

# CITY OF TRACY



## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014**



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COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2014

Prepared by the

Administrative Services Department

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# Introductory Section



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CITY OF TRACY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 June 30, 2014

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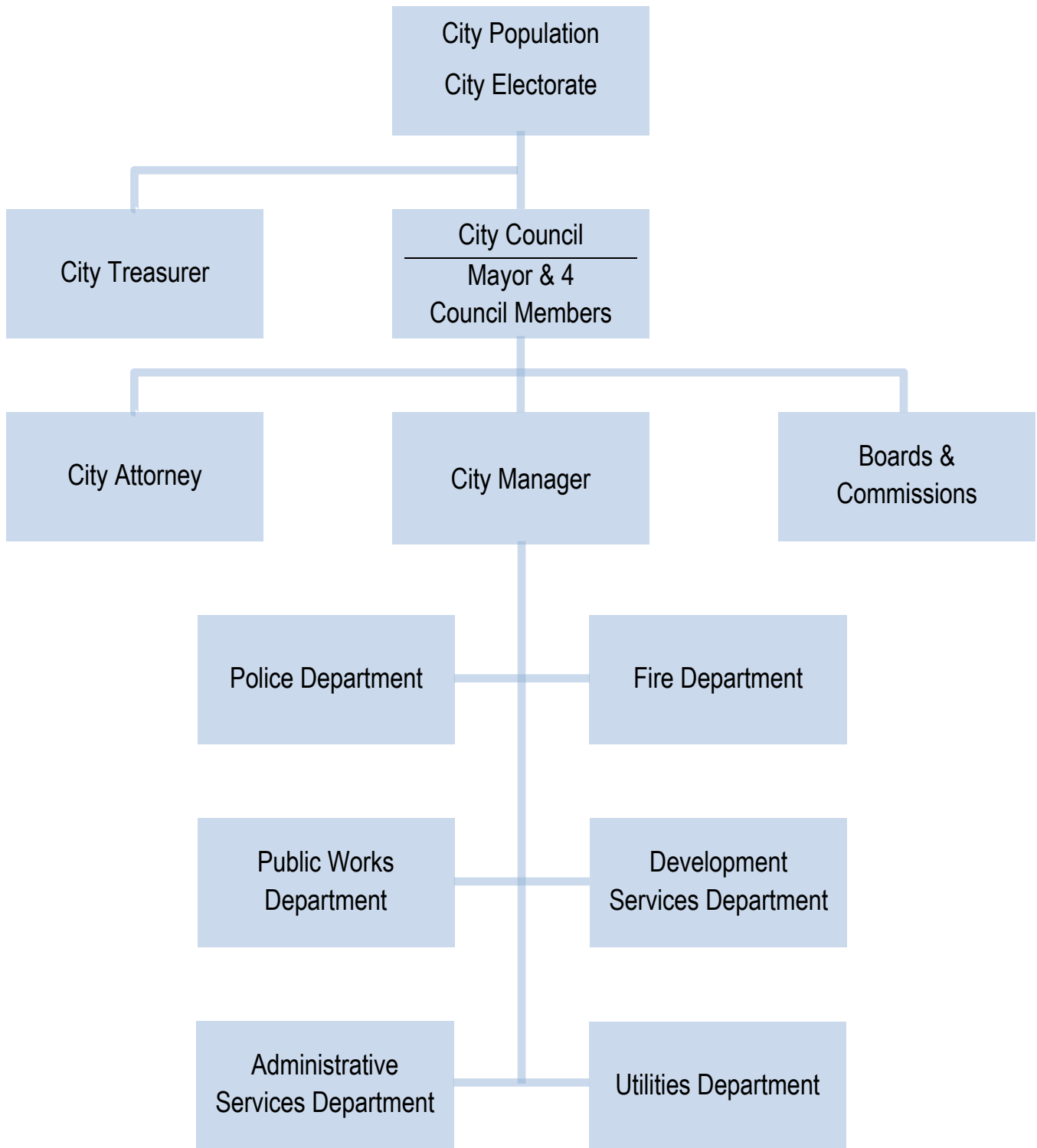
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# City of Tracy Organization Chart



# **CITY OF TRACY, CALIFORNIA**

## **COUNCIL - MANAGER FORM OF GOVERNMENT**

June 30, 2014

### **CITY COUNCIL**

**BRENT IVES**

*Mayor*

**MICHAEL MACIEL**

*Mayor Pro Tem*

**ROBERT RICKMAN**

*Council Member*

**NANCY YOUNG**

*Council Member*

**CHARLES MANNE**

*Council Member*

### **OTHER ELECTED OFFICIALS**

**RAYMOND McCRAY**

*City Treasurer*

# **CITY OF TRACY, CALIFORNIA**

## **OTHER CITY OFFICIALS**

**Troy Brown**  
*City Manager*

**Maria Hurtado**  
*Assistant City Manager*

**Dan Sodergren**  
*City Attorney*

**Jenny Haruyama**  
*Administrative Services Director*

## **OTHER DEPARTMENT HEADS**

**Alford Nero**  
*Fire Chief*

**Gary Hampton**  
*Police Chief*

**Andrew Malik**  
*Development Services Director*

**David Ferguson**  
*Public Works Director*

**Kuldeep Sharma**  
*Utilities Director*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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**City of Tracy  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# CITY OF TRACY

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

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

Think Inside the Triangle™

January 15, 2015

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, 2014.

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 85,146 and 23 square miles in 2014.

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, 2014. 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 complements this letter and should be read in conjunction with it.

### ***Local Economy***

California’s economic recovery has outpaced many parts of the nation as unemployment has dropped and the state’s budget outlook has turned positive. While California has experienced some job growth, its current unemployment rate of 7.4% remains higher than the national average of 6.1%. San Joaquin County’s unemployment rate of 12.8% is higher than both California and the nation; however, it continues to decline. The bright spot remains the San Francisco Bay Area with an unemployment rate of 5.2%.

Because agriculture still remains an important segment of the San Joaquin Valley economies, seasonal unemployment is always much higher than the national average. On a positive note, the local economy for Tracy is tied more closely to the bay area; residents tend to work in the Livermore Valley, East Bay, and San Jose, where the economy is not significantly influenced by seasonal agriculture production. While the recession negatively impacted the bay area, the effects were not nearly as severe (e.g. housing collapse) as those experienced in the San Joaquin Valley. Property and sales taxes are a significant revenue source for the City. Together, in FY 13/14 they represented 67% of the City’s total general fund revenues which fund public safety, recreation and other general governmental services.

The economic recession of 2008 and the subsequent decline in home values had significant effects on property taxes. Assessed valuations for all property types in Tracy increased for the first time since the recession first began. Housing prices are at 2010 levels and the outlook is for a slow but continued recovery. However, property tax revenue generally lags behind increases in valuations, so revenue expectations, while improving, remain guarded.

Sales tax continues to be a very important part of the City’s revenue mix. Excluding the special Measure E sales tax, sales tax revenue has exceeded the pre-recession high set in 2007. However, as sales tax collected on fuel sales (there is general sales tax applied to fuel sales in addition to “gas taxes” for transportation uses) is expected to drop due to the sharp decline in gas prices, the City is cautiously optimistic that near-term sales tax growth will be minimally affected. Sales taxes are significantly more volatile because they are subject to economic fluctuations such as consumer confidence, interest rates, unemployment and other factors that impact household income. While we anticipate continued short term prosperity in sales taxes, it is unknown what the long term future holds for sales tax recovery.

### ***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 (i.e. General Fund, Enterprise Fund, etc), by department (e.g. Police, Fire, etc), and by program (i.e. Patrol Services, Traffic Enforcement, Fire Support, etc). Department heads may transfer resources within a department as they see fit with the approval of the City Manager. Transfers between departments; however, need special approval from the City Council.

As evidenced by this financial report and others before it, the City has been significantly impacted by the economic recession. Prior to FY 12/13, the City utilized reserves for five consecutive years; FY 13/14 was the second year that revenues exceeded expenditures, albeit with the aid of Measure E sales tax. At the beginning of this economic downturn, the City had \$38,733,794 million in total reserves (combination of General Fund and the Reserve for

Economic Uncertainty Fund). On June 30, 2014 the City had \$35,071,347 in reserves. While reserves increased by \$6.2 million for the year; over the five year period of the recession, the City has used a total of \$11.8 million or about \$2.46 million per year on average. This reliance and dependence on the use of reserves demonstrates that the City's financial condition has been and remains tenuous, which will require diligence to achieve fiscal sustainability. With unrestricted reserves as of June 30, 2014 of \$33.4 million, this represents approximately 67% of expected General Fund expenses in FY 13/14. That said, the City of Tracy is committed to maintaining after-school programs, anti-gang activities, and recreation programs that keep young people off the streets, out of trouble and away from drugs and gangs.

## ***Major Initiatives***

### **Annexation of Cordes Ranch**

In September 2013, the City Council approved the annexation of Cordes Ranch in what will be the largest business park in northern California. Construction is now underway on the first phase of the 1,738 acre business park. This project is expected to generate:

- 28 million S.F. of Industrial space
- 2.5 million S.F. of Office space
- 30,000 jobs for the community once fully completed (expected in 15 years)
- 3 million S.F. expected to be occupied by spring 2015

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

Continued implementation of a 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 in March 2016. The City's fiscal strategy, including expenditure reduction measures and revenue enhancements have had a positive impact on the City's sustainability. However, rises in uncontrollable costs such as CalPERS and health care, and the continued lag in property tax recovery is indicating that the City will face a structural deficit upon the expiration of measure E.

### **Implementation of Financial Systems Modernization Plan**

The City continues to update its financial systems with two new important systems:

- Implementation of new recreation reservation software designed to increase efficiency and enhance the customer experience
- Beginning of a two-year project to replace the City's financial, budget, human resource and community development software with an integrated Enterprise Resource Planning system.

### **Implementation of Governance Strategy**

The City Council adopted a governance strategy in 2013 designed to retain and attract talent, enhance fiscal stability, improve the use of technology, and enhance transparency for the betterment of the community of Tracy. This initial two-year plan includes fifteen specific action items addressing Public Safety, Quality of Life, Economic Development and Governance.

### **Implementation of Transparency Initiatives**

The City has started implementing a transparency initiative designed to provide timely financial information to the residents of Tracy via the City's website in a user-friendly, easy to navigate format. The first stages of this endeavor can be seen on the City Interactive Budget and City Financial Transactions web page of the Administrative Services Department.



In response to the economic challenges over the past several years, the City implemented a variety of efficiency and restructuring actions which will continue to provide additional cost savings in future years. The City also anticipated that new revenue would be necessary to avoid additional reductions that would negatively impact public services. In this regard, Tracy voters approved Measure E (a half-cent sales tax with a 5-year sunset) in November 2010. Beginning in April 2011, this new temporary revenue source, combined with prior expense reductions, provides a stable fiscal period for the five year life of Measure E. During this time, the City continues to look for new opportunities to continue its commitment to providing efficient, yet quality services.

#### ***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, most governments have not accounted for other post-employment benefits such as health insurance. 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. The annual required contribution to address this liability is just \$446,268 per year, rather than the much higher amounts of many other cities. Suffice to say, this smaller 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 demonstrated the discipline to increase reserves during the boom years instead of using non-sustainable revenues to fund new programs or services. Additionally, the City implemented its long term fiscal strategy years before the economy deteriorated in late FY 08/09. The successful passage of Measure E affirms the community's confidence in the fiscal management of the City.

## ***GASB 54***

The City is required to produce its financial statements in conformity with GASB 54. This GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts are 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. The City maintains a Reserve for Economic Uncertainty in its subsidiary records. The General Fund balance of \$35,071,347 is actually comprised of \$18,962,706 in the General Fund and \$16,108,641 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, 2013. This was the 26<sup>th</sup> consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 13/14. In order to qualify for the Distinguished Budget Presentation Award, a government's budget document must be found 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 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, CPA, whose long hours, dedication, and attention to detail made possible the successful completion of the annual audit.

Respectfully submitted,



Troy Brown  
City Manager

# Financial Section



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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report**

The Honorable Mayor and Members of the City Council of the  
City of Tracy  
Tracy, California

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As discussed in Note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, “*Items Previously Reported as Assets and Liabilities.*”, Statement No. 66, “*Technical Correction – 2012.*”, Statement No. 67, “*Financial Reporting for Pension Plans.*”, and Statement No. 70, “*Accounting and Financial Reporting for Non-exchange Financial Guarantees.*”. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4-17, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Housing Successor Special Revenue Fund, and the Note to the Required Supplementary Information on pages 97-104 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 financial statements, and other knowledge we obtained during our audit of the 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.

### *Other Information*

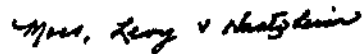
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements as a whole. The introductory section, combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary funds financial statements, combining internal service funds financial statements, combining private purpose trust funds financial statements, combining agency funds financial statements, and the statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary funds financial statements, combining internal service funds financial statements, combining private purpose trust funds financial statements and combining agency funds financial statements 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. Such 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 basic 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 financial statements as a whole.

The introductory and statistical sections have 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance



Moss, Levy & Hartzheim, LLP  
Culver City, California  
January 8, 2015

## CITY OF TRACY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The management discussion and analysis describes the City of Tracy's financial performance for the fiscal year ending June 30, 2014. Please read it in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

#### **FINANCIAL HIGHLIGHTS**

Financial highlights of the fiscal year include the following:

- The assets of the City of Tracy exceeded its liabilities by \$1,019 million (net position). Of this amount, \$73.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$0.9 million or 0.09% in fiscal year 2013-14 compared to the previous fiscal year.
- The governmental activities reported combined net position of \$660.6 million at the end of fiscal year 2014. This is an increase of .18% from last fiscal year.
- At the end of the fiscal year, unassigned fund balance for the General Fund is \$33.4 million compared to last fiscal year's \$27.5 million. This is an increase of \$5.9 million or 21.5% over the prior fiscal year.
- Total revenues of governmental activities decreased by 1.8%, while that of business-type activities increased by 19.0% in fiscal year 2013-14. In the governmental activities, increases in property and sales tax helped to offset decreases in intergovernmental and investment revenues. Increase in revenue in business-type activities came from increases in charges for services.



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

The City of Tracy's Comprehensive Annual Financial Report is comprised of 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

The City of Tracy's basic financial statements are introduced to the readers through this discussion and analysis.

### **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 Position reflects the City's assets and liabilities. The difference between the assets and the liabilities is reported as net position. An increase in net position is an indicator that the financial position of the City is improving, while a decrease in net position indicates that the City could be financially distressed.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year just ended. All changes in net position 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 Position 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 governments, 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 fiscal year, and may change from fiscal year to fiscal year as a result of changes in the pattern of City's activities. However, the General Fund is always a major fund.

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 position 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 Position. 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 Statement of Net Position and the Statement of Changes in Net Position. 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 97 and 98. 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 fiscal year's rating remained unchanged from the previous fiscal year's rating.

## Government-wide Financial Analysis

### Net Position

Net position is a useful indicator of a government's financial position. The City of Tracy's assets exceeded liabilities by more than \$1,019 million at the close of FY 2013-2014. Of this amount, \$845 million or 82.9% of the City's net position are net investment in capital assets. These capital assets are comprised of land, buildings, infrastructure, intangible assets, streets and roads, and machinery and equipment, and are being used to provide services to its citizens. However, these assets are not available for future spending. Approximately \$101 million of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of the City in the amount of \$73.2 million or 7.2% may be used to meet the City's ongoing obligations to citizens and creditors.

**Table 1**  
**City of Tracy**  
**Condensed Statement of Net Position**  
**June 30, 2014**  
**(in Thousands)**

Description	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Cash & Investments	\$ 139,646	\$ 145,685	\$ 26,746	\$ 28,486	\$ 166,392	\$ 174,171
Other Assets	34,656	30,275	9,286	8,373	43,942	38,648
Capital Assets	530,688	523,400	368,217	374,903	898,905	898,303
<b>Total Assets</b>	<b>704,990</b>	<b>699,360</b>	<b>404,249</b>	<b>411,762</b>	<b>1,109,239</b>	<b>1,111,122</b>
Long-Term Debt Outstanding	27,226	26,333	39,915	41,500	67,141	67,833
Other Liabilities	17,117	13,562	5,921	9,758	23,038	23,320
<b>Total Liabilities</b>	<b>44,343</b>	<b>39,895</b>	<b>45,836</b>	<b>51,258</b>	<b>90,179</b>	<b>91,153</b>
<b>Net Position:</b>						
Net Investment in						
Capital Assets	518,181	512,728	327,065	328,985	845,246	841,713
Restricted	100,403	111,131	247	237	100,650	111,368
Unrestricted	42,063	35,606	31,101	31,282	73,164	66,888
<b>Total Net Position</b>	<b>\$ 660,647</b>	<b>\$ 659,465</b>	<b>\$ 358,413</b>	<b>\$ 360,504</b>	<b>\$ 1,019,060</b>	<b>\$ 1,019,969</b>

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

### **Net Position (Continued)**

In governmental activities, the total net position increased by \$1.2 million, while the net position for proprietary funds decreased by \$21 million. The slight changes in net position are due to normal government operations.

In this fiscal year, in total, all but one proprietary fund incurred operating losses. The lone exception was the Solid Waste fund. Combined, the proprietary funds had an overall net operating loss of \$6.8 million compared to an operating loss of \$10.4 in the prior fiscal year for a decrease of 35%. The water fund's losses for the fiscal year of \$3.2 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 4.3% or \$2.6 million while an increase of \$6.1 million or 12.2% in total operating revenues minimized operating losses. Despite the belt tightening and various cost-cutting measures that the City has already implemented, these proprietary funds still continue to operate in the red. The exception is the Solid Waste Fund which had an operating surplus of \$2.6 million.

Losses in the proprietary funds can only be alleviated by adjusting user rates. Solid waste rates were increased in January 2012, followed by an adjustment in sewer rates in 2013. The last increase in water rates occurred in 2008.

The combined operating losses incurred by the City's utility funds (water, sewer and drainage funds) in the amount of \$8.3 million during the current fiscal year are 17.1% lower compared to that of the previous fiscal year. Revenues increased slightly while operating costs remained relatively unchanged. The fiscal losses in the utility funds also include depreciation in the amount of \$20.1 million, which accounts for \$49.6% of operating expenses.

The Water Fund incurred an operating loss during the fiscal year in the amount of \$3.2 million. Operating revenue increased by 19.3% compared to that of last fiscal year while operating expenses also increased by 2.6%. This resulted in a smaller operating loss than in the prior fiscal year. The increased revenue is due to external bulk water sales to other government agencies.

The Sewer Fund incurred an operating loss during the fiscal year in the amount of \$2.3 million. Operating revenue increased by 8.0% compared to that of last fiscal year while operating expenses also increased by 11.1%. This resulted in a larger operating loss than in the prior fiscal year. This is due to higher depreciation charges and increased operating costs.

The Drainage Fund also incurred losses during the fiscal year in the amount of \$2.9 million. The total operating revenues decreased by 3.0% and expenses increased by 5.3%, primarily due to increased depreciation.

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

### **Net Position (Continued)**

The Solid Waste Fund had an operating income of \$2.6 million for the fiscal year compared to \$1.5 million in the prior fiscal year. Operating revenues increased by 5.7% while operating expenses increased by 0.5% during the fiscal year. The increase in operating revenue is due to rate adjustments in the prior fiscal year.

The Airport Fund continues to report an operating loss; this fiscal year's loss of \$.23 million is slightly better than the prior fiscal year. The Airport Fund's major source of revenue is from hangar rentals, sale of fuel, and federal and state grants. This fiscal year, both operating revenues and operating expenses have increased. The City has previously contracted out fuel sales to a private contractor but took over fuel sales during the current fiscal year. The City continues to manage and operate the airport.

The Transit Fund incurred an operating loss in the amount of \$0.9 million which was 41.6% lower than the previous fiscal year. Operating revenue doubled compared to the prior fiscal year while operating expenses increased by 6.3%. Fare box revenue increased by 28.8% while transit subsidies doubled.

## **Changes in Net Position**

The City's net position showed an overall decrease of 0.1% compared to the prior fiscal year. The City's governmental activities reflect an increase of 0.2% while business activities recorded a reduction of 2.5% in net position. Table 2 shows these changes in detail.

### **Governmental Activities**

Governmental activities increased the City's net position by \$1.2 million or 0.2%. Overall, revenues decreased slightly by \$1.5 million or 1.7% compared to last fiscal year; however, most of this change was due to a decrease in capital grants and contributions. Property tax revenue increased by 5% while other tax revenue increased by 9.5%. The increase in tax revenues is directly linked to the continuation of the economic recovery occurring in the City.

Effective April 1, 2011, voters approved Measure E, an additional one-half cent, 5-year sales tax initiative. Given that Measure E is temporary, the City continues to implement and monitor cost containment strategies, including service consolidations, organizational restructuring, and efficiency measures in anticipation of Measure E's expiration in April 2016.

### **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. Total expenses exceeded total revenues fiscal resulting in the reduction of the net position of business-type activities.

Both revenues and expenses increased in every business-type activity during the fiscal year; however, revenues increased more than expenses resulting in lower combined operating losses than the prior fiscal year. An analysis of user rates may be necessary over the next several years.

**Table 2**  
**City of Tracy**  
**Condensed Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2014**  
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 10,798	\$ 10,303	\$ 55,734	\$ 49,656	\$ 66,532	\$ 59,959
Operating Contributions and Grants	10,963	12,724			10,963	12,724
Capital Grants and Contributions	18,166	22,596	6,336	2,528	24,502	25,124
Total Program Revenues	39,927	45,623	62,070	52,184	101,997	97,807
General Revenues:						
Property Taxes	15,700	14,946			15,700	14,946
Other Taxes	27,303	24,935			27,303	24,935
Other General Revenues	2,763	1,760	264	144	3,027	1,904
Transfers		(42)		42		
Total General Revenues & Transfers	45,766	41,599	264	186	46,030	41,785
Total Revenues	85,693	87,222	62,334	52,370	148,027	139,592
<b>Expenses</b>						
General Government	6,412	6,572			6,412	6,572
Police	22,032	21,878			22,032	21,878
Fire	15,942	15,370			15,942	15,370
Development & Engineering	7,860	7,685			7,860	7,685
Public Works	24,498	18,269			24,498	18,269
Parks & Community Services	4,668	4,709			4,668	4,709
Interest on Long-term Debt	1,342	1,399			1,342	1,399
Unallocated Depreciation	587	521			587	521
Water			22,300	21,765	22,300	21,765
Sewer			16,442	14,970	16,442	14,970
Solidwaste			18,923	18,820	18,923	18,820
Storm Drainage			3,404	3,232	3,404	3,232
Airport			629	590	629	590
Transit			2,556	2,404	2,556	2,404
Total Expenses	83,341	76,403	64,254	61,781	147,595	138,184
Change in Net Position	2,352	10,819	(1,920)	(9,411)	432	1,408
Net Position, Beginning	659,465	648,646	360,505	369,916	1,019,970	1,018,562
Prior Period Adjustment	(1,170)		(172)		(1,342)	
Net Position, Beginning (Restated)	658,295		360,333		1,018,628	
Net Position, Ending	\$ 660,647	\$ 659,465	\$ 358,413	\$ 360,505	\$1,019,060	\$1,019,970



## **Financial Analysis of Governmental Funds**

The City of Tracy's governmental funds' purpose is to provide information on short-term inflows, outflows, and balances of spendable resources.

At June 30, 2014, the City's governmental funds presented a combined fund balance of \$131.2 million, a decrease of \$5.9 million or 4.3% when compared to that of the prior fiscal year. This fiscal year, only the Business Improvement District, Community Development Block Grant, and Regional Mall Debt Service funds posted a negative fund balance. This negative balance was because capital outlay and debt service expenditures exceeded the revenues. It is anticipated that future revenues from State grants and other sources will offset these expenditures.

The City of Tracy's General Fund has a fund balance of \$35.1 million. Of this amount, \$33.4 million is unrestricted. The total unrestricted fund balance represents approximately 67% of the total General Fund expenditures.

The Housing Successor Fund has a fund balance of \$3.0 million, of which 100% is restricted to low and moderate income housing projects.

The North East Industrial Plan Area #1 Fund has a fund balance of \$3.8 million, of which 100% is restricted for the purpose of the project.

## **Financial Analysis of 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 position of the proprietary funds is \$31.1 million for the fiscal year ending June 30, 2014. This is less than 0.1% lower than the prior fiscal year unrestricted net position of \$31.3 million. This decrease is due to operating losses during the fiscal year.

Total operating revenues for the Water Fund increased by 19.3% and operating expenses increased by 2.6% resulting in an operating loss of \$3.2 million. Compared to the prior fiscal year, the fiscal year's loss was 43.8% lower. Increased revenues are due to one-time bulk water sales.

The Sewer Fund also posted an operating loss of \$2.3 million, which was an increase from the prior fiscal year's loss of \$1.7 million. Like the Water Fund, total operating revenues increased by 8.0%, however, operating expenses increased by 11.1%. The increase in operating expenses was the result of higher operating and maintenance costs and also higher depreciation charges.

The Airport Fund posted a \$0.1 million increase in total operating revenues and an increase in operating expenses slightly less than \$0.1 million.

## **Financial Analysis of Proprietary Funds (Continued)**

Solid Waste Fund operating expenses increased by 4.2% while total operating revenues increased by 5.7%, resulting in an excess revenue of \$2.6 million. The excess revenue was due to a rate adjustment in a prior fiscal year.

The operations of the Transit Fund posted an operating loss of \$0.9 million, which was 41.7% lower than the prior fiscal year's loss of \$1.6 million. The lower loss is attributed to an increase in transit subsidies from federal, state, and county agencies.

The Drainage Fund reflected an operating loss of \$2.9 million, which was a 7.1% increase from the prior fiscal year's operating loss of \$2.7 million.

## **General Fund Budgetary Highlights**

- The actual revenues of the General Fund were more than the estimated amount by \$3.3 million.
- The actual expenditures reported a favorable variance. The actual expenditures were lower than the estimated by \$1.05 million.
- The net budgetary excess of revenues over expenditures for the fiscal year ended June 30, 2014 is \$4.3 million before operating transfers out.

Actual revenues exceeded the estimated revenues in taxes, primarily property taxes and sales taxes, and intergovernmental and charges for services while other revenue sources were down. The favorable variance in expenditures can be attributed to ongoing cost savings measures that the City undertook during the fiscal year.

## 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, 2014 amounts to \$899 million (net of accumulated depreciation). These capital assets include the asset descriptions shown on the table below. The total increase in the City's investments in capital assets for the fiscal year is negligible at less than 0.01%. There is a 1.4% increase in capital assets for governmental activities while business-type activities experienced a decrease of 1.8% due to accumulated depreciation. More detailed information of the City's capital assets can be found in Note 5.

**Table 3**  
**City of Tracy**  
**Schedule of Capital Assets**  
**June 30, 2014**  
(in Thousands)

Description	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 164,351	\$ 160,091	\$ 11,841	\$ 11,841	\$ 176,192	\$ 171,932
Streets and Roads	222,316	213,780			222,316	213,780
Construction in-Progress	14,575	19,759	7,042	4,824	21,617	24,583
Buildings and Improvements	159,351	153,828	225,454	223,211	384,805	377,039
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	27,947	27,947			27,947	27,947
Traffic Signals	18,089	17,374			18,089	17,374
Equipment	26,253	24,860	44,446	44,163	70,699	69,023
Infrastructure	11,079	8,580	248,406	246,080	259,485	254,660
Intangible Assets	968	866	76,731	69,222	77,699	70,088
Less: Total Accumulated Depreciation	(114,241)	(103,685)	(245,703)	(224,437)	(359,944)	(328,122)
<b>Total Capital Assets</b>	<b>\$ 530,688</b>	<b>\$ 523,400</b>	<b>\$ 368,217</b>	<b>\$ 374,904</b>	<b>\$ 898,905</b>	<b>\$ 898,304</b>

**Long-term Debt.** At the end of fiscal year 2014, the City's total debt showed a slight reduction of 5.2% or \$3.9 million. This decline was due to the principal payments on the long-term debt during the fiscal year.

A detailed discussion of the entire City's long-term debt can be found under Notes 7, 8, 11 and 18. 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.

**Table 4**  
**City of Tracy**  
**Schedule of Long Term Debt**  
**June 30, 2014**  
(in Thousands)

Debt Description	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
2008 Lease Revenue Bonds	\$ 19,015	\$ 19,160	\$ -	\$ -	\$ 19,015	\$ 19,160
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,295	1,395			1,295	1,395
Capital Leases	909				909	
2003 Wastewater Revenue Bonds				345		345
2004 Wastewater Revenue Bonds			26,630	27,300	26,630	27,300
Irrigation District Notes				3,000		3,000
State of California-Department of Transportation Loan			33	54	33	54
State of California-Department of Health Services			14,489	15,392	14,489	15,392
Compensated Absences	2,857	2,794	574	518	3,431	3,312
Claims and Judgments	112	112			112	112
Post Retirement Benefits	1,689	1,411			1,689	1,411
<b>Total Long Term Liabilities</b>	<b>\$ 28,567</b>	<b>\$ 27,562</b>	<b>\$ 41,726</b>	<b>\$ 46,609</b>	<b>\$ 70,293</b>	<b>\$ 74,171</b>

## **Economic Outlook and Major Initiatives**

As reflected in this fiscal report, the City is experiencing the positive effects in an improved economic climate. Property values have continued to increase and sales tax is strong and has surpassed the highs established in 2007. These positive changes have enabled the City to replenish its reserves for the second consecutive year. However, the City must continue its path of fiscal prudence as it prepares for the expiration of Measure E, an added one-half cent sales tax that expires in April 2016. More detail about the City's economic outlook is discussed 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 Administrative Services Department, Finance Division at 333 Civic Center Plaza, Tracy, California 95376.

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**CITY OF TRACY**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 128,055,381	\$ 26,401,530	\$ 154,456,911
Cash and investments with fiscal agents	11,590,332	344,047	11,934,379
Accounts receivable	11,254,499	11,255,646	22,510,145
Inventory		570,994	570,994
Interest receivable	386,518	58,090	444,608
Prepaid items	1,055,830	220,257	1,276,087
Internal balances	2,818,862	(2,818,862)	
Due from Agency Funds	19,050		19,050
Due from Private Purpose Trust Funds	95,800		95,800
Deposits	1,000,000		1,000,000
Loans receivable	15,222,472		15,222,472
Advances to CDA successor agency	2,803,520		2,803,520
Capital assets, not being depreciated	401,241,520	18,883,389	420,124,909
Capital assets, being depreciated, net of accumulated depreciation	129,446,316	349,333,896	478,780,212
<b>Total Assets</b>	<b>704,990,100</b>	<b>404,248,987</b>	<b>1,109,239,087</b>
<b>LIABILITIES</b>			
Accounts payable	5,116,169	2,347,054	7,463,223
Accrued interest payable	351,057	97,678	448,735
Deposits payable	10,308,642	1,664,702	11,973,344
Noncurrent liabilities:			
Due within one year	1,341,440	1,811,063	3,152,503
Due in more than one year	27,226,008	39,915,351	67,141,359
<b>Total Liabilities</b>	<b>44,343,316</b>	<b>45,835,848</b>	<b>90,179,164</b>
<b>NET POSITION</b>			
Net investment in capital assets	518,181,312	327,064,979	845,246,291
Restricted for:			
Debt service	581,627	247,471	829,098
Public safety	1,279,224		1,279,224
Streets and roads	5,297,967		5,297,967
Community development	1,482,784		1,482,784
Special districts	5,230,783		5,230,783
Projects	71,574,928		71,574,928
Housing	14,955,461		14,955,461
Unrestricted	42,062,698	31,100,689	73,163,387
<b>Total Net Position</b>	<b>\$ 660,646,784</b>	<b>\$ 358,413,139</b>	<b>\$ 1,019,059,923</b>

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

**CITY OF TRACY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government				
Legislative	\$ (101,960)	\$ -	\$ -	\$ -
City attorney	(738,500)			
Administration	(1,729,646)			
Personnel	(567,348)			
Finance	(2,102,067)			
Community Promotion	(109,481)			
Non-departmental	(109,905)	1,040,346		212,022
Economic development	(953,313)		265,528	1,373,579
Public safety				
Police	(22,032,488)	327,870	1,358,461	90,111
Fire	(15,942,120)	250,665	6,730,090	
Public works				
Development and engineering	(7,860,171)	3,038,560		370,643
Public works	(24,498,222)	5,039,907	2,609,597	15,971,199
Culture and leisure				
Cultural arts	(1,911,806)	262,685		
Parks and community services	(2,756,004)	837,567		148,927
Interest on long-term debt	(1,341,850)			
Unallocated depreciation	(587,000)			
<b>Total Governmental Activities</b>	<b>(83,341,881)</b>	<b>10,797,600</b>	<b>10,963,676</b>	<b>18,166,481</b>
<b>Business-type Activities:</b>				
Water	(22,300,082)	18,699,523		1,204,871
Sewer	(16,441,797)	12,940,434		1,459,974
Airport	(628,745)	394,934		458,586
Solid waste	(18,922,933)	21,520,880		
Transit	(2,556,230)	1,631,373		353,148
Drainage	(3,404,500)	546,910		2,859,946
<b>Total Business-type Activities</b>	<b>(64,254,287)</b>	<b>55,734,054</b>		<b>6,336,525</b>
<b>Total Government</b>	<b>\$ (147,596,168)</b>	<b>\$ 66,531,654</b>	<b>\$ 10,963,676</b>	<b>\$ 24,503,006</b>

General Revenues:  
Taxes:  
  Property taxes  
  Franchise taxes  
  Sales and use taxes  
  Transient occupancy tax  
  Business license taxes  
  Transfer tax  
  Motor vehicle in lieu, unrestricted  
  Investment earnings  
  Miscellaneous  
Other Revenue  
  
Total General Revenues

Change in Net Position

Net Position July 1, 2013  
Prior Period Adjustments  
Net Position July 1, 2013, Restated

Net Position, June 30, 2014

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



Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (101,960)	\$ -	\$ (101,960)
(738,500)		(738,500)
(1,729,646)		(1,729,646)
(567,348)		(567,348)
(2,102,067)		(2,102,067)
(109,481)		(109,481)
1,142,463		1,142,463
685,794		685,794
(20,256,046)		(20,256,046)
(8,961,365)		(8,961,365)
(4,450,968)		(4,450,968)
(877,519)		(877,519)
(1,649,121)		(1,649,121)
(1,769,510)		(1,769,510)
(1,341,850)		(1,341,850)
(587,000)		(587,000)
<u>(43,414,124)</u>		<u>(43,414,124)</u>
	(2,395,688)	(2,395,688)
	(2,041,389)	(2,041,389)
	224,775	224,775
	2,597,947	2,597,947
	(571,709)	(571,709)
	2,356	2,356
	<u>(2,183,708)</u>	<u>(2,183,708)</u>
<u>(43,414,124)</u>	<u>(2,183,708)</u>	<u>(45,597,832)</u>
15,699,554		15,699,554
2,593,225		2,593,225
22,721,973		22,721,973
974,314		974,314
706,573		706,573
271,761		271,761
35,662		35,662
1,129,123	264,038	1,393,161
1,052,258		1,052,258
581,814		581,814
<u>45,766,257</u>	<u>264,038</u>	<u>46,030,295</u>
<u>2,352,133</u>	<u>(1,919,670)</u>	<u>432,463</u>
659,465,244	360,504,465	1,019,969,709
(1,170,593)	(171,656)	(1,342,249)
<u>658,294,651</u>	<u>360,332,809</u>	<u>1,018,627,460</u>
<u>\$ 660,646,784</u>	<u>\$ 358,413,139</u>	<u>\$ 1,019,059,923</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 2014. 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.

### **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.

**CITY OF TRACY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2014**

	General Fund	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 37,816,063	\$ 199,692	\$ 5,479,780	\$ 72,246,614
Cash and investments with fiscal agents				11,590,332
Accounts receivable	4,511,662			6,855,768
Interest receivable	173,188	567	14,671	198,092
Prepaid items	12,394		55,246	2,127
Deposits				1,000,000
Loans receivable	525,790	13,054,001		2,442,500
Due from other funds	1,318,167			5,606,000
Advances to CDA successor agency		2,803,520		
Advances to other funds	244,057			1,747,454
	<u>44,601,321</u>	<u>16,057,780</u>	<u>5,549,697</u>	<u>101,688,887</u>
Total Assets	<u>\$ 44,601,321</u>	<u>\$ 16,057,780</u>	<u>\$ 5,549,697</u>	<u>\$ 101,688,887</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,249,007	\$ -	\$ -	\$ 2,493,886
Due to other funds				4,349,362
Deposits payable	7,280,967			3,027,675
Advances from other funds			1,747,454	
	<u>9,529,974</u>	<u>13,054,001</u>	<u>1,747,454</u>	<u>9,870,923</u>
Total Liabilities	<u>9,529,974</u>	<u>13,054,001</u>	<u>1,747,454</u>	<u>9,870,923</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue - loans		13,054,001		2,442,500
		<u>13,054,001</u>		<u>2,442,500</u>
Total Deferred Inflows of Resources		<u>13,054,001</u>		<u>2,442,500</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,529,974</u>	<u>13,054,001</u>	<u>1,747,454</u>	<u>12,313,423</u>
Fund Balances:				
Nonspendable				
Prepaid items	12,394		55,246	2,127
Advances	244,057			
Loans receivable	525,790			
Restricted	346,363	3,003,779	3,746,997	90,650,992
Assigned	523,005			
Unassigned	33,419,738			(1,277,655)
	<u>35,071,347</u>	<u>3,003,779</u>	<u>3,802,243</u>	<u>89,375,464</u>
Total Fund Balances	<u>35,071,347</u>	<u>3,003,779</u>	<u>3,802,243</u>	<u>89,375,464</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 44,601,321</u>	<u>\$ 16,057,780</u>	<u>\$ 5,549,697</u>	<u>\$ 101,688,887</u>

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

Total  
Governmental  
Funds

---

\$ 115,742,149  
11,590,332  
11,367,430  
386,518  
69,767  
1,000,000  
16,022,291  
6,924,167  
2,803,520  
1,991,511

---

\$ 167,897,685

\$ 4,742,893  
4,349,362  
10,308,642  
1,747,454

---

21,148,351

15,496,501

15,496,501

36,644,852

69,767  
244,057  
525,790  
97,748,131  
523,005  
32,142,083

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131,252,833

\$ 167,897,685

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**CITY OF TRACY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

Fund balances of governmental funds \$ 131,252,833

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

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

Capital assets	\$ 619,266,523	
Less: accumulated depreciation	(93,710,206)	525,556,317

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 Funds) (340,760)

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 Funds)	(2,697,671)	
Bonds payable	(23,000,000)	
Postretirement benefit accrual	(1,689,216)	(27,386,887)

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 position. 16,868,599

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue. 15,700,275

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

Conditional grant balance allowance	(1,003,593)	
-------------------------------------	-------------	--

Net position of governmental activities \$ 660,646,784

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

**CITY OF TRACY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2014**

	General	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 40,282,107	\$ -	\$ -	\$ 3,522,295
Licenses, permits, and fees	3,813,645			194,256
Fines and penalties	790,326			72,663
Use of money and property	832,258	61,768	59,289	745,637
Intergovernmental	1,533,055			11,394,536
Charges for services	8,588,914			305,208
Special assessments	370,643			6,810,604
Contributions			300,000	4,046,394
Other revenues	1,184,106			582,545
<b>Total Revenues</b>	<b>57,395,054</b>	<b>61,768</b>	<b>359,289</b>	<b>27,674,138</b>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	436,893			513,967
General government	3,165,940			82,956
Finance	2,102,067			
Non-departmental	372,061			377,065
Public safety				
Police	21,582,841			9,397
Fire	9,231,255			6,638,018
Public works				
Development and engineering	6,301,000			165,574
Public works	3,648,617			4,822,535
Culture and leisure				
Cultural arts	1,310,025			
Parks and community services	1,802,656			
Capital outlay	55,225		9,776,754	17,346,716
Debt service:				
Principal payments				245,000
Interest and fiscal charges				1,344,592
<b>Total Expenditures</b>	<b>50,008,580</b>		<b>9,776,754</b>	<b>31,545,820</b>
Excess of Revenues over (under) Expenditures	7,386,474	61,768	(9,417,465)	(3,871,682)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				1,213,671
Transfers out	(1,208,709)			(26,962)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,208,709)</b>			<b>1,186,709</b>
<b>Net Changes in Fund Balances</b>	<b>6,177,765</b>	<b>61,768</b>	<b>(9,417,465)</b>	<b>(2,684,973)</b>
Fund Balances, July 1, 2013	28,893,582	2,942,011	13,219,708	92,060,437
Fund Balances, June 30, 2014	<u>\$ 35,071,347</u>	<u>\$ 3,003,779</u>	<u>\$ 3,802,243</u>	<u>\$ 89,375,464</u>

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



Total  
Governmental  
Funds

\$ 43,804,402  
4,007,901  
862,989  
1,698,952  
12,927,591  
8,894,122  
7,181,247  
4,346,394  
1,766,651

---

85,490,249

950,860  
3,248,896  
2,102,067  
749,126

21,592,238  
15,869,273

6,466,574  
8,471,152

1,310,025  
1,802,656  
27,178,695

245,000  
1,344,592

---

91,331,154

---

(5,840,905)

---

1,213,671  
(1,235,671)

---

(22,000)

---

(5,862,905)

137,115,738

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\$ 131,252,833

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**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, 2014**

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 Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (5,862,905)

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 Position. 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 Position. (2,453)

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	\$ 16,459,966	
Depreciation expense not reported in governmental funds	<u>(9,054,352)</u>	7,405,614

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, 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 Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance		245,000
---	--	---------

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	(278,398)	
Interest payable	2,742	
Accrued interest receivable on loans	203,774	
Compensated absences	<u>(31,336)</u>	(103,218)

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.

670,095

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,352,133

## **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 2014.

### **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 POSITION  
 June 30, 2014**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 5,234,631	\$ 14,441,917	\$ 3,909
Cash and investments with fiscal agents		344,047	
Accounts receivable - net	2,787,816	2,338,335	478,868
Inventory	570,994		
Interest receivable	11,518	31,817	
Prepaid expenses		2,429	40,000
Due from other funds	1,336,000		
<b>Total current assets</b>	<b>9,940,959</b>	<b>17,158,545</b>	<b>522,777</b>
Noncurrent:			
Advances to other funds	862,500	5,000,000	
	862,500	5,000,000	
Capital Assets:			
Nondepreciable			
Land	29,016	6,050,640	15,826
Construction in progress	1,693,473	4,702,621	580,949
<b>Total nondepreciable capital assets</b>	<b>1,722,489</b>	<b>10,753,261</b>	<b>596,775</b>
Depreciable			
Infrastructure	109,854,181	80,656,823	
Buildings	44,000,539	78,775,756	356,080
Improvements	29,612,034	22,666,696	6,602,406
Equipment	11,445,578	29,782,734	120,843
Intangibles	76,404,122	125,878	191,726
<b>Total depreciable capital assets</b>	<b>271,316,454</b>	<b>212,007,887</b>	<b>7,271,055</b>
Less accumulated depreciation	(100,345,389)	(95,296,919)	(5,649,765)
<b>Net depreciable capital assets</b>	<b>170,971,065</b>	<b>116,710,968</b>	<b>1,621,290</b>
<b>Net capital assets</b>	<b>172,693,554</b>	<b>127,464,229</b>	<b>2,218,065</b>
<b>Total noncurrent assets</b>	<b>173,556,054</b>	<b>132,464,229</b>	<b>2,218,065</b>
<b>Total assets</b>	<b>\$ 183,497,013</b>	<b>\$ 149,622,774</b>	<b>\$ 2,740,842</b>

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
\$ 5,456,505	\$ 411,784	\$ 852,784	\$ 26,401,530	\$ 12,313,232
			344,047	
2,810,329	2,802,725	37,573	11,255,646	1,919
			570,994	
11,981	903	1,871	58,090	
555		177,273	220,257	986,063
			1,336,000	
<u>8,279,370</u>	<u>3,215,412</u>	<u>1,069,501</u>	<u>40,186,564</u>	<u>13,301,214</u>
			5,862,500	
			5,862,500	
	1,427,226	4,318,335	11,841,043	
		65,303	7,042,346	
	<u>1,427,226</u>	<u>4,383,638</u>	<u>18,883,389</u>	
	187,228	57,707,607	248,405,839	
	12,132,375		135,264,750	201,414
	3,731,931	27,576,312	90,189,379	554,752
44,219	2,956,107	96,713	44,446,194	24,095,773
	8,884		76,730,610	810,623
44,219	19,016,525	85,380,632	595,036,772	25,662,562
<u>(44,196)</u>	<u>(5,439,534)</u>	<u>(38,927,073)</u>	<u>(245,702,876)</u>	<u>(20,531,043)</u>
23	13,576,991	46,453,559	349,333,896	5,131,519
23	15,004,217	50,837,197	368,217,285	5,131,519
23	15,004,217	50,837,197	374,079,785	5,131,519
<u>\$ 8,279,393</u>	<u>\$ 18,219,629</u>	<u>\$ 51,906,698</u>	<u>\$ 414,266,349</u>	<u>\$ 18,432,733</u>

(Continued)

**CITY OF TRACY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**  
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 991,365	\$ 211,700	\$ 3,635
Deposits payable	801,392	4,500	47,675
Due to other funds			1,336,000
Accrued interest payable		96,576	1,102
Claims payable, current portion			
Current portion - compensated absences	90,759	59,350	4,224
Current portion - long-term debt	924,249	695,000	21,194
	<u>2,807,765</u>	<u>1,067,126</u>	<u>1,413,830</u>
Total current liabilities			
Noncurrent Liabilities:			
Advances from other funds	5,000,000		1,106,557
Capital lease payable			
Notes payable	13,564,908		11,955
Compensated absences	246,927	125,902	11,679
Claims payable			
Certificates of participation payable		25,935,000	
	<u>18,811,835</u>	<u>26,060,902</u>	<u>1,130,191</u>
Total noncurrent liabilities			
	<u>21,619,600</u>	<u>27,128,028</u>	<u>2,544,021</u>
Total Liabilities			
<b>NET POSITION</b>			
Net investment in capital assets	158,204,397	100,834,229	2,184,916
Restricted for debt service		247,471	
Unrestricted	3,673,016	21,413,046	(1,988,095)
	<u>\$ 161,877,413</u>	<u>\$ 122,494,746</u>	<u>\$ 196,821</u>
Total Net Position			

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	
\$ 834,499	\$ 278,975	\$ 26,880	\$ 2,347,054	\$ 373,276
		811,135	1,664,702	
14,805	2,560,000		3,910,805	
			97,678	10,297
				56,247
3,614	7,032	5,641	170,620	49,888
			1,640,443	82,518
<u>852,918</u>	<u>2,846,007</u>	<u>843,656</u>	<u>9,831,302</u>	<u>572,226</u>
			6,106,557	
				825,998
			13,576,863	
492	7,999	10,489	403,488	109,663
				56,247
			25,935,000	
<u>492</u>	<u>7,999</u>	<u>10,489</u>	<u>46,021,908</u>	<u>991,908</u>
<u>853,410</u>	<u>2,854,006</u>	<u>854,145</u>	<u>55,853,210</u>	<u>1,564,134</u>
23	15,004,217	50,837,197	327,064,979	4,223,003
			247,471	
<u>7,425,960</u>	<u>361,406</u>	<u>215,356</u>	<u>31,100,689</u>	<u>12,645,596</u>
<u>\$ 7,425,983</u>	<u>\$ 15,365,623</u>	<u>\$ 51,052,553</u>	<u>\$ 358,413,139</u>	<u>\$ 16,868,599</u>

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 For the Fiscal Year Ended June 30, 2014**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	\$ 16,042,440	\$ 12,925,036	\$ 394,934
Other operating revenues	2,657,083	15,398	
Total Operating Revenues	<u>18,699,523</u>	<u>12,940,434</u>	<u>394,934</u>
Operating Expenses			
Purchase of water	3,884,603		
Maintenance and operation	8,354,226	6,867,711	286,198
Administration	546,227	343,555	82,770
Insurance costs and claims			
Depreciation	9,077,601	7,995,564	257,786
Total Operating Expenses	<u>21,862,657</u>	<u>15,206,830</u>	<u>626,754</u>
Operating Income (Loss)	<u>(3,163,134)</u>	<u>(2,266,396)</u>	<u>(231,820)</u>
Non-Operating Revenues (Expenses)			
Interest income	14,153	105,894	
Interest expense	(437,425)	(1,234,967)	(1,991)
Total Non-Operating Income (Loss)	<u>(423,272)</u>	<u>(1,129,073)</u>	<u>(1,991)</u>
Income (Loss) Before Capital Contributions and Transfers	(3,586,406)	(3,395,469)	(233,811)
Capital Contributions and Grants	1,204,871	1,459,974	458,586
Transfers in	20,880		
Transfers out			(20,880)
Change in Net Position	<u>(2,360,655)</u>	<u>(1,935,495)</u>	<u>203,895</u>
Net Position, July 1, 2013	164,238,068	124,601,897	(7,074)
Prior Period Adjustments		(171,656)	
Net Position, July 1, 2013, Restated	<u>164,238,068</u>	<u>124,430,241</u>	<u>(7,074)</u>
Net Position, June 30, 2014	<u>\$ 161,877,413</u>	<u>\$ 122,494,746</u>	<u>\$ 196,821</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	
\$ 21,520,880	\$ 106,962 1,524,411	\$ 546,910	\$ 51,537,162 4,196,892	\$ 8,844,730 845,458
21,520,880	1,631,373	546,910	55,734,054	9,690,188
			3,884,603	
18,862,903	1,467,491	370,071	36,208,600	4,694,105
59,747	65,070	50,559	1,147,928	153,384
				2,777,478
283	1,023,669	2,983,870	21,338,773	1,503,207
18,922,933	2,556,230	3,404,500	62,579,904	9,128,174
2,597,947	(924,857)	(2,857,590)	(6,845,850)	562,014
139,860	2,358	1,773	264,038 (1,674,383)	
139,860	2,358	1,773	(1,410,345)	
2,737,807	(922,499) 353,148	(2,855,817) 2,859,946	(8,256,195) 6,336,525 20,880 (20,880)	562,014 86,081 22,000
2,737,807	(569,351)	4,129	(1,919,670)	670,095
4,688,176	15,934,974	51,048,424	360,504,465 (171,656)	16,198,504
4,688,176	15,934,974	51,048,424	360,332,809	16,198,504
\$ 7,425,983	\$ 15,365,623	\$ 51,052,553	\$ 358,413,139	\$ 16,868,599

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2014**

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers	\$ 18,762,911	\$ 13,089,659	\$ (59,500)
Receipts from interfund charges			428,000
Payments to suppliers and users	(8,605,218)	(4,297,018)	(230,652)
Payments to employees	(4,071,527)	(2,853,951)	(178,101)
Net Cash Provided (Used) by Operating Activities	<u>6,086,166</u>	<u>5,938,690</u>	<u>(40,253)</u>
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds	(1,336,000)		
Advances to/from other funds	5,000,000	(5,000,000)	
Transfers in	20,880		
Transfers out			(20,880)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,684,880</u>	<u>(5,000,000)</u>	<u>(20,880)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants received	1,204,871	1,288,318	458,586
Acquisitions of capital assets	(9,010,014)	(1,739,435)	(370,913)
Interest paid	(444,927)	(1,242,979)	(2,667)
Principal payments - long-term debt	(3,902,995)	(1,015,000)	(20,329)
Proceeds from issuance of debt			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,153,065)</u>	<u>(2,709,096)</u>	<u>64,677</u>
Cash Flows from Investing Activities:			
Interest received	21,985	283,765	
Net Cash Provided (Used) by Investing Activities	<u>21,985</u>	<u>283,765</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(2,360,034)	(1,486,641)	3,544
Cash and Cash Equivalents, July 1, 2013	<u>7,594,665</u>	<u>16,272,605</u>	<u>365</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 5,234,631</u>	<u>\$ 14,785,964</u>	<u>\$ 3,909</u>
Noncash Transactions			
Disposition of assets	\$ -	\$ 83,212	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 5,234,631	\$ 14,441,917	\$ 3,909
Cash and investments with fiscal agents		344,047	
Total Cash and Investments	<u>\$ 5,234,631</u>	<u>\$ 14,785,964</u>	<u>\$ 3,909</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	
\$ 21,753,252	\$ 260,966	\$ 541,205	\$ 54,348,493	\$ -
	1,265,000		1,693,000	9,688,269
(19,296,505)	(994,201)	(223,345)	(33,646,939)	(6,182,164)
(137,061)	(354,162)	(175,084)	(7,769,886)	(2,131,951)
<u>2,319,686</u>	<u>177,603</u>	<u>142,776</u>	<u>14,624,668</u>	<u>1,374,154</u>
			(1,336,000)	
			20,880	22,000
			(20,880)	
			(1,336,000)	22,000
	10,536	2,859,946	5,822,257	86,081
	(420,806)	(3,122,755)	(14,663,923)	(1,385,358)
			(1,690,573)	10,297
			(4,938,324)	
				<u>908,516</u>
	(410,270)	(262,809)	(15,470,563)	(380,464)
131,008	2,656	2,382	441,796	
131,008	2,656	2,382	441,796	
2,450,694	(230,011)	(117,651)	(1,740,099)	1,015,690
3,005,811	641,795	970,435	28,485,676	11,297,542
<u>\$ 5,456,505</u>	<u>\$ 411,784</u>	<u>\$ 852,784</u>	<u>\$ 26,745,577</u>	<u>\$ 12,313,232</u>
\$ -	\$ -	\$ 51,688	\$ 134,900	\$ 1,905
\$ 5,456,505	\$ 411,784	\$ 852,784	\$ 26,401,530	\$ 12,313,232
			344,047	
<u>\$ 5,456,505</u>	<u>\$ 411,784</u>	<u>\$ 852,784</u>	<u>\$ 26,745,577</u>	<u>\$ 12,313,232</u>

(Continued)

**CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2014  
 (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)	\$ (3,163,134)	\$ (2,266,396)	\$ (231,820)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	9,077,601	7,995,564	257,786
(Increase) Decrease in Operating Assets:			
Accounts receivable	(33,622)	149,225	(447,249)
Inventory			
Prepaid items	28	(2,429)	(40,000)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	69,094	42,090	258
Due to other funds			428,000
Compensated absences	39,189	20,636	(43)
Deposits payable	97,010		(7,185)
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,086,166</u>	<u>\$ 5,938,690</u>	<u>\$ (40,253)</u>

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
\$ 2,597,947	\$ (924,857)	\$ (2,857,590)	\$ (6,845,850)	\$ 562,014
283	1,023,669	2,983,870	21,338,773	1,503,207
232,372	(1,370,407)	37,095	(1,432,586)	(1,919)
		27,272	(15,129)	(986,063)
(510,140)	187,602	(5,675)	(216,771)	264,792
	1,265,000		1,693,000	
(776)	(3,404)	604	56,206	32,123
		(42,800)	47,025	
<u>\$ 2,319,686</u>	<u>\$ 177,603</u>	<u>\$ 142,776</u>	<u>\$ 14,624,668</u>	<u>\$ 1,374,154</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 in 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 POSITION  
June 30, 2014**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and investments, restricted	\$ 51,671	\$ -
Cash and investments	3,892,396	11,869,846
Cash and investments with fiscal agents	3,563,795	13,260,398
Accounts receivable		19,644
Interest receivable	11,212	23,906
Capital assets, not being depreciated	2,581,457	
Capital assets, being depreciated, net of accumulated depreciation	670,533	
Total Assets	10,771,064	\$ 25,173,794
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized loss on debt refunding	1,608,436	
Total Deferred Outflows of Resources	1,608,436	
<b>LIABILITIES</b>		
Accounts payable	36,788	\$ 137,429
Due to the City of Tracy	95,800	19,050
Accrued interest payable	815,627	
Deposits payable		3,433,547
Due to assessment district bondholders		21,583,768
Noncurrent liabilities:		
Due within one year	1,360,000	
Due in more than one year	46,418,520	
Total Liabilities	48,726,735	\$ 25,173,794
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unearned revenue - RPTTF Distribution	1,500,056	
Total Deferred Inflows of Resources	1,500,056	
<b>NET POSITION</b>		
Unrestricted	(37,847,291)	
Total Net Position	\$ (37,847,291)	

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 POSITION  
For the Fiscal Year Ended June 30, 2014**

	<u>Private-Purpose Trust Funds</u>
Additions:	
Investment revenue	\$ 69,029
Taxes and assessments	<u>4,314,113</u>
Total additions	<u>4,383,142</u>
Deductions:	
Administration	213,682
Public works	
Development and engineering	95,756
Depreciation	89,973
Transfer to City of Tracy	588,340
Interest expenses	<u>2,528,403</u>
Total deductions	<u>3,516,154</u>
Change in net position	<u>866,988</u>
Net Position July 1, 2013	(37,444,189)
Prior period adjustments	<u>(1,270,090)</u>
Net Position July 1, 2013, restated	<u>(38,714,279)</u>
Net Position, June 30, 2014	<u>\$ (37,847,291)</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Reporting Entity

The City of Tracy was incorporated as a general law city on July 10, 1910. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

B. Individual Component Unit Disclosures

*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 and GASB Statement No. 61 criteria for discrete disclosure within these basic financial statements.

C. Basis of Presentation

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

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

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did have an impact on the City's financial statements for the fiscal year ended June 30, 2014. Some items reported as assets and liabilities are now reported as deferred inflows or outflows of resources. Please see Note 21, Prior Period Adjustments for more information regarding the prior period adjustments due to this pronouncement.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

C. Basis of Presentation (Continued)

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction – 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

C. Basis of Presentation (Continued)

Government-wide Statements

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

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

Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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. The City also maintains accounts for the activities of the successor to the former redevelopment agency.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

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.

**Housing Successor Fund** - 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 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.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

E. Basis of Accounting

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The 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, OPEB 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

E. Basis of Accounting (Continued)

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted resources 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, 2014

**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, 2014

**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 fiscal 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 Position.

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, 2014

**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, 2014, those costs for 45 retirees totaled \$271,100, and the total liability amount in the medical leave bank is \$ 853,447.

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 to 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, 2014

**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, 2014

**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/Net Position

**Nonmajor Funds**

A deficit fund balance of \$13 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 \$29,210 exists in the Community Development Block Grant. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$44 exists in the Prop 1B Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of \$1,248,388 exists in the TEA Grant Special Revenue Fund. The deficit is due to the City incurring costs prior to being reimbursement from an intergovernmental source.

**Fiduciary Fund – Private Purpose Trust Funds**

A deficit net position of \$37,847,291 exists in the Private Purpose Trust Funds. The deficit is due to the long term liabilities exceeding assets. This will be alleviated by receipt of revenues in the future per the RDA dissolution plan.

C. Excess of Expenditures over Appropriations

The Asset Forfeiture Special Revenue Fund had actual expenditures that were \$3,398 above budgeted amounts due to higher than budget revenues.

The TDA Special Revenue Fund had actual expenditures that were \$15,354 above budgeted amounts due to higher than budget revenues.

The CDBG Special Revenue Fund had actual expenditures that were \$19,483 above budgeted amounts due to higher than budget revenues.

The Community Access CTV Special Revenue Fund had actual expenditures that were \$12,706 above budgeted amounts due to unforeseen costs.

The 2008 Lease Revenue Bond Debt Service fund has actual expenditures that were \$1,362 above budget amounts due to higher than expected interest expenditures.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 154,456,911
Cash and investments with fiscal agents	11,934,379
Fiduciary funds:	
Restricted cash and investments	51,671
Cash and investments	15,762,242
Cash and investments with fiscal agents	<u>16,824,193</u>
 Total cash and investments	 <u><u>\$ 199,029,396</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 1,209
Deposits with financial institutions	10,450,838
Investments	<u>188,577,349</u>
 Total cash and investments	 <u><u>\$ 199,029,396</u></u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**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, 2014

**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, 2014

**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	\$ 17,038,794	\$ -	\$ 17,038,794	\$ -	\$ -
Money Market Funds	14,912,421	14,912,421			
Federal Agency Securities	66,694,494		37,492,123	29,202,371	
Commerical Paper	4,045,328	4,045,328			
Corporate Notes	45,024,391	8,723,921	24,832,194	11,468,276	
Negotiable Time Deposits	1,706,524		1,706,524		
State Investment Pool	10,396,825	10,396,825			
Held by Debt Trustee:					
U.S. Treasury Notes	815,027		815,027		
Money Market Funds	22,032,479	22,032,479			
Federal Agency Securities	5,911,066	5,911,066			
	<u>\$188,577,349</u>	<u>\$ 66,022,040</u>	<u>\$ 81,884,662</u>	<u>\$ 40,670,647</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, 2014

**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	\$ 17,038,794	N/A	\$ 17,038,794	\$ -	\$ -	\$ -	\$ -
Money Market Funds	14,912,421	N/A		120,978			14,791,443
Federal Agency Securities	66,694,494	N/A			66,694,494		
Commerical Paper	4,045,328	N/A				4,045,328	
Corporate Notes	45,024,391	N/A		1,725,267	14,580,125	28,718,999	
Negotiable Time Deposits	1,706,524	N/A					1,706,524
State Investment Pool	10,396,825	N/A					10,396,825
Held by Debt Trustee:							
U.S. Treasury Notes	815,027	N/A	815,027				
Money Market Funds	22,032,479	N/A					22,032,479
Federal Agency Securities	5,911,066	N/A			5,911,066		
<b>Total</b>	<b><u>\$188,577,349</u></b>		<b><u>\$ 17,853,821</u></b>	<b><u>\$ 1,846,245</u></b>	<b><u>\$ 87,185,685</u></b>	<b><u>\$ 32,764,327</u></b>	<b><u>\$ 48,927,271</u></b>

**F. Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal agency securities	\$ 23,714,168
FNMA	Federal agency securities	18,950,982
FHLMC	Federal agency securities	20,505,965
FFCB	Federal agency securities	8,797,950
FAMC	Federal agency securities	316,983
FM	Federal agency securities	319,512

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, 2014

**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, 2014, \$10,450,838 of the City's deposits with financial institutions was covered by federal depository insurance limits or was held in collateralized accounts. As of June 30, 2014, 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	\$ 17,038,794
Federal Agency Securities	66,694,494
Commercial Paper	4,045,328
Corporate Notes	45,024,391
Negotiable Time Deposits	1,706,524

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, 2014

**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 City administers a residential and commercial rehabilitation program using Housing and Urban Development funds. Federal funds received by the City are deposited with a commercial bank. Upon approval of the loans, the funds are disbursed and collected by an outside collection agency. The programs are designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs was \$277,163 at June 30, 2014.

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, 2014, principal and accrued interest totaled \$910,455.

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, 2014, principal and accrued interest totaled \$2,440,143.

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, 2014 including accrued interest is \$52,146.

The City loaned 37 individuals 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 City is the beneficiary of the promissory notes issued, recorded, and secured by real property. The loans are due when the underlying property is sold. As of June 30, 2014, principal and accrued interest totaled \$2,036,935.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

A. Community Development Agency Loans (Continued)

The City, through the Housing Successor Fund, formerly 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, 2014, the developer owes \$4,650,535 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 City) or there is a default. Total amount owed as of June 30, 2014 is \$2,362,235 which includes accrued interest of \$387,235.

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, 2014 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, 2014 is \$40,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

D. 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, 2014 is \$485,790.

E. 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, 2014, the balance of the loan is \$2,442,500.

**NOTE 5 – CAPITAL ASSETS**

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Nondepreciable Capital Assets:					
Land	\$ 160,090,822	\$ 4,259,913	\$ -	\$ -	\$ 164,350,735
Roads accounted for using the modified approach	213,780,425	3,350,927		5,184,581	222,315,933
Construction in progress	19,759,433			(5,184,581)	14,574,852
 Total Nondepreciable Capital Assets	 393,630,680	 7,610,840			 401,241,520

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows (Continued):

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Governmental Activities (Continued)					
Capital assets, being depreciated					
Buildings and improvements	\$ 75,559,984	\$ 3,480,478	\$ -	\$ -	\$ 79,040,462
Improvements	78,268,316	2,043,148			80,311,464
Grading, curb & gutter, sidewalk, and driveway approaches	27,946,623				27,946,623
Traffic signals	17,374,347	714,390			18,088,737
Equipment	24,859,956	1,395,220	(1,905)		26,253,271
Infrastructure and drainage	8,579,871	2,498,808			11,078,679
Intangibles	865,889	102,440			968,329
<b>Total Depreciable Capital Assets</b>	<b>233,454,986</b>	<b>10,234,484</b>	<b>(1,905)</b>		<b>243,687,565</b>
Less accumulated depreciation for:					
Buildings and improvements	(22,930,400)	(2,081,015)			(25,011,415)
Improvements	(39,322,241)	(5,189,006)			(44,511,247)
Grading, curb & gutter, sidewalk, and driveway approaches	(11,260,225)	(659,892)			(11,920,117)
Traffic signals	(10,492,340)	(662,245)			(11,154,585)
Equipment	(18,397,436)	(1,621,810)	1,905		(20,017,341)
Infrastructure and drainage	(498,873)	(303,877)			(802,750)
Intangibles	(784,080)	(39,714)			(823,794)
<b>Total Accumulated Depreciation</b>	<b>(103,685,595)</b>	<b>(10,557,559)</b>	<b>1,905</b>		<b>(114,241,249)</b>
<b>Net Depreciable Capital Assets</b>	<b>129,769,391</b>	<b>(323,075)</b>			<b>129,446,316</b>
<b>Net Governmental Capital Assets</b>	<b>\$ 523,400,071</b>	<b>\$ 7,287,765</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 530,687,836</b>
Business-type Activities					
Water Utility					
Nondepreciable Capital Assets:					
Land	\$ 29,016	\$ -	\$ -	\$ -	\$ 29,016
Construction in progress	1,178,205	515,268			1,693,473
<b>Total Nondepreciable Capital Assets</b>	<b>1,207,221</b>	<b>515,268</b>			<b>1,722,489</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows: (Continued)

Business-type Activities	Balance at				Balance at
Water Utility (Continued)	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
<b>Depreciable Capital Assets:</b>					
Infrastructure	\$ 109,422,175	\$ 432,006	\$ -	\$ -	\$ 109,854,181
Buildings	43,467,914	532,625			44,000,539
Improvements	29,612,034				29,612,034
Equipment	11,415,463	30,115			11,445,578
Intangibles	68,904,122	7,500,000			76,404,122
<b>Total Depreciable Capital Assets</b>	<b>262,821,708</b>	<b>8,494,746</b>			<b>271,316,454</b>
<b>Accumulation Depreciation</b>					
Infrastructure	(32,446,175)	(2,233,415)			(34,679,590)
Buildings	(17,386,697)	(1,337,490)			(18,724,187)
Improvements	(17,069,627)	(1,849,856)			(18,919,483)
Equipment	(7,541,559)	(904,142)			(8,445,701)
Intangibles	(16,823,730)	(2,752,698)			(19,576,428)
<b>Total Accumulated Depreciation</b>	<b>(91,267,788)</b>	<b>(9,077,601)</b>			<b>(100,345,389)</b>
<b>Net Depreciable Capital Assets</b>	<b>171,553,920</b>	<b>(582,855)</b>			<b>170,971,065</b>
<b>Net Water Utility Capital Assets</b>	<b>\$ 172,761,141</b>	<b>\$ (67,587)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172,693,554</b>
Business-type Activities	Balance at				Balance at
Sewer Utility	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 6,050,640	\$ -	\$ -	\$ -	\$ 6,050,640
Construction in progress	3,235,993	1,466,628			4,702,621
<b>Total Nondepreciable Capital Assets</b>	<b>9,286,633</b>	<b>1,466,628</b>			<b>10,753,261</b>
<b>Depreciable Capital Assets:</b>					
Infrastructure	80,521,002	135,821			80,656,823
Buildings	78,775,756				78,775,756
Improvements	22,666,696				22,666,696
Equipment	29,729,764	136,986	(84,016)		29,782,734
Intangibles	125,878				125,878
<b>Total Depreciable Capital Assets</b>	<b>211,819,096</b>	<b>272,807</b>	<b>(84,016)</b>		<b>212,007,887</b>
<b>Accumulation Depreciation</b>					
Infrastructure	(28,388,106)	(1,611,814)			(29,999,920)
Buildings	(32,417,236)	(2,306,709)			(34,723,945)
Improvements	(11,212,395)	(1,038,439)			(12,250,834)
Equipment	(15,243,115)	(3,031,486)	72,649		(18,201,952)
Intangibles	(113,152)	(7,116)			(120,268)
<b>Total Accumulated Depreciation</b>	<b>(87,374,004)</b>	<b>(7,995,564)</b>	<b>72,649</b>		<b>(95,296,919)</b>
<b>Net Depreciable Capital Assets</b>	<b>124,445,092</b>	<b>(7,722,757)</b>	<b>(11,367)</b>		<b>116,710,968</b>
<b>Net Sewer Utility Capital Assets</b>	<b>\$ 133,731,725</b>	<b>\$ (6,256,129)</b>	<b>\$ (11,367)</b>	<b>\$ -</b>	<b>\$ 127,464,229</b>



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows: (Continued)

Business-type Activities	Balance at				Balance at
Municipal Airport	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Nondepreciable Capital Assets:					
Land	\$ 15,826	\$ -	\$ -	\$ -	\$ 15,826
Construction in progress	261,724	319,225			580,949
<b>Total Nondepreciable Capital Assets</b>	<b>277,550</b>	<b>319,225</b>			<b>596,775</b>
Depreciable Capital Assets:					
Buildings	356,080				356,080
Improvements	6,550,718	51,688			6,602,406
Equipment	120,843				120,843
Intangibles	191,726				191,726
<b>Total Depreciable Capital Assets</b>	<b>7,219,367</b>	<b>51,688</b>			<b>7,271,055</b>
Accumulation Depreciation					
Buildings	(210,653)	(12,391)			(223,044)
Improvements	(4,904,404)	(238,143)			(5,142,547)
Equipment	(85,196)	(7,252)			(92,448)
Intangibles	(191,726)				(191,726)
<b>Total Accumulated Depreciation</b>	<b>(5,391,979)</b>	<b>(257,786)</b>			<b>(5,649,765)</b>
<b>Net Depreciable Capital Assets</b>	<b>1,827,388</b>	<b>(206,098)</b>			<b>1,621,290</b>
<b>Net Municipal Airport Capital Assets</b>	<b>\$ 2,104,938</b>	<b>\$ 113,127</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,218,065</b>
Business-type Activities	Balance at				Balance at
Solidwaste	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Depreciable Capital Assets:					
Equipment	\$ 44,219	\$ -	\$ -	\$ -	\$ 44,219
<b>Total Depreciable Capital Assets</b>	<b>44,219</b>				<b>44,219</b>
Accumulation Depreciation					
Equipment	(43,913)	(283)			(44,196)
<b>Total Accumulated Depreciation</b>	<b>(43,913)</b>	<b>(283)</b>			<b>(44,196)</b>
<b>Net Depreciable Capital Assets</b>	<b>306</b>	<b>(283)</b>			<b>23</b>
<b>Net Solid Waste Capital Assets</b>	<b>\$ 306</b>	<b>\$ (283)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows: (Continued)

Business-type Activities	Balance at				Balance at
Municipal Transit	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 1,427,226	\$ -	\$ -	\$ -	\$ 1,427,226
Construction in progress	51,368			(51,368)	
<b>Total Nondepreciable Capital Assets</b>	<b>1,478,594</b>			<b>(51,368)</b>	<b>1,427,226</b>
<b>Depreciable Capital Assets:</b>					
Infrastructure		187,228			187,228
Buildings	12,059,833	21,174		51,368	12,132,375
Improvements	3,651,402	80,529			3,731,931
Equipment	2,833,116	122,991			2,956,107
Intangibles		8,884			8,884
<b>Total depreciable Capital Assets</b>	<b>18,544,351</b>	<b>420,806</b>		<b>51,368</b>	<b>19,016,525</b>
<b>Accumulation depreciation</b>					
Buildings	(1,815,361)	(528,316)			(2,343,677)
Improvements	(551,625)	(237,386)			(789,011)
Equipment	(2,048,879)	(257,967)			(2,306,846)
<b>Total Accumulated Depreciation</b>	<b>(4,415,865)</b>	<b>(1,023,669)</b>			<b>(5,439,534)</b>
<b>Net Depreciable Capital Assets</b>	<b>14,128,486</b>	<b>(602,863)</b>		<b>51,368</b>	<b>13,576,991</b>
<b>Net Transit Capital Assets</b>	<b>\$ 15,607,080</b>	<b>\$ (602,863)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,004,217</b>
<b>Business-type Activities</b>					
<b>Drainage</b>	<b>Balance at</b>				<b>Balance at</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2014</b>
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 4,318,335	\$ -	\$ -	\$ -	\$ 4,318,335
Construction in progress	96,903			(31,600)	65,303
<b>Total Nondepreciable Capital Assets</b>	<b>4,415,238</b>			<b>(31,600)</b>	<b>4,383,638</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

A. Capital asset activity for the fiscal year ended June 30, 2014, was as follows: (Continued)

Business-type Activities Drainage (Continued)	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Depreciable Capital Assets:					
Infrastructure	\$ 56,136,170	\$ 1,539,837	\$ -	\$ 31,600	\$ 57,707,607
Improvements	26,070,483	1,505,829			27,576,312
Equipment	19,624	77,089			96,713
Total Depreciable Capital Assets	<u>82,226,277</u>	<u>3,122,755</u>		<u>31,600</u>	<u>85,380,632</u>
Accumulation Depreciation					
Infrastructure	(18,422,657)	(1,147,240)			(19,569,897)
Improvements	(17,500,922)	(1,835,988)			(19,336,910)
Equipment	(19,624)	(642)			(20,266)
Total Accumulated Depreciation	<u>(35,943,203)</u>	<u>(2,983,870)</u>			<u>(38,927,073)</u>
Net Depreciable Capital Assets	<u>46,283,074</u>	<u>138,885</u>		<u>31,600</u>	<u>46,453,559</u>
Net Drainage Capital Assets	<u>\$ 50,698,312</u>	<u>\$ 138,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,837,197</u>
 Total Business-type Activities	 Balance at July 1, 2013	 Additions	 Deletions	 Transfers	 Balance at June 30, 2014
Nondepreciable Capital Assets:					
Land	\$ 11,841,043	\$ -	\$ -	\$ -	\$ 11,841,043
Construction in progress	4,824,193	2,301,121		(82,968)	7,042,346
Total Nondepreciable Capital Assets	<u>16,665,236</u>	<u>2,301,121</u>		<u>(82,968)</u>	<u>18,883,389</u>
Depreciable Capital Assets:					
Infrastructure	246,079,347	2,294,892		31,600	248,405,839
Buildings	134,659,583	553,799		51,368	135,264,750
Improvements	88,551,333	1,638,046			90,189,379
Equipment	44,163,029	367,181	(84,016)		44,446,194
Intangibles	69,221,726	7,508,884			76,730,610
Total Depreciable Capital Assets	<u>582,675,018</u>	<u>12,362,802</u>	<u>(84,016)</u>	<u>82,968</u>	<u>595,036,772</u>
Accumulation Depreciation					
Infrastructure	(79,256,938)	(4,992,469)			(84,249,407)
Buildings	(51,829,947)	(4,184,906)			(56,014,853)
Improvements	(51,238,973)	(5,199,812)			(56,438,785)
Equipment	(24,982,286)	(4,201,772)	72,649		(29,111,409)
Intangibles	(17,128,608)	(2,759,814)			(19,888,422)
Total Accumulated Depreciation	<u>(224,436,752)</u>	<u>(21,338,773)</u>	<u>72,649</u>		<u>(245,702,876)</u>
Net Depreciable Capital Assets	<u>358,238,266</u>	<u>(8,975,971)</u>	<u>(11,367)</u>	<u>82,968</u>	<u>349,333,896</u>
Net Business-type Capital Assets	<u>\$ 374,903,502</u>	<u>\$ (6,674,850)</u>	<u>\$ (11,367)</u>	<u>\$ -</u>	<u>\$ 368,217,285</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

**B. Depreciation Allocations**

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

Governmental Activities:

City administration - nondepartmental	\$ 1,200,395
Police	440,250
Fire	72,847
Development and engineering	1,393,597
Public works	5,308,341
Cultural arts	601,781
Parks and recreation	953,348
Unallocated	<u>587,000</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 10,557,559</u></u>
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Business-type Activities:

Water utility	\$ 9,077,601
Sewer utility	7,995,564
Municipal airport	257,786
Solid waste	283
Municipal transit	1,023,669
Drainage	<u>2,983,870</u>

Total Depreciation Expense - Business-type Activities	<u><u>\$ 21,338,773</u></u>
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**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 2014, the City expended \$1,387,484 to preserve its roads. The City estimates that it will be required to expend approximately \$3,183,569 in the fiscal year 2014 to maintain its roads at this condition level. Please see Modified Approach to Reporting Street Pavement Costs section of the Required Supplementary Information section on page 97 for more detailed information.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**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, 2014.

Receivable Funds	Amount	Payable Funds	Amount
Major Governmental Fund		Major Proprietary Funds	
General	\$ 1,318,167	Municipal Airport	\$ 1,336,000
		Solid Waste	14,805
Nonmajor Governmental Funds		Municipal Transit	2,560,000
Capital Projects Deposit	3,033,000		
General Projects	2,573,000	Nonmajor Governmental Funds	
Major Proprietary Funds		TEA Grant	2,052,000
Water	1,336,000	Community Development	
		Block Grant	13,000
		South County Fire Authority	1,303,362
		Transportation Development	981,000
Totals	\$ 8,260,167	Totals	\$ 8,260,167

B. Long-term Interfund Advances

At June 30, 2014, the funds below had made advances which were not expected to be repaid within the next fiscal year.

Funds making advances	Funds receiving advances	Amount
Major Governmental Funds	Major Proprietary Fund	
General	Municipal Airport	\$ 244,057
Nonmajor Governmental Fund	Major Governmental Fund	
Northeast Industrial Plan Area #2	Northeast Industrial Plan Area #1	1,747,454
Major Governmental Funds	Private Purpose Trust Fund	
Housing Successor	Successor Agency	2,803,520
Major Proprietary Fund	Major Proprietary Fund	
Sewer	Water	5,000,000
Water	Municipal Airport	862,500
Totals		\$ 10,657,531

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

B. Long-term Interfund Advances

**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

Receiving Funds	Transfers In	Paying Funds	Transfers Out
<u>Nonmajor Governmental Funds</u>		<u>Major Governmental Fund</u>	
Downtown Business	\$ 3,144	General	\$ 1,208,709
2007 Lease Revenue Bonds	467,440		
2008 Lease Revenue Bonds	743,087	<u>Nonmajor Governmental Funds</u>	
		Asset Forfeiture	22,000
<u>Major Proprietary Fund</u>		Regional Mall COP	4,962
Water	20,880		
		<u>Major Proprietary Fund</u>	
<u>Internal Service Fund</u>		Municipal Airport	20,880
Equipment Acquisition	22,000		
			<u>\$ 1,256,551</u>
Totals	<u>\$ 1,256,551</u>		

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due 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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

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 portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2014, total \$2,857,222 for governmental activities and \$574,108 for business-type activities.

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, 2014 was \$26,630,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	775,000	1,119,027	1,894,027
2019	805,000	1,086,235	1,891,235
2020-2024	4,585,000	4,862,481	9,447,481
2025-2029	5,755,000	3,677,685	9,432,685
2030-2034	7,280,000	2,148,571	9,428,571
2035-2039	5,270,000	383,325	5,653,325
	<u>\$26,630,000</u>	<u>\$16,811,718</u>	<u>\$ 43,441,718</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

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) was 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 were deposited in the City (\$7,174,242) and the former Redevelopment Agency (\$2,126,306). The outstanding balance of the bonds at June 30, 2014 is \$19,015,000

Future minimum debt requirements for the bonds are:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	250,000	1,123,938	1,373,938
2019	285,000	1,110,875	1,395,875
2020-2024	1,980,000	5,278,643	7,258,643
2025-2029	3,240,000	4,531,160	7,771,160
2030-2034	5,055,000	3,272,782	8,327,782
2035-2039	7,620,000	1,293,577	8,913,577
	<u>\$ 19,015,000</u>	<u>\$ 20,041,182</u>	<u>\$ 39,056,182</u>



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

C. Revenue Bonds (Continued)

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. This bond was paid off as of June 30, 2014.

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, 2014 is \$2,690,000. Annual debt service requirements are as follows:

2007 Revenue Bonds A

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 119,500	\$ 119,500
2016		119,500	119,500
2017		119,500	119,500
2018		119,500	119,500
2019		119,500	119,500
2020-2024		597,500	597,500
2025-2029	830,000	532,530	1,362,530
2030-2034	1,085,000	323,900	1,408,900
2035-2039	775,000	70,876	845,876
	<u>\$ 2,690,000</u>	<u>\$ 2,122,306</u>	<u>\$ 4,812,306</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

C. Revenue Bonds (Continued)

4) 2007 Lease Revenue Bonds – Series B

On October 25, 2007, the City issued \$1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2009. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2014 was \$1,295,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ 105,000	\$ 53,180	\$ 158,180
2016	110,000	48,980	158,980
2017	115,000	44,580	159,580
2018	115,000	39,980	154,980
2019	120,000	35,380	155,380
2020-2024	680,000	99,230	779,230
2025-2029	50,000	2,125	52,125
	<u>\$ 1,295,000</u>	<u>\$ 323,455</u>	<u>\$ 1,618,455</u>

D. Notes and Loans Payable

1) 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, 2014 was \$33,149. Annual debt service requirements are as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

D. Notes and Loans Payable (Continued)

1) 1992 State of California Department of Transportation Division of Aeronautics Loans (Continued)

Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ 21,194	\$ 1,653	\$ 22,847
2016	11,955	596	12,551
	<u>\$ 33,149</u>	<u>\$ 2,249</u>	<u>\$ 35,398</u>

2) 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, 2014, the City has balance due of \$14,489,157. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	991,058	266,860	1,257,918
2019	1,014,384	243,534	1,257,918
2020-2024	5,441,496	848,100	6,289,596
2025-2028	4,203,700	199,020	4,402,720
	<u>\$ 14,489,157</u>	<u>\$ 2,492,752</u>	<u>\$ 16,981,909</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

D. Notes and Loans Payable (Continued)

3) 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. This note has been paid off as of June 30, 2014.

E. Changes in Long-Term Liabilities

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds Payable:					
2008 Lease Revenue Bonds	\$ 19,160,000	\$ -	\$ 145,000	\$ 19,015,000	\$ 170,000
2007 Revenue Bonds A	2,690,000			2,690,000	
2007 Revenue Bonds B	1,395,000		100,000	1,295,000	105,000
Capital Leases		948,743	40,227	908,516	82,518
Compensated Absences	2,793,763	867,404	803,945	2,857,222	927,675
Claims and Judgments	112,494			112,494	56,247
Postretirement Benefits	1,410,818	278,398		1,689,216	
Totals	<u>\$27,562,075</u>	<u>\$ 2,094,545</u>	<u>\$ 1,089,172</u>	<u>\$ 28,567,448</u>	<u>\$ 1,341,440</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, 2014

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

E. Changes in Long-Term Liabilities (Continued)

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Due within One Year</u>
Business-type Activities:					
Certificates of Participation:					
2004 Wastewater Certificates of Participation	\$27,300,000	\$ -	\$ 670,000	\$ 26,630,000	\$ 695,000
Bonds Payable:					
2003 Wastewater Revenue Bonds	345,000		345,000		
Notes Payable:					
State of California Department of Transportation	53,478		20,329	33,149	21,194
State of California Department of Health Services	15,392,152		902,995	14,489,157	924,249
Irrigation District Notes	3,000,000		3,000,000		
Compensated Absences	517,902	157,584	101,378	574,108	170,620
Totals	<u>\$46,608,532</u>	<u>\$ 157,584</u>	<u>\$ 5,039,702</u>	<u>\$ 41,726,414</u>	<u>\$ 1,811,063</u>

F. Deferred Gain/Loss on Debt Refunding

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.

G. Defeased Debt

As of June 30, 2014, 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, 2014, is as follows:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

Description	Fiscal Year		Balance
	Issue Year	Maturity Year	Outstanding June 30, 2014
93-1 Community Facilities District	1997	2027	\$ 925,000
99-1 Community Facilities District, 04 Refunding	2004	2025	6,300,000
93-1 Community Facilities District, Series 2002	2003	2033	1,855,000
2003-01 Assessment District	2003	2029	725,000
2005C Revenue bonds (JPA)	2006	2036	12,885,000
2005B Revenue Bonds Junior Lien (JPA)	2006	2036	2,620,000
2005A Revenue Bonds Senior Lien (JPA)	2006	2029	55,425,000
2006-01 NE Industrial Phase II	2007	2037	10,420,000
2011 TOP JPA Revenue Bonds	2012	2028	12,330,000
2014 A Tracy Public Financing Authority Revenue Bonds	2014	2025	17,215,000
			\$ 120,700,000

**NOTE 9 – CONTINGENCIES AND COMMITMENTS**

The City had commitments under construction and similar contracts that approximate \$3.9 million at June 30, 2014.

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, 2014

**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 15.125% for miscellaneous employees and 27.693% 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 2014, the City’s annual pension cost of \$6,945,941 for PERS was equal to the City’s required and actual contributions. In addition, the City paid employee contribution was \$2,777,503. The required contribution was determined as part of the June 30, 2011, 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 2.75%. 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, 2011 was 30 years for safety, and 23 years for miscellaneous.

Funded Status and Funding Progress: As of June 30, 2013, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 81.3 percent and 80.7 percent funded, respectively. The actuarial accrued liabilities for benefits were \$97.9 million (miscellaneous) and \$112.3 million (safety), and the actual value of assets were \$79.6 million (miscellaneous) and \$90.6 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of \$18.2 million (miscellaneous) and \$21.6 million (safety). The covered payroll (annual payroll of active employees covered by the plans) was \$19.5 million and \$17.1 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 93.4% and 126.5%, 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, 2014

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

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
<u>Miscellaneous</u>			
6/30/2012	\$ 2,552,157	100%	\$ -
6/30/2013	2,612,414	100%	-
6/30/2014	2,611,548	100%	-
<u>Safety</u>			
6/30/2012	\$ 4,608,752	100%	\$ -
6/30/2013	4,245,630	100%	-
6/30/2014	4,251,569	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, 2014

**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	\$	446,268
Plus - Interest on OPEB Obligation		56,433
Less - Amortization of OPEB Obligation		<u>(81,588)</u>
Annual OPEB cost (expense)		421,113
Contributions made		<u>(142,715)</u>
Increase in net OPEB obligation		278,398
Net OPEB obligation - beginning of fiscal year		<u>1,410,818</u>
Net OPEB obligation - end of fiscal year	\$	<u><u>1,689,216</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/12	\$ 416,301	35%	\$ 1,141,564
6/30/13	411,969	35%	1,410,818
6/30/14	421,113	34%	1,689,216

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,556,938, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,556,938. 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 10.7 percent.

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

**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, 2013 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 4.0 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 2016. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013 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, 2014

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

A. Net Position

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

*Net Investment in Capital Assets* describe the portion of net position, 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 position, 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 position which is not restricted as to use.

B. Fund Balances

As of June 30, 2014, 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. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

B. Fund Balances (Continued)

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 \$33,419,738 includes a Reserve for Economic Uncertainties in an amount of \$12,036,923.

**NOTE 14 – RESTRICTED**

Restrictions 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 Position at June 30, 2014 are as follows:

	<u>Governmental</u>	<u>Business-type</u>
Debt Service:		
Sewer	\$ -	\$ 247,471
Other	581,627	
	581,627	247,471
 Restricted for Public Safety:		
Fire	1,241,528	
Asset forfeiture	37,696	
	1,279,224	
Streets and Roads:		
Construction and maintenance	5,297,967	
	1,482,784	
Community Development	1,482,784	
Special District:		
Landscaping	5,230,783	
	71,574,928	
Projects:		
Redevelopment	273,352	
Specific Area/Locations	71,301,576	
	71,574,928	
Housing	14,955,461	
 Total Restricted Net Position	\$ 100,402,774	\$ 247,471

Included in total governmental restricted net position at June 30, 2014 are restricted by enabling legislation of \$86,530,389.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 15 – FUND BALANCES**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (see Note 13 for a description of these categories). A detailed schedule of fund balances at June 30, 2014 is as follows:

	General	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 12,394	\$ -	\$ 55,246	\$ 2,127	\$ 69,767
Advances	244,057				244,057
Loans receivable	525,790				525,790
Total nonspendable fund balances	<u>782,241</u>		<u>55,246</u>	<u>2,127</u>	<u>839,614</u>
Restricted for:					
Traffic fines	316,648				316,648
Law enforcement	29,715				29,715
Housing		3,003,779			3,003,779
Special area projects			3,746,997	63,820,781	67,567,778
Debt service				932,684	932,684
Community development				470,154	470,154
Asset forfeiture				35,782	35,782
Streets and roads				5,297,967	5,297,967
Landscaping district				5,230,770	5,230,770
Fire authority				1,241,328	1,241,328
Cable TV				285,982	285,982
Tracy GROW				1,000,000	1,000,000
Capital projects				12,335,544	12,335,544
Total restricted fund balances	<u>346,363</u>	<u>3,003,779</u>	<u>3,746,997</u>	<u>90,650,992</u>	<u>97,748,131</u>
Assigned to:					
General	500,813				500,813
AC Trust	22,192				22,192
	<u>523,005</u>				<u>523,005</u>
Unassigned					
Economic uncertainty	12,036,923				12,036,923
Unassigned	21,382,815			(1,277,655)	20,105,160
	<u>33,419,738</u>			<u>(1,277,655)</u>	<u>32,142,083</u>
Total fund balances	<u>\$ 35,071,347</u>	<u>\$ 3,003,779</u>	<u>\$ 3,802,243</u>	<u>\$ 89,375,464</u>	<u>\$ 131,252,833</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**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 51 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 \$1,000,000 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 California Affiliated Risk Management Authority. The remaining excess is covered by the RMA through a policy with an independent insurance carrier up to \$29,000,000.

The RMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$5,000,000 to the statutory limit.

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, 2014

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

A. Coverage (Continued)

During the fiscal year ended June 30, 2014, the City contributed \$2,565,208 for current year coverage.

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, 2014 has reserve deposits which cover claims and IBNRs except for \$112,494.

	Worker's Compensation	General Liability	Total	
			2014	2013
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)				
Claims paid				
Ending balance	\$ 60,838	\$ 51,656	\$ 112,494	\$ 112,494

**CITY OF TRACY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

**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, 2014

**NOTE 20 – SUCCESSOR AGENCY**

A. Capital assets of the Successor Agency as of June 30, 2014 consisted of the following:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
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	(690,284)	(89,973)		(780,257)
Total Accumulated Depreciation	(690,284)	(89,973)		(780,257)
Net Depreciable Capital Assets	760,506	(89,973)		670,533
Total Capital Assets, Net	<u>\$ 3,341,963</u>	<u>\$ (89,973)</u>	<u>\$ -</u>	<u>\$ 3,251,990</u>

B. Long-term debt of the Successor Agency as of June 30, 2014, consisted of the following:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due within One Year
2003 Tax Allocation Bonds	\$ 46,275,000	\$ -	\$ 1,300,000	\$44,975,000	\$ 1,360,000
Advances from Successor Housing Fund	2,803,520			2,803,520	
Totals	<u>\$ 49,078,520</u>	<u>\$ -</u>	<u>\$ 1,300,000</u>	<u>\$47,778,520</u>	<u>\$ 1,360,000</u>

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 20 – SUCCESSOR AGENCY (Continued)**

Tax Allocation Bonds (Continued)

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

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.

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, 2014 was \$44,975,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
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	1,550,000	2,159,336	3,709,336
2019	1,630,000	2,085,136	3,715,136
2020-2024	9,455,000	9,113,816	18,568,816
2025-2029	12,195,000	6,370,872	18,565,872
2030-2034	15,880,000	2,694,908	18,574,908
	<u>\$ 44,975,000</u>	<u>\$29,288,177</u>	<u>\$74,263,177</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 the Housing Successor Fund upon approval from Department of Finance.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 21 – PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of (\$171,656) in the Sewer Fund, (\$1,270,090) for the CDA Successor Agency Private Purpose Trust Fund, and on the government-wide statements for governmental activities (1,170,593) were all related to cost of issuance of debt not meeting the definition of deferred outflows of resources per GASB Statement No. 65.

**NOTE 22 – SUBSEQUENT EVENTS**

Management of the City has evaluated subsequent events through December 17, 2014, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TRACY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

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
6/30/2011	\$ 97,889,894	\$ 79,630,086	\$ 18,259,808	81.3%	\$ 19,548,907	93.4%
6/30/2012	104,330,883	72,381,226	31,949,657	69.4%	18,801,924	169.9%
6/30/2013	111,972,835	82,108,458	29,864,377	73.3%	17,600,937	169.7%

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
6/30/2011	\$ 112,291,769	\$ 90,646,980	\$ 21,644,789	80.7%	\$ 17,113,799	126.5%
6/30/2012	119,995,394	83,698,375	36,297,019	69.8%	16,588,964	218.8%
6/30/2013	124,979,832	95,582,360	29,397,472	76.5%	15,881,156	185.1%

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 SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

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 \$3,387,213 in fiscal year 2015. The Pavement Condition Index (PCI) for the City's street pavement for the latest years is as follows:

Year	PCI	Maintenance Budget	Actual Maintenance
2002	76	\$1,505,620	\$1,389,043
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	1,387,484
2014	77	3,183,569	3,350,927
2015	74	3,387,213	

The City's administrative policy is to achieve a minimum rating of 73 for all street pavement. This rating allows for minor cracking and revealing of pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$3,350,927 for street preservation for fiscal year 2014.

**CITY OF TRACY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

Postemployment Benefit Plans Other Than Pensions

Trend Information

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
7/1/2009	\$ 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%
7/1/2013	3,556,938	-	3,556,938	0%	33,223,032	10.7%

**CITY OF TRACY**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014

**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 SUPPLEMENTARY INFORMATION  
June 30, 2014

**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 accounting principles generally accepted in the United States of America.

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 US GAAP reporting purposes.

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**CITY OF TRACY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 36,148,160	\$ 38,012,980	\$ 40,282,107	\$ 2,269,127
Licenses, permits, and fees	3,759,950	3,865,830	3,813,645	(52,185)
Fines and forfeitures	1,404,000	1,404,000	790,326	(613,674)
Use of money and property	1,165,000	1,165,000	832,258	(332,742)
Intergovernmental	1,039,750	1,419,259	1,533,055	113,796
Charges for services	6,016,030	6,463,660	8,588,914	2,125,254
Special assessments	300,000	300,000	370,643	70,643
Contributions	130,000	130,000		(130,000)
Other revenues	1,357,400	1,357,400	1,184,106	(173,294)
Total revenues	<u>51,320,290</u>	<u>54,118,129</u>	<u>57,395,054</u>	<u>3,276,925</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Economic development	466,860	485,890	436,893	48,997
General government	2,291,930	2,475,700	3,165,940	(690,240)
Finance	1,923,230	2,025,230	2,102,067	(76,837)
Non-departmental	215,020	299,025	372,061	(73,036)
Public safety:				
Police	22,715,220	22,879,785	21,582,841	1,296,944
Fire	9,052,090	9,052,090	9,231,255	(179,165)
Public works:				
Development and engineering	5,870,360	6,443,580	6,301,000	142,580
Public works	3,971,370	4,015,821	3,648,617	367,204
Culture and leisure:				
Cultural arts	1,406,480	1,406,480	1,310,025	96,455
Parks and community services	1,971,240	1,971,240	1,802,656	168,584
Capital outlay			55,225	(55,225)
Total expenditures	<u>49,883,800</u>	<u>51,054,841</u>	<u>50,008,580</u>	<u>1,046,261</u>
Excess of revenues over (under) expenditures	<u>1,436,490</u>	<u>3,063,288</u>	<u>7,386,474</u>	<u>4,323,186</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(1,204,000)</u>	<u>(1,204,000)</u>	<u>(1,208,709)</u>	<u>(4,709)</u>
Total other financing sources (uses)	<u>(1,204,000)</u>	<u>(1,204,000)</u>	<u>(1,208,709)</u>	<u>(4,709)</u>
Net change in fund balance	232,490	1,859,288	6,177,765	4,318,477
Fund balance at beginning of fiscal year	<u>28,893,582</u>	<u>28,893,582</u>	<u>28,893,582</u>	
Fund balance at end of fiscal year	<u>\$ 29,126,072</u>	<u>\$ 30,752,870</u>	<u>\$ 35,071,347</u>	<u>\$ 4,318,477</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, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Use of money and property	\$ 25,500	\$ 25,500	\$ 61,768	\$ 36,268
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>61,768</u>	<u>36,268</u>
Net change in fund balance	25,500	25,500	61,768	36,268
Fund balance at beginning of fiscal year	<u>2,942,011</u>	<u>2,942,011</u>	<u>2,942,011</u>	
Fund balance at end of fiscal year	<u>\$ 2,967,511</u>	<u>\$ 2,967,511</u>	<u>\$ 3,003,779</u>	<u>\$ 36,268</u>

See accompanying notes to required supplemental information

**OTHER SUPPLEMENTAL INFORMATION**

## **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.

**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.

**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.

### **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.



**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**CAPITAL PROJECTS FUNDS (Continued)**

**TRACY GATEWAY AREA FUND**

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

**PLAN C FUND**

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

**GENERAL PROJECTS FUND**

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

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
<b>Assets</b>				
Cash and investments	\$ 1,982	\$ 39,629	\$ 19,551	\$ 60,868
Cash and investments with fiscal agents				
Accounts receivable				2,324,814
Interest receivable		113	56	174
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		1,914		
<b>Total Assets</b>	<b>\$ 1,982</b>	<b>\$ 41,656</b>	<b>\$ 19,607</b>	<b>\$ 2,385,856</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 3,960	\$ 19,651	\$ -
Due to other funds				981,000
Deposits payable	1,995			
<b>Total Liabilities</b>	<b>1,995</b>	<b>3,960</b>	<b>19,651</b>	<b>981,000</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - loans				
<b>Total Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,995</b>	<b>3,960</b>	<b>19,651</b>	<b>981,000</b>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items		1,914		
Restricted		35,782		1,404,856
Assigned				
Unassigned	(13)		(44)	
<b>Total Fund Balances (Deficits)</b>	<b>(13)</b>	<b>37,696</b>	<b>(44)</b>	<b>1,404,856</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,982</b>	<b>\$ 41,656</b>	<b>\$ 19,607</b>	<b>\$ 2,385,856</b>

Special Revenue Funds

Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 1,986,619	\$ 1,828,090	\$ 406	\$ 430	\$ 5,427,409
296,258	249,317	1,078,707		
5,651	5,193			15,422
				13
<u>\$ 2,288,528</u>	<u>\$ 2,082,600</u>	<u>\$ 1,079,113</u>	<u>\$ 430</u>	<u>\$ 5,442,844</u>
\$ 419,046	\$ 58,971	\$ 275,501	\$ 16,640	\$ 212,061
		2,052,000	13,000	
<u>419,046</u>	<u>58,971</u>	<u>2,327,501</u>	<u>29,640</u>	<u>212,061</u>
<u>419,046</u>	<u>58,971</u>	<u>2,327,501</u>	<u>29,640</u>	<u>212,061</u>
1,869,482	2,023,629			13 5,230,770
		(1,248,388)	(29,210)	
<u>1,869,482</u>	<u>2,023,629</u>	<u>(1,248,388)</u>	<u>(29,210)</u>	<u>5,230,783</u>
<u>\$ 2,288,528</u>	<u>\$ 2,082,600</u>	<u>\$ 1,079,113</u>	<u>\$ 430</u>	<u>\$ 5,442,844</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**  
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Community Access CTV	Grow Tracy
<b>Assets</b>				
Cash and investments	\$ 196,245	\$ -	\$ 235,459	\$ -
Cash and investments with fiscal agents				
Accounts receivable		2,642,375	78,572	
Interest receivable	557	86	669	
Due from other funds				
Deposits				1,000,000
Advances to other funds				
Loans receivable				
Prepaid items		200		
<b>Total Assets</b>	<b>\$ 196,802</b>	<b>\$ 2,642,661</b>	<b>\$ 314,700</b>	<b>\$ 1,000,000</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 78,887	\$ 28,718	\$ -
Due to other funds		1,303,362		
Deposits payable		18,884		
<b>Total Liabilities</b>		<b>1,401,133</b>	<b>28,718</b>	
<b>Deferred Inflows of Resources</b>				
Unearned revenue - loans				
<b>Total Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>		<b>1,401,133</b>	<b>28,718</b>	
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items		200		
Restricted	196,802	1,241,328	285,982	1,000,000
Unassigned				
<b>Total Fund Balances (Deficits)</b>	<b>196,802</b>	<b>1,241,528</b>	<b>285,982</b>	<b>1,000,000</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 196,802</b>	<b>\$ 2,642,661</b>	<b>\$ 314,700</b>	<b>\$ 1,000,000</b>

Debt Service Funds

2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ 88,844 188,340	\$ -	\$ 653,390	\$ 3
252		1,855	
<hr/>			
<u>\$ 277,436</u>	<u>\$ -</u>	<u>\$ 655,245</u>	<u>\$ 3</u>
<hr/>			
\$ -	\$ -	\$ -	\$ -
<hr/>			
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<hr/>			
277,436		655,245	3
<hr/>			
<u>277,436</u>		<u>655,245</u>	<u>3</u>
<hr/>			
<u>\$ 277,436</u>	<u>\$ -</u>	<u>\$ 655,245</u>	<u>\$ 3</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**  
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
<b>Assets</b>				
Cash and investments	\$ 2,984,324	\$ 3,432,102	\$ 2,116,567	\$ 3,628,373
Cash and investments with fiscal agents		3,090,693		
Accounts receivable	2,678		4,048	
Interest receivable	8,449	9,772	5,994	10,294
Due from other funds				
Deposits				
Advances to other funds		1,747,454		
Loans receivable	2,442,500			
Prepaid items				
<b>Total Assets</b>	<b>\$ 5,437,951</b>	<b>\$ 8,280,021</b>	<b>\$ 2,126,609</b>	<b>\$ 3,638,667</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3	\$ 219,936	\$ 30,462	\$ 2,051
Due to other funds				
Deposits payable		35,844		762,058
<b>Total Liabilities</b>	<b>3</b>	<b>255,780</b>	<b>30,462</b>	<b>764,109</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - loans	2,442,500			
<b>Total Deferred Inflows of Resources</b>	<b>2,442,500</b>			
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,442,503</b>	<b>255,780</b>	<b>30,462</b>	<b>764,109</b>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items				
Restricted	2,995,448	8,024,241	2,096,147	2,874,558
Unassigned				
<b>Total Fund Balances (Deficits)</b>	<b>2,995,448</b>	<b>8,024,241</b>	<b>2,096,147</b>	<b>2,874,558</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,437,951</b>	<b>\$ 8,280,021</b>	<b>\$ 2,126,609</b>	<b>\$ 3,638,667</b>

Capital Projects Funds

Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
\$ 3,290,679	\$ 2,495,953	\$ 10,352,133	\$ 2,957,370	\$ 5,974,073	\$ 180,043
83,199		250,002		5,033	95,800
9,348	7,020	29,394	8,393	16,955	509
	3,033,000				
<hr/>					
<u>\$ 3,383,226</u>	<u>\$ 5,535,973</u>	<u>\$ 10,631,529</u>	<u>\$ 2,965,763</u>	<u>\$ 5,996,061</u>	<u>\$ 276,352</u>
<hr/>					
\$ 526,656	\$ -	\$ 35,651	\$ 998	\$ -	\$ -
342,484	832,265			825,000	3,000
869,140	832,265	35,651	998	825,000	3,000
<hr/>					
869,140	832,265	35,651	998	825,000	3,000
<hr/>					
2,514,086	4,703,708	10,595,878	2,964,765	5,171,061	273,352
<hr/>					
2,514,086	4,703,708	10,595,878	2,964,765	5,171,061	273,352
<hr/>					
<u>\$ 3,383,226</u>	<u>\$ 5,535,973</u>	<u>\$ 10,631,529</u>	<u>\$ 2,965,763</u>	<u>\$ 5,996,061</u>	<u>\$ 276,352</u>

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**  
(Continued)

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
<b>Assets</b>				
Cash and investments	\$ 3,097,304	\$ 18,722,954	\$ 2,475,814	\$ 72,246,614
Cash and investments with fiscal agents			8,056,264	11,590,332
Accounts receivable				6,855,768
Interest receivable	8,789	53,147		198,092
Due from other funds			2,573,000	5,606,000
Deposits				1,000,000
Advances to other funds				1,747,454
Loans receivable				2,442,500
Prepaid items				2,127
<b>Total Assets</b>	<b>\$ 3,106,093</b>	<b>\$ 18,776,101</b>	<b>\$ 13,105,078</b>	<b>\$ 101,688,887</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,305	\$ 563,389	\$ 2,493,886
Due to other funds				4,349,362
Deposits payable			206,145	3,027,675
<b>Total Liabilities</b>		<b>1,305</b>	<b>769,534</b>	<b>9,870,923</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - loans				2,442,500
<b>Total Deferred Inflows of Resources</b>				<b>2,442,500</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>		<b>1,305</b>	<b>769,534</b>	<b>12,313,423</b>
Fund Balances:				
Nonspendable				
Prepaid items				2,127
Restricted	3,106,093	18,774,796	12,335,544	90,650,992
Unassigned				(1,277,655)
<b>Total Fund Balances (Deficits)</b>	<b>3,106,093</b>	<b>18,774,796</b>	<b>12,335,544</b>	<b>89,375,464</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,106,093</b>	<b>\$ 18,776,101</b>	<b>\$ 13,105,078</b>	<b>\$ 101,688,887</b>



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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, 2014**

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 2,324,814
Licenses, permits, and fees				
Fines and penalties		72,663		
Use of money and property		422	(44)	390
Intergovernmental	113,979		(19,651)	
Special assessments				
Contributions				
Other revenues				
Charges for services				
<b>Total Revenues</b>	<b>113,979</b>	<b>73,085</b>	<b>(19,695)</b>	<b>2,325,204</b>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development	113,992			
General government				
Non-departmental				30,000
Public safety				
Police		9,397		
Fire				
Public works				
Development and engineering				165,574
Public works				1,454,520
Capital outlay		6,901	(17,187)	
Debt service:				
Principal payments				
Interest and fiscal charges				
<b>Total Expenditures</b>	<b>113,992</b>	<b>16,298</b>	<b>(17,187)</b>	<b>1,650,094</b>
Excess of Revenues Over (Under) Expenditures	(13)	56,787	(2,508)	675,110
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,144			
Transfers out		(22,000)		
<b>Total Other Financing Sources (Uses)</b>	<b>3,144</b>	<b>(22,000)</b>		
Net Changes in Fund Balances	3,131	34,787	(2,508)	675,110
Fund Balances (Deficits), July 1, 2013	(3,144)	2,909	2,464	729,746
Fund Balances (Deficits), June 30, 2014	<u>\$ (13)</u>	<u>\$ 37,696</u>	<u>\$ (44)</u>	<u>\$ 1,404,856</u>

Special Revenue Funds

Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
\$ 1,197,481	\$ -	\$ -	\$ -	\$ -
15,494	15,095		59	37,927
	2,614,155	1,395,887	561,313	2,657,497
				732
<u>1,212,975</u>	<u>2,629,250</u>	<u>1,395,887</u>	<u>561,372</u>	<u>2,696,156</u>
			399,975	
	28,590			74,822
798,097	1,063,621			1,972,453
	852,957	2,745,052	36,728	18,579
<u>798,097</u>	<u>1,945,168</u>	<u>2,745,052</u>	<u>436,703</u>	<u>2,065,854</u>
<u>414,878</u>	<u>684,082</u>	<u>(1,349,165)</u>	<u>124,669</u>	<u>630,302</u>
414,878	684,082	(1,349,165)	124,669	630,302
<u>1,454,604</u>	<u>1,339,547</u>	<u>100,777</u>	<u>(153,879)</u>	<u>4,600,481</u>
<u>\$ 1,869,482</u>	<u>\$ 2,023,629</u>	<u>\$ (1,248,388)</u>	<u>\$ (29,210)</u>	<u>\$ 5,230,783</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, 2014**  
**(Continued)**

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Community Access CTV	Grow Tracy
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees			194,256	
Fines and penalties				
Use of money and property	1,249	1,237	1384	
Intergovernmental		6,728,853		
Special assessments				
Contributions				
Other revenues				
Charges for services		250,665	168	
<b>Total Revenues</b>	<u>1,249</u>	<u>6,980,755</u>	<u>195,808</u>	
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development				
General government			82,956	
Non-departmental		199,843	43,810	
Public safety				
Police				
Fire		6,638,018		
Public works				
Development and engineering				
Public works				
Capital outlay		49,604		
Debt service:				
Principal payments				
Interest and fiscal charges				
<b>Total Expenditures</b>		<u>6,887,465</u>	<u>126,766</u>	
Excess of Revenues Over (Under) Expenditures	<u>1,249</u>	<u>93,290</u>	<u>69,042</u>	
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				
Transfers out				
<b>Total Other Financing Sources (Uses)</b>				
Net Changes in Fund Balances	1,249	93,290	69,042	
Fund Balances (Deficits), July 1, 2013	<u>195,553</u>	<u>1,148,238</u>	<u>216,940</u>	<u>1,000,000</u>
Fund Balances (Deficits), June 30, 2014	<u>\$ 196,802</u>	<u>\$ 1,241,528</u>	<u>\$ 285,982</u>	<u>\$ 1,000,000</u>

Debt Service Funds

2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
\$ -	\$ -	\$ -	\$ -
880		5,767	7,183
		581,813	
880		587,580	7,183
100,000		145,000	
181,830		1,162,762	
281,830		1,307,762	
(280,950)		(720,182)	7,183
467,440		743,087	(4,962)
467,440		743,087	(4,962)
186,490		22,905	2,221
90,946		632,340	(2,218)
\$ 277,436	\$ -	\$ 655,245	\$ 3

(Continued)

**CITY OF TRACY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2014**  
**(Continued)**

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees				
Fines and penalties				
Use of money and property	49,260	58,789	27,760	45,838
Intergovernmental				
Special assessments		2,593,805	46,984	
Contributions				
Other revenues				
Charges for services				
<b>Total Revenues</b>	<u>49,260</u>	<u>2,652,594</u>	<u>74,744</u>	<u>45,838</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works				
Capital outlay	2,058,606	960,371	794,285	823,980
Debt service:				
Principal payments				
Interest and fiscal charges				
<b>Total Expenditures</b>	<u>2,058,606</u>	<u>960,371</u>	<u>794,285</u>	<u>823,980</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,009,346)</u>	<u>1,692,223</u>	<u>(719,541)</u>	<u>(778,142)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				
Transfers out				
<b>Total Other Financing Sources (Uses)</b>				
Net Changes in Fund Balances	(2,009,346)	1,692,223	(719,541)	(778,142)
Fund Balances (Deficits), July 1, 2013	<u>5,004,794</u>	<u>6,332,018</u>	<u>2,815,688</u>	<u>3,652,700</u>
Fund Balances (Deficits), June 30, 2014	<u>\$ 2,995,448</u>	<u>\$ 8,024,241</u>	<u>\$ 2,096,147</u>	<u>\$ 2,874,558</u>

Capital Projects Funds

Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26,980	52,646	85,321	30,450	56,392	1,457
3,962,294		986,959	1,266		
54,375					
<u>4,043,649</u>	<u>52,646</u>	<u>1,072,280</u>	<u>31,716</u>	<u>56,392</u>	<u>1,457</u>
3,886,001	441,682	96,810	36,963	8,340	
<u>3,886,001</u>	<u>441,682</u>	<u>96,810</u>	<u>36,963</u>	<u>8,340</u>	
<u>157,648</u>	<u>(389,036)</u>	<u>975,470</u>	<u>(5,247)</u>	<u>48,052</u>	<u>1,457</u>
157,648	(389,036)	975,470	(5,247)	48,052	1,457
<u>2,356,438</u>	<u>5,092,744</u>	<u>9,620,408</u>	<u>2,970,012</u>	<u>5,123,009</u>	<u>271,895</u>
<u>\$ 2,514,086</u>	<u>\$ 4,703,708</u>	<u>\$ 10,595,878</u>	<u>\$ 2,964,765</u>	<u>\$ 5,171,061</u>	<u>\$ 273,352</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, 2014**  
**(Continued)**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Tracy Gateway Area	Plan "C"	General Projects	
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 3,522,295
Licenses, permits, and fees				194,256
Fines and penalties				72,663
Use of money and property	32,024	186,453	5,224	745,637
Intergovernmental				11,394,536
Special assessments		509,068	15,025	6,810,604
Contributions			84,100	4,046,394
Other revenues				582,545
Charges for services				305,208
	<u>32,024</u>	<u>695,521</u>	<u>104,349</u>	<u>27,674,138</u>
<b>Total Revenues</b>				
	<u>32,024</u>	<u>695,521</u>	<u>104,349</u>	<u>27,674,138</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development				513,967
General government				82,956
Non-departmental				377,065
Public safety				
Police				9,397
Fire				6,638,018
Public works				
Development and engineering				165,574
Public works			331,941	4,822,535
Capital outlay	117,235	138,120	3,493,592	17,346,716
Debt service:				
Principal payments				245,000
Interest and fiscal charges				1,344,592
	<u>117,235</u>	<u>138,120</u>	<u>3,825,533</u>	<u>31,545,820</u>
<b>Total Expenditures</b>				
	<u>117,235</u>	<u>138,120</u>	<u>3,825,533</u>	<u>31,545,820</u>
Excess of Revenues Over (Under) Expenditures	<u>(85,211)</u>	<u>557,401</u>	<u>(3,721,184)</u>	<u>(3,871,682)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				1,213,671
Transfers out				(26,962)
				<u>1,186,709</u>
<b>Total Other Financing Sources (Uses)</b>				
				<u>1,186,709</u>
Net Changes in Fund Balances	(85,211)	557,401	(3,721,184)	(2,684,973)
Fund Balances (Deficits), July 1, 2013	<u>3,191,304</u>	<u>18,217,395</u>	<u>16,056,728</u>	<u>92,060,437</u>
Fund Balances (Deficits), June 30, 2014	<u>\$ 3,106,093</u>	<u>\$ 18,774,796</u>	<u>\$ 12,335,544</u>	<u>\$ 89,375,464</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, 2014**

	Business Improvement District			Asset Forfeiture		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties				26,500	72,663	46,163
Use of money and property					422	422
Intergovernmental	117,150	113,979	(3,171)			
Special assessments						
Contributions						
Other revenues						
Charges for services						
<b>Total Revenues</b>	<u>117,150</u>	<u>113,979</u>	<u>(3,171)</u>	<u>26,500</u>	<u>73,085</u>	<u>46,585</u>
<b>Expenditures:</b>						
Current:						
General government						
Economic development	117,200	113,992	3,208			
General governmental						
Non-departmental						
Public safety						
Police				6,000	9,397	(3,397)
Fire						
Public works						
Development and engineering						
Public works						
Capital outlay				6,900	6,901	(1)
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>117,200</u>	<u>113,992</u>	<u>3,208</u>	<u>12,900</u>	<u>16,298</u>	<u>(3,398)</u>
Excess of revenues over (under) expenditures	<u>(50)</u>	<u>(13)</u>	<u>37</u>	<u>13,600</u>	<u>56,787</u>	<u>43,187</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in		3,144	3,144			
Transfers out				(22,000)	(22,000)	
<b>Total Other Financing Sources (Uses)</b>		<u>3,144</u>	<u>3,144</u>	<u>(22,000)</u>	<u>(22,000)</u>	
<b>Net Change in Fund Balances</b>	<u>\$ (50)</u>	<u>3,131</u>	<u>\$ 3,181</u>	<u>\$ (8,400)</u>	<u>34,787</u>	<u>\$ 43,187</u>
Fund Balances (Deficits), July 1, 2013		<u>(3,144)</u>			<u>2,909</u>	
Fund Balances (Deficits), June 30, 2014		<u>\$ (13)</u>			<u>\$ 37,696</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)
\$ 1,500,000	\$ 2,324,814	\$ 824,814	\$ 1,100,000	\$ 1,197,481	\$ 97,481	\$ -	\$ -	\$ -
	390	390		15,494	15,494		15,095	15,095
						2,435,150	2,614,155	179,005
<u>1,500,000</u>	<u>2,325,204</u>	<u>825,204</u>	<u>1,100,000</u>	<u>1,212,975</u>	<u>112,975</u>	<u>2,435,150</u>	<u>2,629,250</u>	<u>194,100</u>
35,200	30,000	5,200				3,400	28,590	(25,190)
160,000	165,574	(5,574)						
1,439,540	1,454,520	(14,980)						
			2,264,225	798,097	1,466,128	1,362,060	1,063,621	298,439
						2,389,243	852,957	1,536,286
<u>1,634,740</u>	<u>1,650,094</u>	<u>(15,354)</u>	<u>2,264,225</u>	<u>798,097</u>	<u>1,466,128</u>	<u>3,754,703</u>	<u>1,945,168</u>	<u>1,809,535</u>
<u>(134,740)</u>	<u>675,110</u>	<u>809,850</u>	<u>(1,164,225)</u>	<u>414,878</u>	<u>1,579,103</u>	<u>(1,319,553)</u>	<u>684,082</u>	<u>2,003,635</u>
<u>\$ (134,740)</u>	675,110	<u>\$ 809,850</u>	<u>\$ (1,164,225)</u>	414,878	<u>\$ 1,579,103</u>	<u>\$ (1,319,553)</u>	684,082	<u>\$ 2,003,635</u>
	<u>729,746</u>			<u>1,454,604</u>			<u>1,339,547</u>	
	<u>\$ 1,404,856</u>			<u>\$ 1,869,482</u>			<u>\$ 2,023,629</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, 2014**  
**(Continued)**

	TEA Grant			Community Development Block Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property					59	59
Intergovernmental	416,720	1,395,887	979,167	517,785	561,313	43,528
Special assessments						
Contributions						
Other revenues						
Charges for services						
<b>Total Revenues</b>	<u>416,720</u>	<u>1,395,887</u>	<u>979,167</u>	<u>517,785</u>	<u>561,372</u>	<u>43,587</u>
<b>Expenditures:</b>						
Current:						
General government						
Economic development				402,770	399,975	2,795
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Capital outlay	7,096,520	2,745,052	4,351,468	14,450	36,728	(22,278)
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>7,096,520</u>	<u>2,745,052</u>	<u>4,351,468</u>	<u>417,220</u>	<u>436,703</u>	<u>(19,483)</u>
Excess of revenues over (under) expenditures	<u>(6,679,800)</u>	<u>(1,349,165)</u>	<u>5,330,635</u>	<u>100,565</u>	<u>124,669</u>	<u>24,104</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
<b>Net Change in Fund Balances</b>	<u>\$ (6,679,800)</u>	<u>(1,349,165)</u>	<u>\$ 5,330,635</u>	<u>\$ 100,565</u>	<u>124,669</u>	<u>\$ 24,104</u>
Fund Balances (Deficits), July 1, 2013		<u>100,777</u>			<u>(153,879)</u>	
Fund Balances (Deficits), June 30, 2014		<u>\$ (1,248,388)</u>			<u>\$ (29,210)</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						188,000	194,256	6,256
19,000	37,927	18,927		1,237	1,237		1,384	1,384
2,640,190	2,657,497	17,307	6,545,184	6,728,853	183,669			
	732	732						
			169,970	250,665	80,695	500	168	(332)
2,659,190	2,696,156	36,966	6,715,154	6,980,755	265,601	188,500	195,808	7,308
						86,350	82,956	3,394
58,010	74,822	(16,812)	199,650	199,843	(193)	27,710	43,810	(16,100)
			6,866,129	6,638,018	228,111			
2,237,150	1,972,453 18,579	264,697 (18,579)		49,604	(49,604)			
2,295,160	2,065,854	229,306	7,065,779	6,887,465	178,314	114,060	126,766	(12,706)
364,030	630,302	266,272	(350,625)	93,290	443,915	74,440	69,042	(5,398)
<u>\$ 364,030</u>	<u>630,302</u>	<u>\$ 266,272</u>	<u>\$ (350,625)</u>	<u>93,290</u>	<u>\$ 443,915</u>	<u>\$ 74,440</u>	<u>69,042</u>	<u>\$ (5,398)</u>
	<u>4,600,481</u>			<u>1,148,238</u>			<u>216,940</u>	
	<u>\$ 5,230,783</u>			<u>\$ 1,241,528</u>			<u>\$ 285,982</u>	

(Continued)

**CITY OF TRACY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**BUDGETED NONMAJOR FUNDS**  
**For the Fiscal Year Ended June 30, 2014**  
**(Continued)**

	2007 Lease Revenue Bonds			2008 Lease Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property		880	880		5,767	5,767
Intergovernmental						
Special assessments						
Contributions						
Other revenues					581,813	581,813
Charges for services						
<b>Total Revenues</b>		<b>880</b>	<b>880</b>		<b>587,580</b>	<b>587,580</b>
<b>Expenditures:</b>						
Current:						
General government						
Economic development						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Capital outlay						
Debt service:						
Principal payments	100,000	100,000		145,000	145,000	
Interest and fiscal charges	182,300	181,830	470	1,161,400	1,162,762	(1,362)
<b>Total Expenditures</b>	<b>282,300</b>	<b>281,830</b>	<b>470</b>	<b>1,306,400</b>	<b>1,307,762</b>	<b>(1,362)</b>
Excess of revenues over (under) expenditures	(282,300)	(280,950)	1,350	(1,306,400)	(720,182)	586,218
<b>Other Financing Sources (Uses):</b>						
Transfers in		467,440	467,440	1,324,900	743,087	(581,813)
Transfers out						
<b>Total Other Financing Sources (Uses)</b>		<b>467,440</b>	<b>467,440</b>	<b>1,324,900</b>	<b>743,087</b>	<b>(581,813)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (282,300)</b>	<b>186,490</b>	<b>\$ 468,790</b>	<b>\$ 18,500</b>	<b>22,905</b>	<b>\$ 4,405</b>
Fund Balances (Deficits), July 1, 2013		90,946			632,340	
Fund Balances (Deficits), June 30, 2014		<u>\$ 277,436</u>			<u>\$ 655,245</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 Position.

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 POSITION**  
**June 30, 2014**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 756,191	\$ 100,085	\$ 8,788,999
Accounts receivable - net			
Prepaid expenses		37,320	948,743
Total current assets	<u>756,191</u>	<u>137,405</u>	<u>9,737,742</u>
Depreciable:			
Buildings	67,824		133,590
Improvements	545,513	9,239	
Equipment	27,704	125,001	23,938,398
Intangibles			810,623
Total depreciable capital assets	641,041	134,240	24,882,611
Less accumulated depreciation	<u>(595,240)</u>	<u>(133,648)</u>	<u>(19,797,485)</u>
Depreciable capital assets, net	<u>45,801</u>	<u>592</u>	<u>5,085,126</u>
Total capital assets, net	<u>45,801</u>	<u>592</u>	<u>5,085,126</u>
Total Assets	<u>\$ 801,992</u>	<u>\$ 137,997</u>	<u>\$ 14,822,868</u>



Building Maintenance	Insurance	Totals
\$ 466,430	\$ 2,201,527 1,919	\$ 12,313,232 1,919 986,063
<u>466,430</u>	<u>2,203,446</u>	<u>13,301,214</u>
4,670		201,414 554,752 24,095,773 810,623
<u>4,670</u>		<u>25,662,562</u>
(4,670)		(20,531,043)
		<u>5,131,519</u>
		<u>5,131,519</u>
<u>\$ 466,430</u>	<u>\$ 2,203,446</u>	<u>\$ 18,432,733</u>

(Continued)

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2014**  
**(Continued)**

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 31,205	\$ 39,478	\$ 281,692
Claims and judgments payable			82,518
Capital lease payable	9,954	21,753	10,297
Compensated absences			10,297
Accrued interest payable			10,297
	<u>41,159</u>	<u>61,231</u>	<u>374,507</u>
Total current liabilities			
Noncurrent Liabilities:			
Capital lease payable			825,998
Compensated absences	4,076	47,922	
Claims and judgments payable			
	<u>4,076</u>	<u>47,922</u>	<u>825,998</u>
Total noncurrent liabilities			
	<u>45,235</u>	<u>109,153</u>	<u>1,200,505</u>
Total Liabilities			
<b>NET POSITION</b>			
Net investment in capital assets	45,801	592	4,176,610
Unrestricted	710,956	28,252	9,445,753
	<u>756,757</u>	<u>28,844</u>	<u>13,622,363</u>
Total Net Position			

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 2,900	\$ 18,001	\$ 373,276
	56,247	56,247
		82,518
9,255	8,926	49,888
		10,297
<u>12,155</u>	<u>83,174</u>	<u>572,226</u>
		825,998
25,773	31,892	109,663
	56,247	56,247
<u>25,773</u>	<u>88,139</u>	<u>991,908</u>
<u>37,928</u>	<u>171,313</u>	<u>1,564,134</u>
		4,223,003
<u>428,502</u>	<u>2,032,133</u>	<u>12,645,596</u>
<u>\$ 428,502</u>	<u>\$ 2,032,133</u>	<u>\$ 16,868,599</u>

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2014**

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	\$ 1,449,594	\$ 1,408,099	\$ 1,796,400
Other revenues	3,824	9,130	9,604
Total Operating Revenues	<u>1,453,418</u>	<u>1,417,229</u>	<u>1,806,004</u>
Expenses:			
Maintenance and operation	1,364,057	1,439,846	20,937
Administration	63,570		
Insurance costs and claims			
Depreciation	38,573	645	1,463,989
Total Expenses	<u>1,466,200</u>	<u>1,440,491</u>	<u>1,484,926</u>
Income (Loss) Before Capital Contributions and Transfers	(12,782)	(23,262)	321,078
Capital Contributions			86,081
Transfers in			22,000
Change in Net Position	(12,782)	(23,262)	429,159
Net Position, July 1, 2013	<u>769,539</u>	<u>52,106</u>	<u>13,193,204</u>
Net Position, June 30, 2014	<u>\$ 756,757</u>	<u>\$ 28,844</u>	<u>\$ 13,622,363</u>

<u>Building Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
\$ 801,442	\$ 3,389,195 822,900	\$ 8,844,730 845,458
<u>801,442</u>	<u>4,212,095</u>	<u>9,690,188</u>
729,256 74,890	1,140,009 14,924 2,777,478	4,694,105 153,384 2,777,478 1,503,207
<u>804,146</u>	<u>3,932,411</u>	<u>9,128,174</u>
(2,704)	279,684	562,014
		86,081 22,000
<u>(2,704)</u>	<u>279,684</u>	<u>670,095</u>
<u>431,206</u>	<u>1,752,449</u>	<u>16,198,504</u>
<u>\$ 428,502</u>	<u>\$ 2,032,133</u>	<u>\$ 16,868,599</u>

**CITY OF TRACY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,453,418	\$ 1,417,229	\$ 1,806,004
Payments to suppliers and users	(978,823)	(587,709)	(689,418)
Payments to employees	(454,416)	(858,190)	
Net Cash Provided (Used) by Operating Activities	<u>20,179</u>	<u>(28,670)</u>	<u>1,116,586</u>
Cash flows from Non-Capital Financing Activities:			
Transfer in			22,000
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>22,000</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions			86,081
Proceeds from issuance of long term debt			908,516
Interest paid			10,297
Acquisitions of capital assets			(1,385,358)
Net Cash Used by Capital and Related Financing Activities			<u>(380,464)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,179	(28,670)	758,122
Cash and Cash Equivalents, July 1, 2013	<u>736,012</u>	<u>128,755</u>	<u>8,030,877</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 756,191</u>	<u>\$ 100,085</u>	<u>\$ 8,788,999</u>
Noncash Transactions			
Disposition of assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,905</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (12,782)	\$ (23,262)	\$ 321,078
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	38,573	645	1,463,989
(Increase) Decrease in Operating Assets:			
Accounts receivable			
Prepaid expenses		(37,320)	(948,743)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(8,021)	28,791	280,262
Compensated absences	2,409	2,476	
Net Cash Provided (Used) by Operating Activities	<u>\$ 20,179</u>	<u>\$ (28,670)</u>	<u>\$ 1,116,586</u>

Building Maintenance	Insurance	Totals
\$ 801,442	\$ 4,210,176	\$ 9,688,269
(315,975)	(3,610,239)	(6,182,164)
(478,299)	(341,046)	(2,131,951)
<u>7,168</u>	<u>258,891</u>	<u>1,374,154</u>
		22,000
		22,000
		86,081
		908,516
		10,297
		(1,385,358)
		(380,464)
7,168	258,891	1,015,690
459,262	1,942,636	11,297,542
<u>\$ 466,430</u>	<u>\$ 2,201,527</u>	<u>\$ 12,313,232</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,905</u>
\$ (2,704)	\$ 279,684	\$ 562,014
		1,503,207
	(1,919)	(1,919)
		(986,063)
54	(36,294)	264,792
9,818	17,420	32,123
<u>\$ 7,168</u>	<u>\$ 258,891</u>	<u>\$ 1,374,154</u>

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## **PRIVATE-PURPOSE TRUST FUNDS**

Private-Purpose Trust Funds are fiduciary funds that include a statement of net position and statement of changes in net position. 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.

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**CITY OF TRACY  
PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2014**

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations	Total
<b>ASSETS</b>				
Cash and investments	\$ 44	\$ 2,152,538	\$ 1,739,814	\$ 3,892,396
Cash and investments with fiscal agents		3,563,795		3,563,795
Restricted cash and investments		51,671		51,671
Interest receivable		6,274	4,938	11,212
Capital assets, not being depreciated		2,581,457		2,581,457
Capital assets, being depreciated, net of accumulated depreciation		670,533		670,533
<b>Total Assets</b>	<b>44</b>	<b>9,026,268</b>	<b>1,744,752</b>	<b>10,771,064</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Unamortized loss on debt refunding		1,608,436		1,608,436
<b>Total Deferred Outflows of Resources</b>		<b>1,608,436</b>		<b>1,608,436</b>
<b>LIABILITIES</b>				
Accounts payable		36,788		36,788
Accrued interest payable		815,627		815,627
Due to City of Tracy	95,800			95,800
Noncurrent liabilities:				
Due within one year		1,360,000		1,360,000
Due in more than one year		46,418,520		46,418,520
<b>Total Liabilities</b>	<b>95,800</b>	<b>48,630,935</b>		<b>48,726,735</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unearned revenue - RPTTF Distribution			1,500,056	1,500,056
<b>Total Deferred Inflows of Resources</b>			<b>1,500,056</b>	<b>1,500,056</b>
<b>NET POSITION</b>				
Unrestricted	(95,756)	(37,996,231)	244,696	(37,847,291)
<b>Total Net Position</b>	<b>\$ (95,756)</b>	<b>\$ (37,996,231)</b>	<b>\$ 244,696</b>	<b>\$ (37,847,291)</b>

**CITY OF TRACY  
PRIVATE-PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2014**

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations	Total
<b>Additions:</b>				
Investment revenue	\$ -	\$ 55,518	\$ 13,511	\$ 69,029
Taxes and assessments			4,314,113	4,314,113
Transfer in		3,494,685		3,494,685
<b>Total additions</b>		<b>3,550,203</b>	<b>4,327,624</b>	<b>7,877,827</b>
<b>Deductions:</b>				
Administration		213,682		213,682
Public works				
Development and engineering	95,756			95,756
Depreciation		89,973		89,973
Transfer to City of Tracy			588,340	588,340
Transfer out			3,494,685	3,494,685
Interest expenses		2,528,403		2,528,403
<b>Total deductions</b>	<b>95,756</b>	<b>2,832,058</b>	<b>4,083,025</b>	<b>7,010,839</b>
<b>Change in net position</b>	<b>(95,756)</b>	<b>718,145</b>	<b>244,599</b>	<b>866,988</b>
Net Position July 1, 2013		(37,444,286)	97	(37,444,189)
Prior period adjustment		(1,270,090)		(1,270,090)
Net Position July 1, 2013, restated		(38,714,376)	97	(38,714,279)
<b>Net Position, June 30, 2014</b>	<b>\$ (95,756)</b>	<b>\$ (37,996,231)</b>	<b>\$ 244,696</b>	<b>\$ (37,847,291)</b>

## **AGENCY FUNDS**

GASB Statement No. 34 requires that Agency Funds 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.

**AGENCY FUNDS (Continued)**

**2011 TOP JPA REVENUE BONDS**

Established to refund two outstanding community facilities district bonds and to refund two limited obligation assessment bonds, and to finance public capital improvements.

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**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>87-3 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 1	\$ -	\$ 1
Cash and investments with fiscal agents		29		29
Interest receivable	24	13	(37)	
<b>Total assets</b>	<b>\$ 24</b>	<b>\$ 43</b>	<b>\$ (37)</b>	<b>\$ 30</b>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to City of Tracy	37		(37)	
Due to assessment district bondholders	(13)	43		30
<b>Total liabilities</b>	<b>\$ 24</b>	<b>\$ 43</b>	<b>\$ (37)</b>	<b>\$ 30</b>

<b><u>84-1 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 10,607	\$ 38	\$ (25)	\$ 10,620
Interest receivable		30		30
<b>Total assets</b>	<b>\$ 10,607</b>	<b>\$ 68</b>	<b>\$ (25)</b>	<b>\$ 10,650</b>
<u>Liabilities</u>				
Due to assessment district bondholders	\$ 10,607	\$ 68	\$ (25)	\$ 10,650
<b>Total liabilities</b>	<b>\$ 10,607</b>	<b>\$ 68</b>	<b>\$ (25)</b>	<b>\$ 10,650</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>89-1 Community Facilities District</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 2,900,826	\$ 1,240,934	\$ (1,425,004)	\$ 2,716,756
Cash and investments with fiscal agents	2,412,837	1,103,223	(2,414,153)	1,101,907
Interest receivable	8,758		(1,053)	7,705
Due from other funds	39,318		(39,318)	
<b>Total assets</b>	<b>\$ 5,361,739</b>	<b>\$ 2,344,157</b>	<b>\$ (3,879,528)</b>	<b>\$ 3,826,368</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 1,439,233	\$ (1,439,233)	\$ -
Due to assessment district bondholders	5,361,739	904,924	(2,440,295)	3,826,368
<b>Total liabilities</b>	<b>\$ 5,361,739</b>	<b>\$ 2,344,157</b>	<b>\$ (3,879,528)</b>	<b>\$ 3,826,368</b>
<b><u>94-1 Assessment District</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 332,846	\$ 503,372	\$ (500,322)	\$ 335,896
Cash and investments with fiscal agents	835,692	234,022	(870,685)	199,029
Interest receivable	847	106		953
<b>Total assets</b>	<b>\$ 1,169,385</b>	<b>\$ 737,500</b>	<b>\$ (1,371,007)</b>	<b>\$ 535,878</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 204	\$ 342,944	\$ (343,148)	\$ -
Due to assessment district bondholders	1,169,181	394,556	(1,027,859)	535,878
<b>Total liabilities</b>	<b>\$ 1,169,385</b>	<b>\$ 737,500</b>	<b>\$ (1,371,007)</b>	<b>\$ 535,878</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>93-1 Community Facilities District</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 2,931,922	\$ 766,507	\$ (511,030)	\$ 3,187,399
Cash and investments with fiscal agents	743,377		(147,463)	595,914
Interest receivable	7,602	1,445		9,047
<b>Total assets</b>	<b>\$ 3,682,901</b>	<b>\$ 767,952</b>	<b>\$ (658,493)</b>	<b>\$ 3,792,360</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 511,030	\$ (511,030)	\$ -
Due to assessment district bondholders	3,682,901	256,922	(147,463)	3,792,360
<b>Total liabilities</b>	<b>\$ 3,682,901</b>	<b>\$ 767,952</b>	<b>\$ (658,493)</b>	<b>\$ 3,792,360</b>
<b><u>98-1 Community Facilities District</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 808,693	\$ 4,901,184	\$ (4,908,943)	\$ 800,934
Cash and investments with fiscal agents	2,030,927	5,052,557	(5,028,797)	2,054,687
Interest receivable	2,365	1,602	(1,698)	2,269
<b>Total assets</b>	<b>\$ 2,841,985</b>	<b>\$ 9,955,343</b>	<b>\$ (9,939,438)</b>	<b>\$ 2,857,890</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 4,830,454	\$ (4,830,454)	\$ -
Due to assessment district bondholders	2,841,985	5,124,889	(5,108,984)	2,857,890
<b>Total liabilities</b>	<b>\$ 2,841,985</b>	<b>\$ 9,955,343</b>	<b>\$ (9,939,438)</b>	<b>\$ 2,857,890</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>98-3 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 76,094	\$ 308,077	\$ (310,760)	\$ 73,411
Cash and investments with fiscal agents	1,856,481	613,249	(316,094)	2,153,636
Interest receivable	230	255	(277)	208
<b>Total assets</b>	<b>\$ 1,932,805</b>	<b>\$ 921,581</b>	<b>\$ (627,131)</b>	<b>\$ 2,227,255</b>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 305,514	\$ (305,514)	\$ -
Due to assessment district bondholders	1,932,805	616,067	(321,617)	2,227,255
<b>Total liabilities</b>	<b>\$ 1,932,805</b>	<b>\$ 921,581</b>	<b>\$ (627,131)</b>	<b>\$ 2,227,255</b>
 <b><u>98-4 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 16,337	\$ (16,337)	\$ -
Interest receivable	73		(73)	
<b>Total assets</b>	<b>\$ 73</b>	<b>\$ 16,337</b>	<b>\$ (16,410)</b>	<b>\$ -</b>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to City of Tracy	16,410		(16,410)	
Due to assessment district bondholders	(16,337)	16,337		
<b>Total liabilities</b>	<b>\$ 73</b>	<b>\$ 16,337</b>	<b>\$ (16,410)</b>	<b>\$ -</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>99-1 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 332,599	\$ 668,804	\$ (650,383)	\$ 351,020
Cash and investments with fiscal agents	1,400,666		(725,850)	674,816
Interest receivable	953	43		996
<b>Total assets</b>	<b>\$ 1,734,218</b>	<b>\$ 668,847</b>	<b>\$ (1,376,233)</b>	<b>\$ 1,026,832</b>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 650,383	\$ (650,383)	\$ -
Due to assessment district bondholders	1,734,218	18,464	(725,850)	1,026,832
<b>Total liabilities</b>	<b>\$ 1,734,218</b>	<b>\$ 668,847</b>	<b>\$ (1,376,233)</b>	<b>\$ 1,026,832</b>
<b><u>99-2 Community Facilities District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 8,560	\$ (8,560)	\$ -
Cash and investments with fiscal agents	(8)	8		
Interest receivable	217		(217)	
<b>Total assets</b>	<b>\$ 209</b>	<b>\$ 8,568</b>	<b>\$ (8,777)</b>	<b>\$ -</b>
<u>Liabilities</u>				
Due to City of Tracy	\$ 8,777	\$ -	\$ (8,777)	\$ -
Due to assessment district bondholders	(8,568)	8,568		
<b>Total liabilities</b>	<b>\$ 209</b>	<b>\$ 8,568</b>	<b>\$ (8,777)</b>	<b>\$ -</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>2000-01 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 182,728	\$ 959,445	\$ (963,385)	\$ 178,788
Cash and investments with fiscal agents	662,437	943,960	(921,526)	684,871
Interest receivable	491	623	(607)	507
	<u>845,656</u>	<u>1,904,028</u>	<u>(1,885,518)</u>	<u>864,166</u>
Total assets	<u>\$ 845,656</u>	<u>\$ 1,904,028</u>	<u>\$ (1,885,518)</u>	<u>\$ 864,166</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 947,379	\$ (947,379)	\$ -
Due to assessment district bondholders	845,656	956,649	(938,139)	864,166
	<u>845,656</u>	<u>1,904,028</u>	<u>(1,885,518)</u>	<u>864,166</u>
Total liabilities	<u>\$ 845,656</u>	<u>\$ 1,904,028</u>	<u>\$ (1,885,518)</u>	<u>\$ 864,166</u>
<b><u>2000-02 Assessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ (6,526)	\$ 8,326	\$ (1,800)	\$ -
Total assets	<u>\$ (6,526)</u>	<u>\$ 8,326</u>	<u>\$ (1,800)</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,800	\$ (1,800)	\$ -
Due to assessment district bondholders	(6,526)	6,526		
	<u>(6,526)</u>	<u>6,526</u>	<u>(1,800)</u>	<u>-</u>
Total liabilities	<u>\$ (6,526)</u>	<u>\$ 8,326</u>	<u>\$ (1,800)</u>	<u>\$ -</u>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>2006-01 NE Industrial # 2</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 7,960	\$ 804,085	\$ (807,208)	\$ 4,837
Cash and investments with fiscal agents	2,462,239	770,347	(679,013)	2,553,573
Interest receivable		13		13
<b>Total assets</b>	<b>\$ 2,470,199</b>	<b>\$ 1,574,445</b>	<b>\$ (1,486,221)</b>	<b>\$ 2,558,423</b>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 797,009	\$ (797,009)	\$ -
Due to assessment district bondholders	2,470,199	777,436	(689,212)	2,558,423
<b>Total liabilities</b>	<b>\$ 2,470,199</b>	<b>\$ 1,574,445</b>	<b>\$ (1,486,221)</b>	<b>\$ 2,558,423</b>
<b><u>1999 I205 Residential Reassessment District</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 658,527	\$ 87,098	\$ (79,895)	\$ 665,730
Cash and investments with fiscal agents	2,040,399		(1,030,797)	1,009,602
Interest receivable	1,617	272		1,889
<b>Total assets</b>	<b>\$ 2,700,543</b>	<b>\$ 87,370</b>	<b>\$ (1,110,692)</b>	<b>\$ 1,677,221</b>
<u>Liabilities</u>				
Accounts payable	\$ 1,394	\$ 87,370	\$ -	\$ 88,764
Due to assessment district bondholders	2,699,149		(1,110,692)	1,588,457
<b>Total liabilities</b>	<b>\$ 2,700,543</b>	<b>\$ 87,370</b>	<b>\$ (1,110,692)</b>	<b>\$ 1,677,221</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>2000-03 Assessment District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 36,462	\$ 578	\$ (20,693)	\$ 16,347
Accounts receivable				
Interest receivable	110	110	(174)	46
	<u>110</u>	<u>110</u>	<u>(174)</u>	<u>46</u>
Total assets	<u>\$ 36,572</u>	<u>\$ 688</u>	<u>\$ (20,867)</u>	<u>\$ 16,393</u>
<b>Liabilities</b>				
Due to assessment district bondholders	\$ 36,572	\$ 688	\$ (20,867)	\$ 16,393
	<u>36,572</u>	<u>688</u>	<u>(20,867)</u>	<u>16,393</u>
Total liabilities	<u>\$ 36,572</u>	<u>\$ 688</u>	<u>\$ (20,867)</u>	<u>\$ 16,393</u>
<b><u>2003-01 Assessment District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 81,503	\$ (81,503)	\$ -
Cash and investments with fiscal agents	137,619	87,338	(82,342)	142,615
Interest receivable		243		243
	<u>137,619</u>	<u>87,581</u>	<u>(82,342)</u>	<u>142,858</u>
Total assets	<u>\$ 137,619</u>	<u>\$ 169,084</u>	<u>\$ (163,845)</u>	<u>\$ 142,858</u>
<b>Liabilities</b>				
Accounts payable	\$ 223	\$ 70,827	\$ (71,050)	\$ -
Due to City of Tracy	5,722	2,042		7,764
Deposits payable	5,818			5,818
Due to assessment district bondholders	125,856	96,215	(92,795)	129,276
	<u>125,856</u>	<u>96,215</u>	<u>(92,795)</u>	<u>129,276</u>
Total liabilities	<u>\$ 137,619</u>	<u>\$ 169,084</u>	<u>\$ (163,845)</u>	<u>\$ 142,858</u>

(Continued)



**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Cultural Arts</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 1,122	\$ 2,103	\$ (2,078)	\$ 1,147
Total assets	<u>\$ 1,122</u>	<u>\$ 2,103</u>	<u>\$ (2,078)</u>	<u>\$ 1,147</u>
<b><u>Liabilities</u></b>				
Deposits payable	\$ 1,122	\$ 2,103	\$ (2,078)	\$ 1,147
Total liabilities	<u>\$ 1,122</u>	<u>\$ 2,103</u>	<u>\$ (2,078)</u>	<u>\$ 1,147</u>
<b><u>Regional Transportation Impact</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 2,602,219	\$ 861,019	\$ (849,796)	\$ 2,613,442
Total assets	<u>\$ 2,602,219</u>	<u>\$ 861,019</u>	<u>\$ (849,796)</u>	<u>\$ 2,613,442</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 237,893	\$ 137,893	\$ (327,121)	\$ 48,665
Deposits payable	2,364,326	723,126	(522,675)	2,564,777
Total liabilities	<u>\$ 2,602,219</u>	<u>\$ 861,019</u>	<u>\$ (849,796)</u>	<u>\$ 2,613,442</u>
<b><u>Medical Leave Bank</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 1,124,547	\$ 25,625	\$ (296,725)	\$ 853,447
Total assets	<u>\$ 1,124,547</u>	<u>\$ 25,625</u>	<u>\$ (296,725)</u>	<u>\$ 853,447</u>
<b><u>Liabilities</u></b>				
Deposits payable	\$ 1,124,547	\$ 25,625	\$ (296,725)	\$ 853,447
Total liabilities	<u>\$ 1,124,547</u>	<u>\$ 25,625</u>	<u>\$ (296,725)</u>	<u>\$ 853,447</u>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Post Employment Benefit Trust</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ -	\$ 685,931	\$ (685,931)	\$ -
Accounts receivable	19,289	187,758	(187,403)	19,644
<b>Total assets</b>	<b>\$ 19,289</b>	<b>\$ 873,689</b>	<b>\$ (873,334)</b>	<b>\$ 19,644</b>
<b><u>Liabilities</u></b>				
Due to City of Tracy	\$ 8,372	\$ 2,914	\$ -	\$ 11,286
Deposits payable	10,917	870,775	(873,334)	8,358
<b>Total liabilities</b>	<b>\$ 19,289</b>	<b>\$ 873,689</b>	<b>\$ (873,334)</b>	<b>\$ 19,644</b>
 <b><u>2011 TOP JPA Revenue Bonds</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 78,312	\$ 1,161,820	\$ (1,180,061)	\$ 60,071
Cash and investments with fiscal agents	2,033,776	1,410,255	(1,354,312)	2,089,719
<b>Total assets</b>	<b>\$ 2,112,088</b>	<b>\$ 2,572,075</b>	<b>\$ (2,534,373)</b>	<b>\$ 2,149,790</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 488	\$ 1,176,706	\$ (1,177,194)	\$ -
Due to assessment district bondholders	2,111,600	1,395,369	(1,357,179)	2,149,790
<b>Total liabilities</b>	<b>\$ 2,112,088</b>	<b>\$ 2,572,075</b>	<b>\$ (2,534,373)</b>	<b>\$ 2,149,790</b>

(Continued)

**CITY OF TRACY  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Totals - All Agency Funds</u></b>				
<b><u>Assets:</u></b>				
Cash and investments	\$ 12,078,938	\$ 13,091,347	\$ (13,300,439)	\$ 11,869,846
Cash and investments with fiscal agents	16,616,442	10,214,988	(13,571,032)	13,260,398
Accounts receivable	19,289	187,758	(187,403)	19,644
Interest receivable	23,287	4,755	(4,136)	23,906
Due from other funds	39,318		(39,318)	
	<u>\$ 28,777,274</u>	<u>\$ 23,498,848</u>	<u>\$ (27,102,328)</u>	<u>\$ 25,173,794</u>
Total assets	<u>\$ 28,777,274</u>	<u>\$ 23,498,848</u>	<u>\$ (27,102,328)</u>	<u>\$ 25,173,794</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 240,202	\$ 11,298,542	\$ (11,401,315)	\$ 137,429
Due to other governments				
Due to City of Tracy	39,318	4,956	(25,224)	19,050
Deposits payable	3,506,730	1,621,629	(1,694,812)	3,433,547
Due to assessment district bondholders	24,991,024	10,573,721	(13,980,977)	21,583,768
	<u>\$ 28,777,274</u>	<u>\$ 23,498,848</u>	<u>\$ (27,102,328)</u>	<u>\$ 25,173,794</u>
Total liabilities	<u>\$ 28,777,274</u>	<u>\$ 23,498,848</u>	<u>\$ (27,102,328)</u>	<u>\$ 25,173,794</u>

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# Statistical Section



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**CITY OF TRACY**  
 Summary of Statistical Section Pages  
 June 30, 2014

**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** ..... 162

*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** ..... 169

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

**Debt Capacity** ..... 177

*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** ..... 183

*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, 2013. 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 POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)  
(In thousands)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 518,181	\$ 512,728	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124	\$ 357,579	\$ 371,908
Restricted	100,403	111,131	105,425	118,367	120,961	157,162	134,092	135,593	139,007	62,021
Unrestricted	42,063	35,606	32,898	33,347	46,711	34,330	45,861	42,395	15,645	79,527
Total governmental activities net assets	<u>660,647</u>	<u>659,465</u>	<u>648,646</u>	<u>641,767</u>	<u>631,621</u>	<u>640,333</u>	<u>631,802</u>	<u>574,112</u>	<u>512,231</u>	<u>513,456</u>
Business-type activities:										
Net investment in capital assets	327,065	328,985	340,536	345,554	340,944	346,861	352,609	353,095	339,971	288,340
Restricted	247	237	232	227	222	183	244	555	3,344	31,249
Unrestricted	31,101	31,283	29,148	40,621	46,123	38,826	34,303	25,827	25,174	5,240
Total business-type activities	<u>358,413</u>	<u>360,505</u>	<u>369,916</u>	<u>386,402</u>	<u>387,289</u>	<u>385,870</u>	<u>387,156</u>	<u>379,477</u>	<u>368,489</u>	<u>324,829</u>
Primary government:										
Net investment in capital assets	845,246	841,713	850,859	835,607	804,893	795,702	804,458	749,219	697,550	660,248
Restricted	100,650	111,368	105,657	118,594	121,183	157,345	134,336	136,148	142,351	93,270
Unrestricted	73,164	66,889	62,046	73,968	92,834	73,156	80,164	68,222	40,819	84,767
Total primary government	<u>\$ 1,019,060</u>	<u>\$ 1,019,970</u>	<u>\$ 1,018,562</u>	<u>\$ 1,028,169</u>	<u>\$ 1,018,910</u>	<u>\$ 1,026,203</u>	<u>\$ 1,018,958</u>	<u>\$ 953,589</u>	<u>\$ 880,720</u>	<u>\$ 838,285</u>

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 POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)  
(In thousands)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 6,412	\$ 6,572	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391	\$ 7,432	\$ 6,698
Public safety	37,974	37,248	37,602	35,509	36,567	36,663	35,074	30,178	28,434	26,684
Public works	32,358	25,954	52,418	24,371	21,855	29,492	24,661	29,391	24,821	20,952
Culture and leisure	4,668	4,709	5,097	5,143	12,202	9,159	7,502	3,929	3,760	4,119
Interest on long-term debt	1,342	1,399	1,925	4,121	4,063	4,201	3,548	4,084	3,994	3,626
Unallocated depreciation	586	520	566	617	631	295	820	649	506	860
<b>Total Governmental Activities Expenses</b>	<b>83,340</b>	<b>76,402</b>	<b>103,891</b>	<b>88,057</b>	<b>82,702</b>	<b>89,005</b>	<b>78,788</b>	<b>74,622</b>	<b>68,947</b>	<b>62,939</b>
<b>Business-type Activities:</b>										
Water	22,300	21,765	22,295	21,229	19,580	19,173	18,786	16,106	16,029	9,363
Sewer	16,442	14,970	18,980	17,133	14,874	15,380	11,415	9,639	10,281	8,987
Airport	629	590	686	705	912	742	542	666	592	471
Solid waste	18,923	18,820	18,585	17,473	16,962	17,893	17,088	16,492	16,367	15,604
Transit	2,556	2,404	2,436	2,291	1,733	1,277	1,531	1,499	1,438	381
Drainage	3,404	3,232	3,351	3,402	2,618	2,646	3,486	3,247	3,957	978
<b>Total Business-Type Activities</b>	<b>64,254</b>	<b>61,781</b>	<b>66,333</b>	<b>62,233</b>	<b>56,679</b>	<b>57,111</b>	<b>52,848</b>	<b>47,649</b>	<b>48,664</b>	<b>35,784</b>
<b>Total Primary Government Expenses</b>	<b>\$ 147,594</b>	<b>\$ 138,183</b>	<b>\$ 170,224</b>	<b>\$ 150,290</b>	<b>\$ 139,381</b>	<b>\$ 146,116</b>	<b>\$ 131,636</b>	<b>\$ 122,271</b>	<b>\$ 117,611</b>	<b>\$ 98,723</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for Services:</b>										
Development fees	\$ 3,039	\$ 2,460	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700	\$ 5,281	\$ 4,030
Other public works	5,040	5,300	5,204	3,800	4,401	3,983	26,478	7,660	8,660	5,380
Parks and community services	838	878	789	757	1,208	1,065	1,206	1,480	3,621	973
Other activities	1,879	1,665	2,566	2,634	4,143	3,778	1,457	2,281	1,008	1,064
Operating grants and contributions	10,964	12,723	9,482	10,065	9,305	12,766	13,091	11,800	12,621	8,666
Capital grants and contributions	18,166	22,596	15,527	19,080	11,069	12,965	24,426	49,554	19,936	27,450
<b>Total Governmental Activities Program Revenues</b>	<b>39,926</b>	<b>45,622</b>	<b>35,185</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,475</b>	<b>51,127</b>	<b>47,563</b>
<b>Business-type Activities:</b>										
<b>Charges for Services:</b>										
Water	18,700	15,672	14,433	14,641	13,693	15,833	15,305	13,654	12,472	11,723
Sewer	12,940	11,978	11,480	12,032	11,490	11,661	12,513	12,115	8,471	7,805
Airport	395	272	375	342	373	257	281	265	272	278
Solid waste	21,521	20,352	18,852	16,321	17,320	16,774	17,950	15,006	15,147	13,937
Transit	1,631	818	822	899	1,295	940	92	1,231	109	113
Drainage	546	564	564	553	556	541	563	545	535	491
Operating grants and contributions	-	-	-	-	-	20	1,774	865	1,038	1,763
Capital grants and contributions	6,337	2,528	2,801	3,678	6,132	9,161	10,992	13,119	10,063	24,897
<b>Total Business-Type Activities Program Revenues</b>	<b>62,070</b>	<b>52,184</b>	<b>49,327</b>	<b>48,466</b>	<b>50,859</b>	<b>55,187</b>	<b>59,470</b>	<b>56,800</b>	<b>48,107</b>	<b>61,007</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 101,996</b>	<b>\$ 97,806</b>	<b>\$ 84,512</b>	<b>\$ 86,607</b>	<b>\$ 87,910</b>	<b>\$ 98,584</b>	<b>\$ 131,417</b>	<b>\$ 134,275</b>	<b>\$ 99,234</b>	<b>\$ 108,570</b>

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense)/revenue										
Governmental activities	\$ (43,414)	\$ (30,780)	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853	\$ (17,820)	\$ (15,376)
Business-type activities	(2,184)	(9,597)	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)	25,223
Total primary government net (expense) revenue	<u>(45,598)</u>	<u>(40,377)</u>	<u>(85,712)</u>	<u>(63,683)</u>	<u>(51,471)</u>	<u>(47,532)</u>	<u>(219)</u>	<u>12,002</u>	<u>(18,377)</u>	<u>9,847</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	15,700	14,946	18,527	22,533	24,013	29,324	31,160	23,859	24,613	17,616
Franchise taxes	2,593	2,500	2,443	2,474	2,223	2,138	1,991	2,010	1,808	1,700
Sales and use taxes	22,722	20,553	18,422	11,408	9,225	10,964	12,407	13,053	12,587	12,162
Other taxes	1,952	1,839	1,702	1,621	1,604	1,886	4,321	2,373	2,979	1,578
Unrestricted motor vehicle in lieu	36	43	41	376	240	277	360	6,228	437	5,665
Investment earnings	1,129	165	801	1,280	4,840	9,023	12,016	10,406	7,934	5,738
Miscellaneous	1,634	1,595	1,760	1,663	449	527	2,275	1,098	930	175
Transfers		(42)		(384)	(5,563)			1		
Gain on Transfer of assets			31,889							
Total governmental activities	<u>45,766</u>	<u>41,599</u>	<u>75,585</u>	<u>40,971</u>	<u>37,031</u>	<u>54,139</u>	<u>64,530</u>	<u>59,028</u>	<u>51,288</u>	<u>44,634</u>
Business-type activities:										
Interest earnings	264	144	520	109	1,676	633	1,038	1,796	1,865	1,220
Miscellaneous					-	5	19			652
Transfers		42		385	5,563			(1)		
Total business-type activities	<u>264</u>	<u>186</u>	<u>520</u>	<u>494</u>	<u>7,239</u>	<u>638</u>	<u>1,057</u>	<u>1,795</u>	<u>1,865</u>	<u>1,872</u>
Total primary government	<u>46,030</u>	<u>41,785</u>	<u>76,105</u>	<u>41,465</u>	<u>44,270</u>	<u>54,777</u>	<u>65,587</u>	<u>60,823</u>	<u>53,153</u>	<u>46,506</u>
Change in net assets										
Governmental activities	2,352	10,819	6,879	(8,945)	(8,620)	8,531	57,689	61,881	33,469	29,258
Business-type activities	(1,920)	(9,411)	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944	1,308	27,095
Total primary government	<u>\$ 432</u>	<u>\$ 1,408</u>	<u>\$ (9,607)</u>	<u>\$ (22,218)</u>	<u>\$ (7,201)</u>	<u>\$ 7,245</u>	<u>\$ 65,368</u>	<u>\$ 72,825</u>	<u>\$ 34,777</u>	<u>\$ 56,353</u>

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)**  
**(In thousands)**

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental activities:</b>										
General government	\$ 2,892	\$ 1,908	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722	\$ 484	\$ 1,073
Police	1,775	2,330	1,390	1,365	1,513	1,984	1,422	1,760	1,691	1,380
Fire	6,980	8,692	4,765	6,302	6,386	10,372	7,506	7,648	5,635	4,678
Development and engineering	3,410	2,871	1,974	2,148	16,700	14,287	5,477	5,945	7,969	17,832
Public works	23,621	28,367	23,224	17,397	5,817	11,460	53,382	55,183	29,807	18,522
Parks, recreation, and community services	1,248	1,454	1,150	1,058	2,009	1,114	2,645	4,662	4,950	3,488
Interest in long-term debt				-	591	590	591	592	591	591
<b>Subtotal governmental activities</b>	<b>39,926</b>	<b>45,622</b>	<b>35,185</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,512</b>	<b>51,127</b>	<b>47,564</b>
<b>Business-type activities:</b>										
Water	19,905	15,672	14,501	14,658	15,534	16,859	19,044	16,050	12,487	17,230
Sewer	14,400	12,131	12,669	14,766	11,494	13,113	16,150	14,934	17,108	24,414
Solid waste	21,521	20,352	18,858	16,321	17,330	16,774	17,950	15,006	15,168	13,937
Airport	854	607	417	402	730	277	897	386	615	488
Transit	1,984	2,858	2,018	1,677	4,871	7,386	3,029	3,232	2,194	3,271
Drainage	3,406	564	864	640	900	777	2,400	7,190	535	1,667
<b>Subtotal business-type activities</b>	<b>62,070</b>	<b>52,184</b>	<b>49,327</b>	<b>48,464</b>	<b>50,859</b>	<b>55,186</b>	<b>59,470</b>	<b>56,798</b>	<b>48,107</b>	<b>61,007</b>
<b>Total primary government</b>	<b>\$ 101,996</b>	<b>\$ 97,806</b>	<b>\$ 84,512</b>	<b>\$ 86,605</b>	<b>\$ 87,910</b>	<b>\$ 98,583</b>	<b>\$ 131,417</b>	<b>\$ 134,310</b>	<b>\$ 99,234</b>	<b>\$ 108,571</b>

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

	Fiscal Year										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:											
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755	\$ 1,028	\$ 762	\$ 911
Unreserved					17,626	16,705	17,193	17,356	19,471	19,038	18,905
Nonspendable	782	781	791	820							
Restricted	346	333	445	613							
Committed											
Assigned	523	277	22	2,198							
Unassigned	33,420	27,503	25,676	23,356							
<b>Total general fund</b>	<b>\$ 35,071</b>	<b>\$ 28,894</b>	<b>\$ 26,934</b>	<b>\$ 26,987</b>	<b>\$ 18,985</b>	<b>\$ 17,923</b>	<b>\$ 18,579</b>	<b>\$ 19,111</b>	<b>\$ 20,499</b>	<b>\$ 19,800</b>	<b>\$ 19,816</b>
All other governmental funds											
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960	\$ 49,991	\$ 29,795	\$ 36,812
Unreserved reported in:											
Special revenue funds					20,890	33,100	35,121	30,971	27,491	16,983	12,255
Capital projects funds					81,533	100,196	96,588	76,671	73,913	104,667	108,748
Debt service funds					-	-	-	-	-	-	-
Nonspendable	57		4,646	2,948							
Restricted	97,402	108,381	90,507	99,794							
Committed				4,131							
Assigned			15,339	20,043							
Unassigned											
Special revenue funds	(1,278)	(159)	(1,071)	(2,099)							
Capital projects funds											
Debt service funds											
<b>Total all other governmental funds</b>	<b>\$ 96,181</b>	<b>\$ 108,222</b>	<b>\$ 109,421</b>	<b>\$ 124,817</b>	<b>\$ 147,131</b>	<b>\$ 171,662</b>	<b>\$ 164,935</b>	<b>\$ 150,602</b>	<b>\$ 151,395</b>	<b>\$ 151,445</b>	<b>\$ 157,815</b>

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)**  
**(In thousands)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Taxes	\$ 43,804	\$ 40,503	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343	\$ 40,105	\$ 30,827
Licenses, permits, and fees	4,008	3,564	3,174	3,092	3,040	3,112	2,839	3,501	3,688	4,944
Fines and forfeits	863	568	1,552	1,570	1,715	1,722	1,515	1,273	290	302
Use of money and property	1,699	700	1,459	2,792	4,197	9,046	11,992	9,900	7,479	5,361
Intergovernmental	12,928	16,038	11,992	17,758	15,282	12,899	13,578	18,130	16,948	18,537
Charges for services	8,894	9,147	8,388	10,110	8,525	8,438	5,186	4,913	5,041	6,529
Special assessments	7,181	13,406	4,095	4,933	4,699	5,583	4,843	8,845	10,796	20,580
Contributions from assessment districts	4,346	1,887	5,404	4,448	2,915	6,049	23,043	12,800	14,296	
Other	1,767	1,124	1,294	1,148	1,656	4,595	2,058	1,810	2,684	4,072
<b>Total revenues</b>	<b>85,490</b>	<b>86,937</b>	<b>78,751</b>	<b>82,185</b>	<b>79,093</b>	<b>96,124</b>	<b>113,102</b>	<b>109,515</b>	<b>101,327</b>	<b>91,152</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	7,050	6,434	6,854	17,599	7,054	7,569	8,730	6,274	4,700	4,534
Police	21,592	21,488	21,902	20,943	21,836	21,574	20,161	17,607	15,834	15,210
Fire	15,869	15,305	15,205	14,027	14,664	15,387	14,602	13,594	12,201	11,337
Community development	6,467	6,449	6,273	6,066	7,790	12,360	10,114	7,241	12,105	9,128
Public works	8,471	8,091	7,530	7,285	7,327	8,369	8,082	8,203	3,680	5,322
Parks and recreation	3,113	3,330	3,599	3,509	3,320	4,507	3,146	3,117	3,009	2,864
Intergovernmental				2,691	6,281	3,288	3,177	2,931	2,570	1,825
<b>Debt Service:</b>										
Debt service-principal	245	220	195	1,315	1,490	11,300	3,620	1,430	1,390	5,060
Debt service-interest	1,345	1,352	2,623	3,945	3,994	3,799	3,390	3,934	3,849	3,484
Debt service-issue costs						1,163	237			
Capital Outlay	27,179	23,465	19,829	18,731	23,152	20,502	28,712	47,363	41,653	38,775
<b>Total expenditures</b>	<b>91,331</b>	<b>86,134</b>	<b>84,010</b>	<b>96,111</b>	<b>96,908</b>	<b>109,818</b>	<b>103,971</b>	<b>111,694</b>	<b>100,991</b>	<b>97,539</b>
Excess of revenue over (under) expenditures	(5,841)	803	(5,259)	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)
<b>Other financing sources (uses):</b>										
Bond proceeds						19,765	4,670			
Transfers in	1,214	20,600	2,699	3,836	21,828	26,040	12,680	22,148	11,595	9,304
Transfers out	(1,236)	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)
Payment to bond escrow agent										
<b>Total other financing sources (uses):</b>	<b>(22)</b>	<b>(42)</b>	<b>-</b>	<b>(385)</b>	<b>(5,563)</b>	<b>19,765</b>	<b>4,670</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (5,863)</b>	<b>\$ 761</b>	<b>\$ (5,259)</b>	<b>\$ (14,311)</b>	<b>\$ (23,378)</b>	<b>\$ 6,071</b>	<b>\$ 13,801</b>	<b>\$ (2,181)</b>	<b>\$ 336</b>	<b>\$ (6,387)</b>
Debt service as a percentage of non-capital expenditures	1.74%	2.33%	4.22%	6.25%	7.44%	16.91%	9.08%	7.35%	7.91%	14.47%

## **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
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	18,527,327	282,674	673,342	18,422,071	2,442,841	745,975	1,435,199	42,529,429
2013	14,946,468	362,793	689,323	20,553,264	2,499,946	786,827	1,802,598	41,641,219
2014	15,699,554	271,761	706,573	22,721,973	2,593,225	974,314	2,798,857	45,766,257

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	City of Tracy						Redevelopment Agency / Successor 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	
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	1.0000%
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	1.0000%
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	1.0000%
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	1.0000%
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	1.0000%
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	1.0000%
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	1.0000%
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	1.0000%
2013	4,514,547,256	1,126,415,078	179,798,206	5,820,760,540	119,652,776	5,701,107,764	1,005,846,952	143,168,317	93,247,473	1,055,767,796	1.0000%
2014	5,010,295,280	1,136,022,186	215,287,460	6,361,604,926	117,977,641	6,243,627,285	1,053,197,694	140,059,801	96,074,732	1,097,182,763	1.0000%

Source: San Joaquin County -Office of the Auditor-controller and Assessor  
 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**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Direct rates:</u>										
City of Tracy	0.1561%	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%	0.1703%	0.1729%	0.1207%	0.1206%
San Joaquin County	0.1865%	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1963%
ERAF	0.2686%	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%	0.2790%	0.2790%	0.2801%	0.2801%
All Others	0.3889%	0.3889%	0.3889%	0.6336%	0.3613%	0.3546%	0.3545%	0.3519%	0.4030%	0.4030%
Total Direct Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
<u>Overlapping rates:</u>										
San Joaquin Delta College	0.0194%	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%	0.0352%
Tracy Unified School District (1,2,3)	0.0247%	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%	0.1998%
Tracy Unified School District (SFID 3)	0.0228%	0.0093%	0.0088%	0.0000%	0.0185%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Total Overlapping Rate	0.0669%	0.0557%	0.0554%	0.0411%	0.0596%	0.2101%	0.2101%	0.2103%	0.2132%	0.2350%
Total Tax Rate	1.0669%	1.0557%	1.0554%	1.0411%	1.0596%	1.2101%	1.2101%	1.2103%	1.2132%	1.2350%

Source: San Joaquin County Auditor data, MuniServices, LLC

1. Rates are not adjusted for ERAF

**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
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	9,724,002	100.00%	0.00	9,724,002	100.00%	6,827,468,449
2013	9,607,770	9,607,770	100.00%	0.00	9,607,770	100.00%	6,756,875,560
2014	10,175,469	10,175,469	100.00%	0.00	10,175,469	100.00%	7,209,256,120

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	City Direct Rate	Measure E Rate	Prop K Rate	Transportation Development Act Rate	San Joaquin County Rate	State Rate		Total Sales Tax Rate
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%
2013	1%	0.50%	0.50%	0.25%	1%	5.25%	(3)	8.50%
2014	1%	0.50%	0.50%	0.25%	1%	5.25%	(3)	8.50%

(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

(3) Voters approved Proposition 30, a state-wide quarter cent sales tax with a 4-year sunset effective January 1, 2013

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
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
2013	20.40	1.00	34.00
2014	20.40	1.00	34.00

*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)			
2005	13,435,000	146,735,000	265,345	945,000	9,211,877	33,785,000	184,966	204,562,188	2,612	78,310
2006	13,025,000	153,395,000	641,339	645,000	8,572,915	33,505,000	171,558	209,962,262	2,609	80,461
2007	12,600,000	158,750,000	520,835	330,000	25,176,853	33,215,000	157,285	230,749,973	2,845	81,107
2008	14,685,000	153,485,000	395,533	-	26,378,839	32,305,000	142,147	227,391,519	2,788	81,548
2009	24,215,000	147,940,000	265,356	-	25,414,136	31,420,000	126,144	229,380,636	2,807	81,714
2010	23,830,000	142,050,000	202,867	-	24,442,470	30,510,000	109,275	221,144,612	2,713	81,519
2011	23,660,000	135,810,000	137,879	-	23,402,994	29,580,000	91,541	212,682,414	2,550	83,418
2012	23,465,000	130,480,000	70,293	-	19,274,382	28,630,000	72,942	201,992,617	2,408	83,900
2013	23,245,000	124,800,000	-	-	18,392,152	27,645,000	53,478	194,135,630	2,309	84,060
2014	23,000,000	120,700,000	908,516	-	14,489,157	26,630,000	33,149	185,760,822	2,182	85,146

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	Outstanding General Bond Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2005	13,435,000	55,050,000	68,485,000	0.88%	875
2006	13,025,000	54,070,000	67,095,000	0.77%	834
2007	12,600,000	53,065,000	65,665,000	0.73%	810
2008	14,685,000	52,030,000	66,715,000	0.76%	818
2009	24,215,000	50,965,000	75,180,000	0.82%	920
2010	23,830,000	49,860,000	73,690,000	1.00%	904
2011	23,660,000	48,715,000	72,375,000	0.99%	868
2012	23,465,000	-	23,465,000	0.34%	280
2013	23,245,000	-	23,245,000	0.34%	277
2014	23,000,000	-	23,000,000	0.34%	274

Source:

Finance and Administrative Services Department, City of Tracy

**CITY OF TRACY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2014**

2013-14 Assessed Valuation: \$ 7,479,463,467

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>06/30/2014</u>	<u>% Applicable (1)</u>	<u>City's Share of</u> <u>Debt 06/30/2013</u>
San Joaquin Delta Community College District	\$ 118,117,891	12.445 %	\$ 14,699,772
Tracy Unified School District	44,610,000	62.425	27,847,793
Tracy Unified School District School Facilities Improvement District No. 3	32,487,637	91.178	29,621,578
Banta School District	655,000	34.829	228,130
Jefferson School District	29,281,664	65.180	19,085,789
City of Tracy Community Facilities District No. 87-1	12,045,000	100	12,045,000
City of Tracy Community Facilities District No. 89-1	5,730,000	100	5,730,000
City of Tracy Community Facilities District No. 93-1	2,780,000	100	2,780,000
City of Tracy Community Facilities District No. 98-1	53,290,000	100	53,290,000
City of Tracy Community Facilities District No. 98-3	2,450,000	100	2,450,000
City of Tracy Community Facilities District No. 99-1	5,425,000	100	5,425,000
City of Tracy Community Facilities District No. 99-2	9,745,000	100	9,745,000
City of Tracy Community Facilities District No. 2000-1	12,525,000	100	12,525,000
City of Tracy Community Facilities District No. 2006-1	10,420,000	100	10,420,000
City of Tracy 1915 Act Bonds	8,705,000	100	8,705,000
California Statewide Community Development Authority 1915 Act Bonds	7,175,350	100	7,175,350
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b><u>\$ 355,442,542</u></b>		<b><u>\$ 221,773,412</u></b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	\$ 160,065,000	13.725 %	\$ 21,968,921
Lammersville Joint Unified School District General Fund Obligations	30,345,000	0.995	301,933
Byron -Bethany Irrigation District General Fund Obligation	4,995,000	10.978	548,351
<b>City of Tracy General Fund Obligations</b>	<b>23,000,000</b>	<b>100</b>	<b><u>23,000,000</u></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b><u>\$ 45,819,205</u></b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	44,975,000	100. %	<u>44,975,000</u>
<b>TOTAL DIRECT DEBT</b>			<b><u>23,000,000</u></b>
TOTAL OVERLAPPING DEBT:			<u>289,567,617</u>
<b>COMBINED TOTAL DEBT</b>			<b><u>\$ 312,567,617 (2)</u></b>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total assessed value.

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

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.97%
<b>Total Direct Debt (\$23,000,000).....</b>	<b>0.31%</b>
Combined Total Debt.....	4.18%

Ratios to redevelopment Incremental Valuation (\$837,597,196)

Total Overlapping Tax Increment Debt.....	5.37%
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Source: MuniServices, LLC.  
City of Tracy

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed Value	\$ 7,341	\$ 6,757	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,563	\$ 9,003	\$ 7,775	\$ 7,879
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,835	1,689	1,707	1,827	1,835	2,283	2,391	2,251	1,944	1,970
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	275	253	256	274	275	342	359	338	292	296
Total net debt applicable to limit	65	69	71	121	122	138	132	136	125	130
Legal debt margin	<u>\$ 210</u>	<u>\$ 184</u>	<u>\$ 185</u>	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 204</u>	<u>\$ 227</u>	<u>\$ 202</u>	<u>\$ 167</u>	<u>\$ 166</u>

Note:

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

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Water revenue bonds/EDA note</b>										
Water revenue	\$ 18,713,676	\$ 15,649,302	\$ 14,559,197	\$ 14,651,850	\$ 15,036,909	\$ 15,963,584	\$ 15,433,890	\$ 14,341,129	\$ 13,381,880	\$ 12,354,096
Less: operating expenses	(12,785,056)	(13,103,307)	(12,196,098)	(12,450,281)	(10,740,838)	(10,485,876)	(10,360,873)	(9,384,661)	(8,821,723)	(5,383,787)
Net available revenue	<u>5,928,620</u>	<u>2,545,995</u>	<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>
Debt service:										
Principal	902,995	882,230	4,128,612	1,099,165	1,035,686	964,703	878,166	1,960,910	938,962	1,038,703
Interest	354,924	465,690	531,639	637,999	665,810	731,215	850,589	791,373	477,056	568,637
Total Debt Service	<u>1,257,919</u>	<u>1,347,920</u>	<u>4,660,251</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>
Coverage	4.71	1.89	0.51	1.27	2.52	3.23	2.93	1.80	3.22	4.34
<b>Wastewater revenue bonds:</b>										
Wastewater revenue	13,030,930	12,025,189	11,713,538	12,038,615	11,695,124	12,060,864	13,158,013	12,896,719	9,255,199	8,752,321
Less: operating expenses	(7,211,266)	(6,378,330)	(7,617,428)	(7,784,380)	(6,249,869)	(6,846,611)	(5,030,130)	(4,666,466)	(4,509,073)	(4,150,266)
Net available revenue	<u>5,819,664</u>	<u>5,646,859</u>	<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>
Debt service:										
Principal	1,015,000	985,000	950,000	993,010	911,535	885,000	910,000	290,000	280,000	280,000
Interest	1,236,956	1,285,258	1,313,920	1,342,757	1,366,758	1,375,786	1,370,803	1,413,783	1,429,186	1,699,361
Total Debt Service	<u>2,251,956</u>	<u>2,270,258</u>	<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>
Coverage	2.58	2.49	1.81	1.82	2.39	2.31	2.81	4.83	2.78	2.33
<b>Tax allocation bonds:</b>										
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
Debt service:										
Principal	-	-	1,195,000	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000	980,000	670,000
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
Total Debt Service	<u>-</u>	<u>-</u>	<u>2,457,289</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>
Coverage	-	-	1.77	2.04	2.38	2.75	2.73	2.54	2.14	1.88

Note: Details 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**

Fiscal Year	City of Tracy							San Joaquin County				
	Population (2)	Labor Force (1)	Employment (1)	Unemployment		Census Ratios		Population (2)	Labor Force (1)	Employment (1)	Unemployment	
				Rate (1)	Number (1)	Employed (1)	Unemployed (1)				Rate (1)	Number (1)
2005	78,310	32,500	30,900	4.8%	1,600	N/A	N/A	655,866	284,200	261,700	7.8%	22,500
2006	80,461	32,700	31,200	4.5%	1,500	N/A	N/A	662,395	284,300	263,200	7.2%	21,100
2007	81,107	32,930	31,310	4.9%	1,620	N/A	N/A	667,886	289,200	265,800	7.7%	23,300
2008	81,548	34,100	32,000	6.2%	2,100	N/A	N/A	672,388	293,000	262,700	9.5%	30,300
2009	81,714	34,169	28,872	15.5%	5,297	N/A	N/A	674,860	298,200	252,600	14.8%	45,600
2010	81,519	32,800	29,600	9.7%	3,200	N/A	N/A	685,306	298,900	247,200	16.4%	51,800
2011	83,418	32,900	29,800	9.6%	3,100	0.116975	0.068724	682,660	295,300	244,000	16.7%	51,300
2012	83,900	32,900	29,800	9.5%	3,100	N/A	N/A	695,750	300,300	254,800	15.1%	45,500
2013	84,060	32,700	29,600	9.5%	3,100	0.116975	0.068724	692,997	298,500	253,200	15.2%	45,300
2014	85,146	33,100	30,500	8.0%	2,600	N/A	N/A	701,745	298,800	260,400	12.8%	38,400

Sources:

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

**CITY OF TRACY  
PRINCIPAL TAX PAYERS  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

Taxpayer Name	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tracy Mall Partners Lp	101,999,209	1	1.39%	85,161,913	2	1.29%
Leprino Foods Company Corp	84,976,429	2	1.16%	93,041,455	1	1.41%
Prologis	79,870,518	3	1.09%	11,247,608	22	0.17%
Pac Corporate Center Tracy	53,658,630	4	0.73%	-	-	-
Central Valley Ltd Liability	53,225,560	5	0.73%	45,540,821	3	0.69%
Us Industrial Reit Container I	42,423,576	6	0.58%	-	-	-
Tce Tracy Llc	32,712,488	7	0.45%	-	-	-
Car Corral Hollow Llc	31,168,129	8	0.42%	-	-	-
Us Cold Storage Of Calif	28,644,603	9	0.39%	16,716,841	14	0.25%
Mg Waterstone Apartments Lp	25,250,000	10	0.34%	-	-	-
Excel Tracy Pavilion Llc	23,731,429	11	0.32%	-	-	-
Yrc Inc	23,703,056	12	0.32%	-	-	-
Wal Mart	22,027,613	13	0.30%	10,256,555	23	0.16%
Amb Property Lp	21,937,745	14	0.30%	-	-	-
Lba Ppf Industrial Macarthur	21,675,000	15	0.30%	-	-	-
Kaiser Foundation Health Plan	20,899,755	16	0.28%	-	-	-
Sycamore Village Invest	20,232,568	17	0.28%	17,382,765	13	0.26%
Taylor Farms Pacific Inc	18,744,094	18	0.26%	-	-	-
Queirolo Shirlee M	18,668,886	19	0.25%	16,304,838	17	0.25%
Costco Wholesale Corp	18,069,665	20	0.25%	16,601,276	15	0.25%
Save Mart Supermarket	18,054,127	21	0.25%	15,196,227	19	0.23%
Inland Container Corp	17,710,955	22	0.24%	17,904,657	9	0.27%
Red Maple Village Lp	17,125,926	23	0.23%	-	-	-
2800 North Tracy Blvd	14,788,680	24	0.20%	-	-	-
Patterson Gary L	14,061,023	25	0.19%	-	-	-
Orchard Supply Hardware Corp	-	-	-	29,030,640	4	0.44%
Yellow Freight System Inc	-	-	-	24,143,910	5	0.37%
Standard Pacific Corp	-	-	-	20,072,963	6	0.30%
Consolidated Container Company	-	-	-	18,101,378	7	0.27%
Comcast Corp	-	-	-	17,959,889	8	0.27%
Second Horizon Group LTD	-	-	-	17,775,730	10	0.27%
Tracy Pavilion LLC	-	-	-	17,530,124	11	0.27%
RRG RMC Tracy LLC	-	-	-	17,425,814	12	0.26%
Pattillo Development Partners	-	-	-	16,482,383	16	0.25%
O'Brien Mark T	-	-	-	15,807,151	18	0.24%
Distribution Ventures LLC	-	-	-	12,079,227	20	0.18%
Stuart Limited Partnership	-	-	-	11,817,009	21	0.18%
Rubio Larry R & Paige A	-	-	-	9,850,845	24	0.15%
HD Development of Maryland Inc	-	-	-	9,300,000	25	0.14%
Total Top 25 Taxpayers	825,359,664		11.24%			8.83%
Total Taxable Assessed Value	7,340,810,048		100.00%	6,602,740,428		100.00%

Source: San Joaquin County Assessor's Office, MuniServices, LLC

**CITY OF TRACY  
PRINCIPAL SALES TAX PRODUCERS  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

2014		2005	
Taxpayer Name	Business Type	Taxpayer Name	Business Type
American Truck & Trlr Body	Auto Parts/Repair	Albertson'S Food Centers	Food Markets
Arco Am/Pm Mini Marts	Service Stations	American Truck & Trlr Body	Auto Parts/Repair
Barbosa Cabinets	Bldg.Matls-Retail	Arco Am/Pm Mini Marts	Service Stations
Best Buy Stores	Furniture/Appliance	Best Buy Stores	Furniture/Appliance
Chevron Service Stations	Service Stations	Boat Center	Misc. Vehicle Sales
Costco Wholesale	Department Stores	Chevron Service Stations	Service Stations
Crate & Barrel	Miscellaneous Retail	Costco Wholesale	Department Stores
Home Depot	Bldg.Matls-Retail	Gottschalks Department Store	Department Stores
Independent Utility Supply	Bldg.Matls-Whsle	Home Depot	Bldg.Matls-Retail
Macy'S Department Store	Department Stores	Kenko Utility Supply	Bldg.Matls-Whsle
Nixon-Egli Equipment Company	Bldg.Matls-Whsle	Leggett & Platt Inc.	Heavy Industry
Premier Hyundai Of Tracy	Auto Sales - New	Morri Automotive	Auto Sales - New
Safeway Service Stations	Service Stations	Nixon-Egli Equipment Company	Bldg.Matls-Whsle
Shell Service Stations	Service Stations	Safeway Service Stations	Service Stations
Target Stores	Department Stores	Safeway Stores	Food Markets
Tracy Chevrolet	Auto Sales - New	Sears Roebuck & Company	Department Stores
Tracy Ford Mercury	Auto Sales - New	Target Stores	Department Stores
Tracy Honda	Auto Sales - New	Tracy Chevrolet	Auto Sales - New
Tracy Mazda	Auto Sales - New	Tracy Chrysler/Plymouth/Dodge	Auto Sales - New
Tracy Nissan	Auto Sales - New	Tracy Honda	Auto Sales - New
Tracy Toyota	Auto Sales - New	Tracy Nissan	Auto Sales - New
Tracy Truck & Auto Stop	Service Stations	Tracy Pontiac/Cadillac/Gmc	Auto Sales - New
Wal Mart Stores	Department Stores	Tracy Toyota	Auto Sales - New
Save Mart Supermarkets	Food Markets	Tracy Truck & Auto Stop	Service Stations
Southwest School & Office Sply	Miscellaneous Retail	Wal Mart Stores	Department Stores

Source: 2012-13 SBOE data, MuniServices, LLCTop Sales Tax Producers listed in alphabetical order.



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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	5	4	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	7	7	16	17	6	6	6
Human Resources	5	5	6	6	6	9	9	9	7	7
Finance & Information Systems	24	23	23	23	23	26	27	25	25	24
Police	135	135	134	133	135	154	155	141	132	126
Fire	78	80	82	78	78	85	84	81	107	104
Economic Development	2	2	4	8	6	6	5			
Development and Engineering	40	38	48	41	44	55	55	52	54	52
Public Works	46	46	59	59	66	71	74	80	64	66
Parks and Community Services	35	41	50	59	50	48	49	40	18	18
Water	39	39	40	40	41	44	44	40	38	38
Wastewater	27	26	28	28	29	29	29	25	24	24
Airport	2	2	1	2	2	2	2	1	1	1
Solid waste	1	1	2	1	1	1	1	1	1	2
Transit	2	2	2	2	2	2	2	2	2	2
Drainage	3	3	2	2	2	2	2	2	2	2
Total	<u>456</u>	<u>460</u>	<u>499</u>	<u>499</u>	<u>502</u>	<u>560</u>	<u>565</u>	<u>515</u>	<u>491</u>	<u>482</u>

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## **OPERATING INDICATORS**

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Building Permits Issued	1,924	1,435	1,293	915	844	898	774	790	1,136	1,271
Building Inspections requested	9,128	6,189	4,568	2,975	3,377	2,859	5,334	7,920	18,008	24,093
Police:										
Arrests	2,541	2,765	2,896	2,941	3,415	4,435	4,450	4,448	3,561	3,787
Parking citations issued	1,454	1,472	2,196	3,153	4,704	2,948	2,916	2,292	2,107	2,282
Traffic violations	3,798	3,519	5,281	6,668	7,347	7,007	6,867	8,059	6,132	6,959
Fire:										
Number of emergency calls	6,443	6,322	5,951	5,570	5,717	6,159	6,165	6,580	5,907	5,135
Inspections	3,333	3,114	3,416	2,383	1,614	3,776	3,814	3,586	2,316	2,106
Water:										
Water Mains (miles)	420	410	410	402	402	402	402	400	395	390
New connections	45	23	20	20	22	25	40	40	600	1,200
Maximum Daily Capacity (gallons)										
(millions of gallons)	57	57	57	57	57	57	57	57	57	57
Average daily consumptions (gallons)										
(millions of gallons)	15	15	15	14.4	16	16	16	16	16	16
Sewer:										
Sanitary Sewer (miles)	415	410	410	400	400	400	400	400	395	390
New connections	45	22	14	20	22	25	40	40	600	1,200
Average daily treatment (gallons)										
(millions of gallons)	9.5	9.5	9	9	9	9	9	9	9	9
Airport:										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	211	205	198	194	227	339	342	339	325	339
Recyclables collected (tons per day)	66	65	64	66	49	26	28	27	27	27
Transit:										
Average daily passengers	444	418	357	325	334	323	329	325	318	361
Total route miles	228,817	237,089	226,808	152,284	158,211	154,937	236,684	236,689	213,928	206,975

Source: City of Tracy, Finance and Administrative Services Department

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	5,430	5,430	5,430	5,430	4,781	4,770	4,763	4,752	4,658	3,967
Number of traffic signals	84	78	78							
Parks and recreation:										
Number of parks	76	76	76	76	76	76	76	74	74	69
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	420	410	410	395	395	395	395	395	395	390
Wastewater										
Sanitary sewers (miles)	415	410	410	395	395	395	395	395	395	390
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	9	8	8	8	8	8	6	8	8	8

Source: City of Tracy, Finance and Administrative Services Department

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