable		251		251
Accrued interest payable		811,362		811,362
Deposits payable				
Unearned revenue			1,143,472	1,143,472
Noncurrent liabilities:				
Due within one year		1,245,000		1,245,000
Due in more than one year		<u>49,078,520</u>		<u>49,078,520</u>
Total Liabilities		<u>51,135,133</u>	<u>1,143,472</u>	<u>52,278,605</u>
NET ASSETS				
Unrestricted	<u>2,005,474</u>	<u>(36,113,065)</u>	<u>12,508</u>	<u>(34,095,083)</u>
Total Net assets	<u>\$ 2,005,474</u>	<u>\$ (36,113,065)</u>	<u>\$ 12,508</u>	<u>\$ (34,095,083)</u>

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	<u>Downtown Projects</u>	<u>CDA Successor Agency</u>	<u>Redevelopment Obligations Funds</u>	<u>Total</u>
Additions:				
Investment revenue	\$ -	\$ 80,610	\$ 12,508	\$ 93,118
Net assets received upon dissolution of redevelopment agency	1,876,539	(33,765,216)		(31,888,677)
Other revenues	<u>250,000</u>			<u>250,000</u>
Total additions	<u>2,126,539</u>	<u>(33,684,606)</u>	<u>12,508</u>	<u>(31,545,559)</u>
Deductions:				
Administration	121,065			121,065
Depreciation		40,500		40,500
Interest expenses		2,137,959		2,137,959
Pass-through payments		<u>250,000</u>		<u>250,000</u>
Total deductions	<u>121,065</u>	<u>2,428,459</u>		<u>2,549,524</u>
Change in net assets	2,005,474	(36,113,065)	12,508	(34,095,083)
Net Assets July 1, 2011				
Net Assets, June 30, 2012	<u>\$ 2,005,474</u>	<u>\$ (36,113,065)</u>	<u>\$ 12,508</u>	<u>\$ (34,095,083)</u>

AGENCY FUNDS

GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities, and non-public organizations. These funds include the following:

87-3 ASSESSMENT FUND

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

84-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

89-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 89-1 Community Facilities District property owners until they are remitted to the bond trustee.

94-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 94-1 Community Facilities District property owners until they are remitted to the bond trustee.

93-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 93-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-3 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-3 Community Facilities District Property owners until they are remitted to the bond trustee.

98-4 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.

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, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>87-3 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 730,041	\$ 1,473,614	\$ (2,195,767)	\$ 7,888
Cash and investments with fiscal agents	3,085,611	4,776	(3,090,387)	
Interest receivable	5,623		(6,592)	(969)
Total assets	\$ 3,821,275	\$ 1,478,390	\$ (5,292,746)	\$ 6,919
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,821,275	\$ 1,478,390	\$ (5,292,746)	\$ 6,919
Total liabilities	\$ 3,821,275	\$ 1,478,390	\$ (5,292,746)	\$ 6,919

<u>84-1 Assessment District</u>				
<u>Assets:</u>				
Interest receivable	\$ (1,355)	\$ -	\$ (9,218)	\$ (10,573)
Total assets	\$ (1,355)	\$ -	\$ (9,218)	\$ (10,573)
<u>Liabilities</u>				
Due to assessment district bondholders	\$ (1,355)	\$ -	\$ (9,218)	\$ (10,573)
Total liabilities	\$ (1,355)	\$ -	\$ (9,218)	\$ (10,573)

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>89-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 3,259,678	\$ 7,276,977	\$ (7,634,351)	\$ 2,902,304
Cash and investments with fiscal agents	1,762,530	7,643,903	(6,990,103)	2,416,330
Interest receivable	13,734	8,701	(13,734)	8,701
Total assets	<u>\$ 5,035,942</u>	<u>\$ 14,929,581</u>	<u>\$ (14,638,188)</u>	<u>\$ 5,327,335</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 5,035,942</u>	<u>\$ 14,929,581</u>	<u>\$ (14,638,188)</u>	<u>\$ 5,327,335</u>
Total liabilities	<u>\$ 5,035,942</u>	<u>\$ 14,929,581</u>	<u>\$ (14,638,188)</u>	<u>\$ 5,327,335</u>
<u>94-1 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 494,132	\$ 165,502	\$ (378,847)	\$ 280,787
Cash and investments with fiscal agents	636,929	383,052	(152,264)	867,717
Interest receivable	1,853	748	(1,853)	748
Total assets	<u>\$ 1,132,914</u>	<u>\$ 549,302</u>	<u>\$ (532,964)</u>	<u>\$ 1,149,252</u>
<u>Liabilities</u>				
Due to assessment district bondholders	<u>\$ 1,132,914</u>	<u>\$ 549,302</u>	<u>\$ (532,964)</u>	<u>\$ 1,149,252</u>
Total liabilities	<u>\$ 1,132,914</u>	<u>\$ 549,302</u>	<u>\$ (532,964)</u>	<u>\$ 1,149,252</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>93-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,671,172	\$ 174,334	\$ (326,129)	\$ 2,519,377
Cash and investments with fiscal agents	779,789	329,984	(63,836)	1,045,937
Interest receivable	12,765	7,404	(12,765)	7,404
Total assets	\$ 3,463,726	\$ 511,722	\$ (402,730)	\$ 3,572,718
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,463,726	\$ 511,722	\$ (402,730)	\$ 3,572,718
Total liabilities	\$ 3,463,726	\$ 511,722	\$ (402,730)	\$ 3,572,718
<u>98-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 3,088,705	\$ 4,491,902	\$ (6,796,792)	\$ 783,815
Cash and investments with fiscal agents	36,427	6,796,792	(4,595,274)	2,237,945
Interest receivable	7,376	1,698	(7,376)	1,698
Total assets	\$ 3,132,508	\$ 11,290,392	\$ (11,399,442)	\$ 3,023,458
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 3,132,508	\$ 11,290,392	\$ (11,399,442)	\$ 3,023,458
Total liabilities	\$ 3,132,508	\$ 11,290,392	\$ (11,399,442)	\$ 3,023,458

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>98-3 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 118,294	\$ 383,747	\$ (425,707)	\$ 76,334
Cash and investments with fiscal agents	1,275,903	425,707	(144,794)	1,556,816
Interest receivable	81	277	(81)	277
Total assets	<u>\$ 1,394,278</u>	<u>\$ 809,731</u>	<u>\$ (570,582)</u>	<u>\$ 1,633,427</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,394,278	\$ 809,731	\$ (570,582)	\$ 1,633,427
Total liabilities	<u>\$ 1,394,278</u>	<u>\$ 809,731</u>	<u>\$ (570,582)</u>	<u>\$ 1,633,427</u>
 <u>98-4 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 128,994	\$ -	\$ (104,765)	\$ 24,229
Cash and investments with fiscal agents	265,380	1,831,146	(2,096,526)	
Interest receivable	356	30	(356)	30
Total assets	<u>\$ 394,730</u>	<u>\$ 1,831,176</u>	<u>\$ (2,201,647)</u>	<u>\$ 24,259</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,800	\$ -	\$ 1,800
Due to assessment district bondholders	394,730	1,829,376	(2,201,647)	22,459
Total liabilities	<u>\$ 394,730</u>	<u>\$ 1,831,176</u>	<u>\$ (2,201,647)</u>	<u>\$ 24,259</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>99-1 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 652,657	\$ 347,913	\$ (684,694)	\$ 315,876
Cash and investments with fiscal agents	1,014,940	1,117,845	(735,715)	1,397,070
Interest receivable	1,337	971	(1,337)	971
Total assets	<u>\$ 1,668,934</u>	<u>\$ 1,466,729</u>	<u>\$ (1,421,746)</u>	<u>\$ 1,713,917</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,668,934	\$ 1,466,729	\$ (1,421,746)	\$ 1,713,917
Total liabilities	<u>\$ 1,668,934</u>	<u>\$ 1,466,729</u>	<u>\$ (1,421,746)</u>	<u>\$ 1,713,917</u>
<u>99-2 Community Facilities District</u>				
<u>Assets:</u>				
Cash and investments	\$ 497,069	\$ -	\$ (425,051)	\$ 72,018
Cash and investments with fiscal agents	1,409,698	11,627,683	(13,037,389)	(8)
Interest receivable	766	139	(766)	139
Total assets	<u>\$ 1,907,533</u>	<u>\$ 11,627,822</u>	<u>\$ (13,463,206)</u>	<u>\$ 72,149</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 1,907,533	\$ 11,627,822	\$ (13,463,206)	\$ 72,149
Total liabilities	<u>\$ 1,907,533</u>	<u>\$ 11,627,822</u>	<u>\$ (13,463,206)</u>	<u>\$ 72,149</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>2000-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 593,107	\$ 10,748	\$ (441,025)	\$ 162,830
Cash and investments with fiscal agents	175,172	730,315	(261,993)	643,494
Interest receivable	61	607	(61)	607
Total assets	<u>\$ 768,340</u>	<u>\$ 741,670</u>	<u>\$ (703,079)</u>	<u>\$ 806,931</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 768,340	\$ 741,670	\$ (703,079)	\$ 806,931
Total liabilities	<u>\$ 768,340</u>	<u>\$ 741,670</u>	<u>\$ (703,079)</u>	<u>\$ 806,931</u>
<u>2000-02 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ (2,859)	\$ -	\$ (39,221)	\$ (42,080)
Cash and investments with fiscal agents	106,874	75,291	(182,165)	
Total assets	<u>\$ 104,015</u>	<u>\$ 75,291</u>	<u>\$ (221,386)</u>	<u>\$ (42,080)</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,800	\$ -	\$ 1,800
Due to assessment district bondholders	104,015	73,491	(221,386)	(43,880)
Total liabilities	<u>\$ 104,015</u>	<u>\$ 75,291</u>	<u>\$ (221,386)</u>	<u>\$ (42,080)</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>2006-01 NE Industrial # 2</u>				
<u>Assets:</u>				
Cash and investments	\$ 357,476	\$ 357,167	\$ (723,138)	\$ (8,495)
Cash and investments with fiscal agents	1,839,262	939,303	(438,724)	2,339,841
Interest receivable	447		(524)	(77)
Total assets	<u>\$ 2,197,185</u>	<u>\$ 1,296,470</u>	<u>\$ (1,162,386)</u>	<u>\$ 2,331,269</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,197,185	\$ 1,296,470	\$ (1,162,386)	\$ 2,331,269
Total liabilities	<u>\$ 2,197,185</u>	<u>\$ 1,296,470</u>	<u>\$ (1,162,386)</u>	<u>\$ 2,331,269</u>
<u>1999 I205 Residential Reassessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,037,869	\$ 395,536	\$ (897,370)	\$ 536,035
Cash and investments with fiscal agents	1,515,093	1,461,036	(879,061)	2,097,068
Interest receivable	3,721	1,395	(3,721)	1,395
Total assets	<u>\$ 2,556,683</u>	<u>\$ 1,857,967</u>	<u>\$ (1,780,152)</u>	<u>\$ 2,634,498</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 2,556,683	\$ 1,857,967	\$ (1,780,152)	\$ 2,634,498
Total liabilities	<u>\$ 2,556,683</u>	<u>\$ 1,857,967</u>	<u>\$ (1,780,152)</u>	<u>\$ 2,634,498</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>2000-03 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 36,126	\$ 256	\$ -	\$ 36,382
Interest receivable	181	108	(181)	108
Total assets	<u>\$ 36,307</u>	<u>\$ 364</u>	<u>\$ (181)</u>	<u>\$ 36,490</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 36,307	\$ 364	\$ (181)	\$ 36,490
Total liabilities	<u>\$ 36,307</u>	<u>\$ 364</u>	<u>\$ (181)</u>	<u>\$ 36,490</u>
<u>2003-01 Assessment District</u>				
<u>Assets:</u>				
Cash and investments	\$ 21,875	\$ 25,387	\$ (67,384)	\$ (20,122)
Cash and investments with fiscal agents	108,921	112,019	(69,841)	151,099
Interest receivable	3		(3)	
Total assets	<u>\$ 130,799</u>	<u>\$ 137,406</u>	<u>\$ (137,228)</u>	<u>\$ 130,977</u>
<u>Liabilities</u>				
Deposits payable	\$ 5,818	\$ -	\$ -	\$ 5,818
Due to assessment district bondholders	124,981	137,406	(137,228)	125,159
Total liabilities	<u>\$ 130,799</u>	<u>\$ 137,406</u>	<u>\$ (137,228)</u>	<u>\$ 130,977</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Cultural Arts</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 2,896		\$ 2,896
Total assets	<u>\$ -</u>	<u>\$ 2,896</u>	<u>\$ -</u>	<u>\$ 2,896</u>
<u>Liabilities</u>				
Deposits	\$ -	\$ 2,896		\$ 2,896
Total liabilities	<u>\$ -</u>	<u>\$ 2,896</u>	<u>\$ -</u>	<u>\$ 2,896</u>
 <u>Regional Transportation Impact</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,635,390	\$ 75,170	\$ -	\$ 1,710,560
Total assets	<u>\$ 1,635,390</u>	<u>\$ 75,170</u>	<u>\$ -</u>	<u>\$ 1,710,560</u>
<u>Liabilities</u>				
Deposits	\$ 1,635,390	\$ 75,170		\$ 1,710,560
Total liabilities	<u>\$ 1,635,390</u>	<u>\$ 75,170</u>	<u>\$ -</u>	<u>\$ 1,710,560</u>
 <u>Medical Leave Bank</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,658,659	\$ -	\$ (288,867)	\$ 1,369,792
Total assets	<u>\$ 1,658,659</u>	<u>\$ -</u>	<u>\$ (288,867)</u>	<u>\$ 1,369,792</u>
<u>Liabilities</u>				
Accounts payable	\$ 580	\$ -	\$ (580)	\$ -
Deposits	1,658,079		(288,287)	1,369,792
Total liabilities	<u>\$ 1,658,659</u>	<u>\$ -</u>	<u>\$ (288,867)</u>	<u>\$ 1,369,792</u>

(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Post Employment Benefit Trust</u>				
<u>Assets:</u>				
Cash and investments	\$ (25,975)	\$ 21,393	\$ -	\$ (4,582)
Accounts receivable	25,975	16,447	(25,975)	16,447
Total assets	<u>\$ -</u>	<u>\$ 37,840</u>	<u>\$ (25,975)</u>	<u>\$ 11,865</u>
<u>Liabilities</u>				
Deposits	\$ -	\$ 37,840	\$ (25,975)	\$ 11,865
Total liabilities	<u>\$ -</u>	<u>\$ 37,840</u>	<u>\$ (25,975)</u>	<u>\$ 11,865</u>
<u>2011 TOP JPA Revenue Bonds</u>				
<u>Assets:</u>				
Cash and investments with fiscal agents	\$ -	\$ 38,511,767	\$ (36,303,176)	\$ 2,208,591
Total assets	<u>\$ -</u>	<u>\$ 38,511,767</u>	<u>\$ (36,303,176)</u>	<u>\$ 2,208,591</u>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ -	\$ 38,511,767	\$ (36,303,176)	\$ 2,208,591
Total liabilities	<u>\$ -</u>	<u>\$ 38,511,767</u>	<u>\$ (36,303,176)</u>	<u>\$ 2,208,591</u>

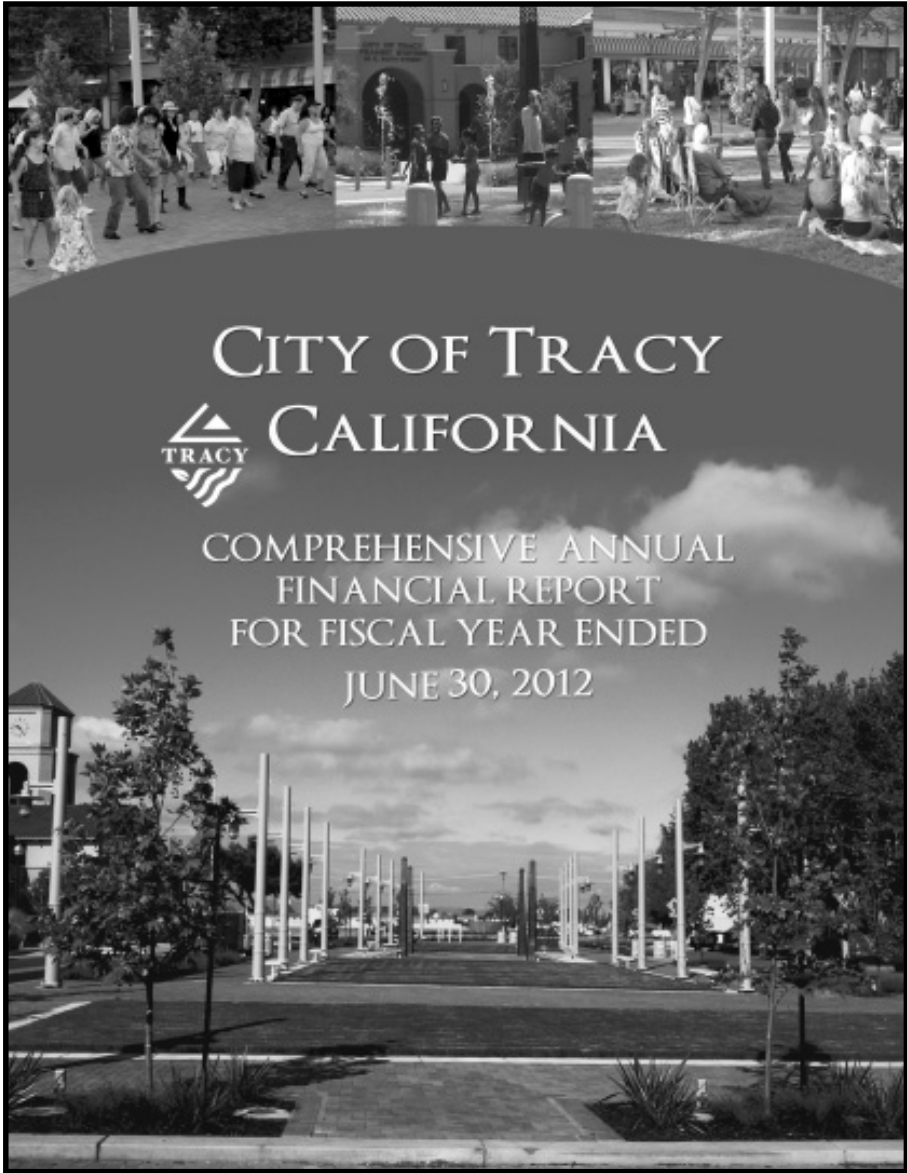
(Continued)

**CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Totals - All Agency Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 16,952,410	\$ 15,202,542	\$ (21,429,108)	\$ 10,725,844
Cash and investments with fiscal agents	14,012,529	71,990,619	(69,041,248)	16,961,900
Accounts receivable	25,975	16,447	(25,975)	16,447
Interest receivable	46,949	22,078	(58,568)	10,459
	<u>\$ 31,037,863</u>	<u>\$ 87,231,686</u>	<u>\$ (90,554,899)</u>	<u>\$ 27,714,650</u>
<u>Liabilities</u>				
Accounts payable	\$ 580	\$ 3,600	\$ (580)	\$ 3,600
Deposits payable	3,299,287	115,906	(314,262)	3,100,931
Due to assessment district bondholders	27,737,996	87,112,180	(90,240,057)	24,610,119
	<u>\$ 31,037,863</u>	<u>\$ 87,231,686</u>	<u>\$ (90,554,899)</u>	<u>\$ 27,714,650</u>

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Statistical Section



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CITY OF TRACY
 Summary of Statistical Section Pages
 June 30, 2012

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 Trends 164

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 167

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

Debt Capacity 179

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 and Economic Information 185

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 189

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

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, 2012. 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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Governmental activities										
Invested in capital assets, net of related debt	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124	\$ 357,579	\$ 371,908	\$ 298,323	\$ 306,381
Restricted	105,425	118,367	120,961	157,162	134,092	135,593	139,007	62,021	143,948	146,313
Unrestricted	32,898	33,347	46,711	34,330	45,861	42,395	15,645	79,527	41,927	25,546
Total governmental activities net assets	648,646	641,767	631,621	640,333	631,802	574,112	512,231	513,456	484,198	478,240
Business-type activities:										
Invested in capital assets, net of related debt	340,536	345,554	340,944	346,861	352,609	353,095	339,971	288,340	223,792	175,878
Restricted	232	227	222	183	244	555	3,344	31,249	766	1,513
Unrestricted	29,148	40,621	46,123	38,826	34,303	25,827	25,174	5,240	73,175	50,342
Total business-type activities	369,916	386,402	387,289	385,870	387,156	379,477	368,489	324,829	297,733	227,733
Primary government:										
Invested in capital assets, net of related debt	850,859	835,607	804,893	795,702	804,458	749,219	697,550	660,248	522,115	482,259
Restricted	105,657	118,594	121,183	157,345	134,336	136,148	142,351	93,270	144,714	147,826
Unrestricted	62,046	73,968	92,834	73,156	80,164	68,222	40,819	84,767	115,102	75,888
Total primary government	\$ 1,018,562	\$ 1,028,169	\$ 1,018,910	\$ 1,026,203	\$ 1,018,958	\$ 953,589	\$ 880,720	\$ 838,285	\$ 781,931	\$ 705,973

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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Expenses:										
Governmental activities:										
General government	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391	\$ 7,432	\$ 6,698	\$ 9,771	\$ 7,410
Public safety	37,602	35,509	36,567	36,663	35,074	30,178	28,434	26,684	23,660	20,699
Public works	52,418	24,371	21,855	29,492	24,661	29,391	24,821	20,952	79,722	24,083
Culture and leisure	5,097	5,143	12,202	9,159	7,502	3,929	3,760	4,119	3,607	3,070
Interest on long-term debt	1,925	4,121	4,063	4,201	3,548	4,084	3,994	3,626	4,306	3,008
Unallocated depreciation	566	617	631	295	820	649	506	860	-	-
Total Governmental Activities Expenses	103,891	88,057	82,702	89,005	78,788	74,622	68,947	62,939	121,066	58,270
Business-type Activities:										
Water	22,295	21,229	19,580	19,173	18,786	16,106	16,029	9,363	10,076	8,266
Sewer	18,980	17,133	14,874	15,380	11,415	9,639	10,281	8,987	8,624	7,309
Airport	686	705	912	742	542	666	592	471	388	408
Solid waste	18,585	17,473	16,962	17,893	17,088	16,492	16,367	15,604	13,452	11,916
Transit	2,436	2,291	1,733	1,277	1,531	1,499	1,438	381	1,361	913
Drainage	3,351	3,402	2,618	2,646	3,486	3,247	3,957	978	854	762
Total Business-Type Activities	66,333	62,233	56,679	57,111	52,848	47,649	48,664	35,784	34,755	29,574
Total Primary Government Expenses	\$ 170,224	\$ 150,290	\$ 139,381	\$ 146,116	\$ 131,636	\$ 122,271	\$ 117,611	\$ 98,723	\$ 155,821	\$ 87,844
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700	\$ 5,281	\$ 4,030	\$ 5,538	\$ 7,711
Other public works	5,204	3,800	4,401	3,983	26,478	7,660	8,660	5,380	3,611	52
Parks and community services	789	757	1,208	1,065	1,206	1,480	3,621	973	804	619
Other activities	2,566	2,634	4,143	3,778	1,457	2,281	1,008	1,064	1,693	658
Operating grants and contributions	9,482	10,065	9,305	12,766	13,091	11,800	12,621	8,666	5,457	10,492
Capital grants and contributions	15,527	19,080	11,069	12,965	24,426	49,554	19,936	27,450	74,462	99,521
Total Governmental Activities Program Revenues	35,185	38,141	37,051	43,397	71,947	77,475	51,127	47,563	91,565	119,053
Business-type Activities:										
Charges for Services:										
Water	14,433	14,641	13,693	15,833	15,305	13,654	12,472	11,723	12,867	11,235
Sewer	11,480	12,032	11,490	11,661	12,513	12,115	8,471	7,805	7,023	5,594
Airport	375	342	373	257	281	265	272	278	221	216
Solid waste	18,852	16,321	17,320	16,774	17,950	15,006	15,147	13,937	14,402	12,669
Transit	822	899	1,295	940	92	1,231	109	113	92	74
Drainage	564	553	556	541	563	545	535	491	465	432
Operating grants and contributions	-	-	-	20	1,774	865	1,038	1,763	1,367	753
Capital grants and contributions	2,801	3,678	6,132	9,161	10,992	13,119	10,063	24,897	55,033	12,443
Total Business-Type Activities Program Revenues	49,327	48,466	50,859	55,187	59,470	56,800	48,107	61,007	91,470	43,416
Total Primary Government Program Revenues	\$ 84,512	\$ 86,607	\$ 87,910	\$ 98,584	\$ 131,417	\$ 134,275	\$ 99,234	\$ 108,570	\$ 183,035	\$ 162,469

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

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Net (expense)/revenue										
Governmental activities	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853	\$ (17,820)	\$ (15,376)	\$ (29,498)	\$ 60,784
Business-type activities	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)	25,223	56,715	13,841
Total primary government net (expense) revenue	(85,712)	(63,683)	(51,471)	(47,532)	(219)	12,002	(18,377)	9,847	27,217	74,625
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	18,527	22,533	24,013	29,324	31,160	23,859	24,613	17,616	15,886	14,155
Franchise taxes	2,443	2,474	2,223	2,138	1,991	2,010	1,808	1,700		
Sales and use taxes	18,422	11,408	9,225	10,964	12,407	13,053	12,587	12,162	11,944	9,723
Other taxes	1,702	1,621	1,604	1,886	4,321	2,373	2,979	1,578	5,362	2,819
Unrestricted motor vehicle in lieu	41	376	240	277	360	6,228	437	5,665	3,185	3,759
Investment earnings	801	1,280	4,840	9,023	12,016	10,406	7,934	5,738	2,576	9,608
Miscellaneous	1,760	1,663	449	527	2,275	1,098	930	175	2,760	4,240
Transfers		(384)	(5,563)			1			545	(1,285)
Gain on Transfer of assets	31,889									
Total governmental activities	75,585	40,971	37,031	54,139	64,530	59,028	51,288	44,634	42,258	43,019
Business-type activities:										
Interest earnings	520	109	1,676	633	1,038	1,796	1,865	1,220	(271)	2,388
Miscellaneous			-	5	19			652	364	
Transfers		385	5,563			(1)			(545)	1,285
Total business-type activities	520	494	7,239	638	1,057	1,795	1,865	1,872	(452)	3,673
Total primary government	76,105	41,465	44,270	54,777	65,587	60,823	53,153	46,506	41,806	46,692
Change in net assets										
Governmental activities	6,879	(8,945)	(8,620)	8,531	57,689	61,881	33,469	29,258	12,760	103,803
Business-type activities	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944	1,308	27,095	56,263	17,514
Total primary government	\$ (9,607)	\$ (22,218)	\$ (7,201)	\$ 7,245	\$ 65,368	\$ 72,825	\$ 34,777	\$ 56,353	\$ 69,023	\$ 121,317

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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Governmental activities:										
General government	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722	\$ 484	\$ 1,073	\$ 1,121	\$ 215
Police	1,390	1,365	1,513	1,984	1,422	1,760	1,691	1,380	743	1,122
Fire	4,765	6,302	6,386	10,372	7,506	7,648	5,635	4,678	3,997	3,192
Development and engineering	1,974	2,148	16,700	14,287	5,477	5,945	7,969	17,832	5,699	8,862
Public works	23,224	17,397	5,817	11,460	53,382	55,183	29,807	18,522	77,719	103,443
Parks, recreation, and community services	1,150	1,058	2,009	1,114	2,645	4,662	4,950	3,488	1,907	2,219
Interest in long-term debt		-	591	590	591	592	591	591	-	-
Subtotal governmental activities	35,185	38,141	37,051	43,397	71,947	77,512	51,127	47,564	91,186	119,053
Business-type activities:										
Water	14,501	14,658	15,534	16,859	19,044	16,050	12,487	17,230	61,390	16,410
Sewer	12,669	14,766	11,494	13,113	16,150	14,934	17,108	24,414	13,511	9,825
Solid waste	18,858	16,321	17,330	16,774	17,950	15,006	15,168	13,937	14,424	24,585
Airport	417	402	730	277	897	386	615	488	251	249
Transit	2,018	1,677	4,871	7,386	3,029	3,232	2,194	3,271	1,429	674
Drainage	864	640	900	777	2,400	7,190	535	1,667	465	3,589
Subtotal business-type activities	49,327	48,464	50,859	55,186	59,470	56,798	48,107	61,007	91,470	55,332
Total primary government	\$ 84,512	\$ 86,605	\$ 87,910	\$ 98,583	\$ 131,417	\$ 134,310	\$ 99,234	\$ 108,571	\$ 182,656	\$ 174,385

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

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
General Fund:										
Reserved		\$ -	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755	\$ 1,028	\$ 762	\$ 911	\$ 1,359
Unreserved			17,626	16,705	17,193	17,356	19,471	19,038	18,905	15,323
Nonspendable	791	820								
Restricted	445	613								
Committed										
Assigned	22	2,198								
Unassigned	25,676	23,356								
Total general fund	\$ 26,934	\$ 26,987	\$ 18,985	\$ 17,923	\$ 18,579	\$ 19,111	\$ 20,499	\$ 19,800	\$ 19,816	\$ 16,682
All other governmental funds										
Reserved		\$ -	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812	\$ 21,578
Unreserved reported in:										
Special revenue funds			20,890	33,100	35,121	30,971	27,491	16,983	12,255	11,105
Capital projects funds			81,533	100,196	96,588	76,671	73,913	104,667	108,748	145,260
Debt service funds			-	-	-	-	-	-	-	8,099
Nonspendable	4,646	2,948								
Restricted	90,507	99,794								
Committed		4,131								
Assigned	15,339	20,043								
Unassigned										
Special revenue funds	(1,071)	(2,099)								
Capital projects funds										
Debt service funds										
Total all other governmental funds	\$ 109,421	\$ 124,817	\$ 147,131	\$ 171,662	\$ 164,935	\$ 150,602	\$ 151,395	\$ 151,445	\$ 157,815	\$ 186,042

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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Revenues:										
Taxes	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343	\$ 40,105	\$ 30,827	\$ 30,345	\$ 26,698
Licenses, permits, and fees	3,174	3,092	3,040	3,112	2,839	3,501	3,688	4,944	5,497	24,639
Fines and forfeits	1,552	1,570	1,715	1,722	1,515	1,273	290	302	467	347
Use of money and property	1,459	2,792	4,197	9,046	11,992	9,900	7,479	5,361	2,576	8,981
Intergovernmental	11,992	17,758	15,282	12,899	13,578	18,130	16,948	18,537	17,283	13,248
Charges for services	8,388	10,110	8,525	8,438	5,186	4,913	5,041	6,529	6,905	5,886
Special assessments	4,095	4,933	4,699	5,583	4,843	8,845	10,796	20,580	25,163	1,659
Contributions from assessment districts	5,404									
	1,294	4,448	2,915	6,049	23,043	12,800	14,296		39,247	25,377
Other		1,148	1,656	4,595	2,058	1,810	2,684	4,072	5,134	3,236
Total revenues	78,751	82,185	79,093	96,124	113,102	109,515	101,327	91,152	132,617	110,071
Expenditures:										
General government	\$ 6,854	\$ 17,599	\$ 7,054	\$ 7,569	\$ 8,730	\$ 6,274	\$ 4,700	\$ 4,534	\$ 5,238	\$ 4,398
Police	21,902	20,943	21,836	21,574	20,161	17,607	15,834	15,210	13,625	12,231
Fire	15,205	14,027	14,664	15,387	14,602	13,594	12,201	11,337	9,589	9,069
Community development	6,273	6,066	7,790	12,360	10,114	7,241	12,105	9,128	7,197	7,740
Public works	7,530	7,285	7,327	8,369	8,082	8,203	3,680	5,322	7,524	5,713
Parks and recreation	3,599	3,509	3,320	4,507	3,146	3,117	3,009	2,864	2,734	2,485
Capital outlay	19,829	18,731	23,152	20,502	28,712	47,363	41,653	38,775	124,383	33,444
Debt service-principal	195	1,315	1,490	11,300	3,620	1,430	1,390	5,060	380	1,005
Debt service-interest	2,623	3,945	3,994	3,799	3,390	3,934	3,849	3,484	3,570	2,801
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
Total expenditures	84,010	96,111	96,908	109,818	103,971	111,694	100,991	97,539	181,259	81,783
Excess of revenue over (under) expenditures	(5,259)	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)	(48,642)	28,288
Other financing sources (uses):										
Bond proceeds				19,765	4,670				55,720	
Transfers in	2,699	3,836	21,828	26,040	12,680	22,148	11,595	9,304	4,567	5,125
Transfers out	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)
Payment to bond escrow agent									(34,072)	
Total other financing sources (uses)	-	(385)	(5,563)	19,765	4,670	(2)			22,134	(1,265)
Net change in fund balances	\$ (5,259)	\$ (14,311)	\$ (23,378)	\$ 6,071	\$ 13,801	\$ (2,181)	\$ 336	\$ (6,387)	\$ (26,508)	\$ 27,023
Debt service as a percentage of non-capital expenditures	4.39%	6.80%	7.44%	22.26%	10.36%	7.93%	9.68%	17.01%	12.80%	8.55%

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
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	2,771,540	40,807,471
2012	19,546,362	282,674	673,342	18,661,976	2,618,697	745,975	2,406,571	44,935,597

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	
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%
2012	4,576,276,289	1,132,426,026	181,181,654	5,889,883,969	119,824,162	5,770,059,807	1,009,329,631	139,116,864	91,037,853	1,057,408,642	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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<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	0.15606%	0.17019%	0.17019%	0.17019%	0.17028%	0.17029%	0.1207%	0.1206%	0.1209%	0.1500%
Redevelopment Agency	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1204%	0.1470%
Total Direct Rate	1.2764%	1.2905%	1.2905%	1.2905%	1.2905%	1.2905%	1.2410%	1.2409%	1.2413%	1.2970%
<u>Overlapping rates:</u>										
San Joaquin County	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1963%	0.1963%	0.2100%
Tracy Unified School District	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%	0.1998%	0.1925%	0.1600%
ERAF	0.2686%			0.2790%	2.7900%	0.2790%	0.2801%	0.2801%	0.2793%	27.0000%
Delta Community College District	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%	0.0352%	0.0339%	0.0400%
All Other Districts	0.1760%	0.1760%	0.1760%	0.1760%	0.1760%	0.1760%	0.1779%	0.1779%	0.1771%	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
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
2012	9,724,002	9,611,162	98.84%	12,602.00	9,623,764	98.97%	6,827,468,449

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	Measure E Rate	Prop K Rate	Transportation Development Act Rate	San Joaquin County Rate	State Rate	Total Sales Tax Rate
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%	0.50%	0.25%	1%	6%	(2) 8.75%
2012	1%	0.50%	0.50%	0.25%	1%	5%	8.25%

(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.

(2) Tracy voters approved Measure E, a half cent sales tax with a 5 year sunset effective April 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
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
2012	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

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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)			
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	2,437	83,418
2012	12,710,000	142,895,000	70,293	-	19,274,382	28,630,000	72,942	203,652,617	2,427	83,900

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		
2003	32,785,000	32,290,000	65,075,000	1.29%	928
2004	30,045,000	55,720,000	85,765,000	1.30%	1,158
2005	27,095,000	55,050,000	82,145,000	1.07%	1,049
2006	25,870,000	54,070,000	79,940,000	1.00%	994
2007	23,675,000	53,065,000	76,740,000	0.71%	946
2008	20,855,000	52,030,000	72,885,000	0.74%	894
2009	16,430,000	50,965,000	67,395,000	0.74%	825
2010	16,540,000	49,860,000	66,400,000	0.90%	813
2011	14,280,000	48,715,000	62,995,000	0.86%	771
2012	12,710,000	-	12,710,000	0.19%	156

Source:

Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012

2011-12 Assessed Valuation:	\$	6,969,123,844
Redevelopment Incremental Valuation:		796,343,071
Adjusted Assessed Valuation:	\$	6,172,780,773

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt	% Applicable (1)	City's Share of
	6/30/12		Debt 6/30/12
San Joaquin Delta Community College District	\$ 133,626,657	11.596 %	\$ 15,495,347
Tracy Unified School District	47,205,000	61.949	29,243,025
Tracy Unified School District School Facilities Improvement District No. 3	17,414,637	89.962	15,666,556
Banta School District	700,000	33.532	234,724
Jefferson School District	6,397,194	63.219	4,044,242
City of Tracy Community Facilities District No. 87-1	13,825,000	100.	13,825,000
City of Tracy Community Facilities District No. 89-1	9,350,000	100.	9,350,000
City of Tracy Community Facilities District No. 93-1	2,930,000	100.	2,930,000
City of Tracy Community Facilities District No. 98-1	57,375,000	100.	57,375,000
City of Tracy Community Facilities District No. 98-3	2,785,000	100.	2,785,000
City of Tracy Community Facilities District No. 99-1	7,130,000	100.	7,130,000
City of Tracy Community Facilities District No. 99-2	10,560,000	100.	10,560,000
City of Tracy Community Facilities District No. 2000-1	13,155,000	100.	13,155,000
City of Tracy Community Facilities District No. 2006-1	10,560,000	100.	10,560,000
City of Tracy 1915 Act Bonds	12,710,000	100.	12,710,000
California Statewide Community Development Authority 1915 Act Bonds	7,246,315	100.	7,246,315
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 212,310,209
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			7,480,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 204,830,209

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	176,130,000	12.847 %	22,627,421
Byron -Bethany Irrigation District General Fund Obligation	5,315,000	12.480	663,312
City of Tracy General Fund Obligations	23,465,000	100.	23,465,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			46,755,733

GROSS COMBINED TOTAL DEBT	\$ 259,065,942	(2)
NET COMBINED TOTAL DEBT	\$ 251,585,942	

- (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.

<u>Ratios to 2011-12 Assessed Valuation:</u>	
Total Gross Overlapping Tax and Assessment Debt.....	3.05%
Total Net Overlapping Tax and Assessment Debt.....	2.32%

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$23,465,000).....	0.38%
Gross Combined Total Debt.....	4.20%
Net Combined Total Debt.....	4.08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: MuniServices, LLC.

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

	<u>2012</u>	<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>
Assessed Value	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,563	\$ 9,003	\$ 7,775	\$ 7,879	\$ 6,769	\$ 5,203
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,707	1,827	1,835	2,283	2,391	2,251	1,944	1,970	1,692	1,301
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	256	274	275	342	359	338	292	296	254	195
Total net debt applicable to limit	121	121	122	138	132	136	125	130	135	84
Legal debt margin	<u>\$ 135</u>	<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>

Note:

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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water revenue bonds/EDA note										
Water revenue	\$ 14,559,197	\$ 14,651,850	\$ 15,036,909	\$ 15,963,584	\$ 15,433,890	\$ 14,341,129	\$ 13,381,880	\$ 12,354,096	\$ 12,795,412	\$ 12,552,319
Less: operating expenses	(12,196,098)	(12,450,281)	(10,740,838)	(10,485,876)	(10,360,873)	(9,384,661)	(8,821,723)	(5,383,787)	(6,047,909)	(4,937,301)
Net available revenue	<u>2,363,099</u>	<u>2,201,569</u>	<u>4,296,071</u>	<u>5,477,708</u>	<u>5,073,017</u>	<u>4,956,468</u>	<u>4,560,157</u>	<u>6,970,309</u>	<u>6,747,503</u>	<u>7,615,018</u>
Debt service:										
Principal	4,126,612	1,099,165	1,035,686	964,703	878,166	1,960,910	938,962	1,038,703	275,000	394,439
Interest	531,639	637,999	665,810	731,215	850,589	791,373	477,056	568,637	288,618	204,831
Total Debt Service	<u>4,658,251</u>	<u>1,737,164</u>	<u>1,701,496</u>	<u>1,695,918</u>	<u>1,728,755</u>	<u>2,752,283</u>	<u>1,416,018</u>	<u>1,607,340</u>	<u>563,618</u>	<u>599,270</u>
Coverage	0.51	1.27	2.52	3.23	2.93	1.80	3.22	4.34	11.97	12.71
Wastewater revenue bonds:										
Wastewater revenue	11,713,538	12,038,615	11,695,124	12,060,864	13,158,013	12,896,719	9,255,199	8,752,321	6,974,031	6,389,490
Less: operating expenses	(7,617,428)	(7,784,380)	(6,249,869)	(6,846,611)	(5,030,130)	(4,666,466)	(4,509,073)	(4,150,266)	(4,526,278)	(4,392,083)
Net available revenue	<u>4,096,110</u>	<u>4,254,235</u>	<u>5,445,255</u>	<u>5,214,253</u>	<u>8,127,883</u>	<u>8,230,253</u>	<u>4,746,126</u>	<u>4,602,055</u>	<u>2,447,753</u>	<u>1,997,407</u>
Debt service:										
Principal	950,000	993,010	911,535	885,000	910,000	290,000	280,000	280,000	270,000	155,000
Interest	1,313,920	1,342,757	1,366,758	1,375,786	1,370,803	1,413,783	1,429,186	1,699,361	797,849	277,516
Total Debt Service	<u>2,263,920</u>	<u>2,335,767</u>	<u>2,278,293</u>	<u>2,260,786</u>	<u>2,280,803</u>	<u>1,703,783</u>	<u>1,709,186</u>	<u>1,979,361</u>	<u>1,067,849</u>	<u>432,516</u>
Coverage	1.81	1.82	2.39	2.31	2.81	4.83	2.78	2.33	2.29	4.62
Tax allocation bonds:										
Tax increment	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405	9,459,352	7,943,581	6,449,080	6,590,591	5,314,152
Debt service:										
Principal	1,195	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000	980,000	670,000	2,825,622	685,000
Interest	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489	2,714,677	2,739,269	2,753,317	2,503,186	1,992,586
Total Debt Service	<u>1,263,484</u>	<u>3,721,992</u>	<u>3,718,989</u>	<u>3,734,812</u>	<u>3,725,489</u>	<u>3,719,677</u>	<u>3,719,269</u>	<u>3,423,317</u>	<u>5,328,808</u>	<u>2,677,586</u>
Coverage	3.45	2.04	2.38	2.75	2.73	2.54	2.14	1.88	1.24	1.98

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 (3)	Labor Force (1)	Employment (1)	Unem- ployment Rate (1)	Unem- ployment Number (1)
						Employed (2)	Unemployed (2)					
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
2012	83,900	32,900	29,800	9.5%	3,100	N/A	N/A	695,750	300,300	254,800	15.10%	45,500

Sources:

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

City of Tracy
PRINCIPAL TAX PAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

Taxpayer Name	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tracy Mall Partners LP	93,273,480	1	1.37%			
Leprino Foods Company Corp	86,511,036	2	1.27%			
Catellus Corporate Ctr Tracy L	62,962,009	3	0.92%			
Central Valley Ltd Liability	51,159,087	4	0.75%			
US Industrial Reit Container I	47,381,180	5	0.69%			
Prologis	43,879,707	6	0.64%			
TCE Tracy LLC	31,442,622	7	0.46%			
Car Corral Hollow LLC	29,958,154	8	0.44%			
Osh Properties LLC	29,624,488	9	0.43%			
US Cold Storage Of Calif	28,360,046	10	0.42%			
YRC Inc	26,437,173	11	0.39%			
O Brien Mark T	23,174,082	12	0.34%			
Fairfield Edgewood Station LP	20,644,172	13	0.30%			
Kaiser Foundation Health Plan	20,355,945	14	0.30%			
AMB Property LP	19,500,000	15	0.29%			
Sycamore Village Invest	19,309,841	16	0.28%			
Comcast Corp	18,465,175	17	0.27%			
Red Maple Village LP	18,318,765	18	0.27%			
Queirolo Shirlee M	17,986,824	19	0.26%			
Costco Wholesale Corp	17,589,300	20	0.26%			
Inland Container Corp	17,485,612	21	0.26%			
McLane Foodservice Inc	17,436,010	22	0.26%			
Taylor Farms Pacific Inc	17,141,527	23	0.25%			
Save Mart Supermarket	16,562,168	24	0.24%			
Barbosa Investment Group Ltd P	14,259,610	25	0.21%			
Total Top 25 Taxpayers	789,218,013		11.57%			
Total Taxable Assessed Value	6,827,468,449					

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>2012</u>	<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>
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	5	4	4	4	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	16	17	6	6	6	6	6
Human Resources	6	6	6	9	9	9	7	7	6	6
Finance & Information Systems	23	23	23	26	27	25	25	24	24	24
Police	134	133	135	154	155	141	132	126	123	122
Fire	82	78	78	85	84	81	107	104	104	101
Economic Development	4	8	6	6	5					
Development and Engineering	48	41	44	55	55	52	54	52	52	54
Public Works	59	59	66	71	74	80	64	66	66	66
Parks and Community Services	50	59	50	48	49	40	18	18	19	19
Water	40	40	41	44	44	40	38	38	37	37
Wastewater	28	28	29	29	29	25	24	24	23	23
Airport	1	2	2	2	2	1	1	1	1	1
Solid waste	2	1	1	1	1	1	1	2	1	1
Transit	2	2	2	2	2	2	2	2	1	1
Drainage	2	2	2	2	2	2	2	2	2	2
Total	<u>499</u>	<u>499</u>	<u>502</u>	<u>560</u>	<u>565</u>	<u>515</u>	<u>491</u>	<u>482</u>	<u>475</u>	<u>473</u>

Source: City of Tracy, Finance and Administrative Services Department

OPERATING INDICATORS

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Building Permits Issued	1,293	915	844	898	774	790	1,136	1,271	1,587	1,627
Building Inspections requested	2,457	2,975	3,377	2,859	5,334	7,920	18,008	24,093	34,337	41,382
Police:										
Arrests	2,896	2,941	3,415	4,435	4,450	4,448	3,561	3,787	3,367	2,957
Parking citations issued	2,196	3,153	4,704	2,948	2,916	2,292	2,107	2,282	1,956	2,395
Traffic violations	5,281	6,668	7,347	7,007	6,867	8,059	6,132	6,959	6,662	9,423
Fire:										
Number of emergency calls	5,951	5,570	5,717	6,159	6,165	6,580	5,907	5,135	5,092	4,620
Inspections	3,416	2,383	1,614	3,776	3,814	3,586	2,316	2,106	2,590	2,444
Water:										
Water Mains (miles)	410	402	402	402	402	400	395	390	380	370
New connections	20	20	22	25	40	40	600	1,200	1,500	1,800
Maximum Daily Capacity (gallons)										
(thousands of gallons)	57	57	57	57	57	57	57	57	42	42
Average daily consumptions (gallons)										
(thousands of gallons)	15	14.4	16	16	16	16	16	16	16	15
Sewer:										
Sanitary Sewer (miles)	410	400	400	400	400	400	395	390	380	370
New connections	14	20	22	25	40	40	600	1,200	1,500	1,800
Average daily treatment (in gallons)	9	9	9	9	9	9	9	9	8	7
Airport:										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	198	194	227	339	342	339	325	339	326	319
Recyclables collected (tons per day)	64	66	49	26	28	27	27	27	12	12
Transit:										
Average daily passengers	357	325	334	323	329	325	318	361	381	293
Total route miles	226,808	152,284	158,211	154,937	236,684	236,689	213,928	206,975	213,210	205,593

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	7
Public works:										
Number of street lights	5430	5430	4781	4770	4,763	4,752	4,658	3,967	3,693	3,600
Number of traffic signals	78									
Parks and recreation:										
Number of parks	76	76	76	76	76	74	74	69	68	66
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	395	395	395	395	395	395	395	390	380	370
Wastewater										
Sanitary sewers (miles)	395	395	395	395	395	395	395	390	380	370
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	8	8	8	8	6	8	8	8	8	8

Source: City of Tracy, Finance and Administrative Services Department

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