

City of Tracy

California



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2015

Prepared by the

Administrative Services Department

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Administrative Services Director

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Senior Accountant

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Budget Officer

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Introductory Section



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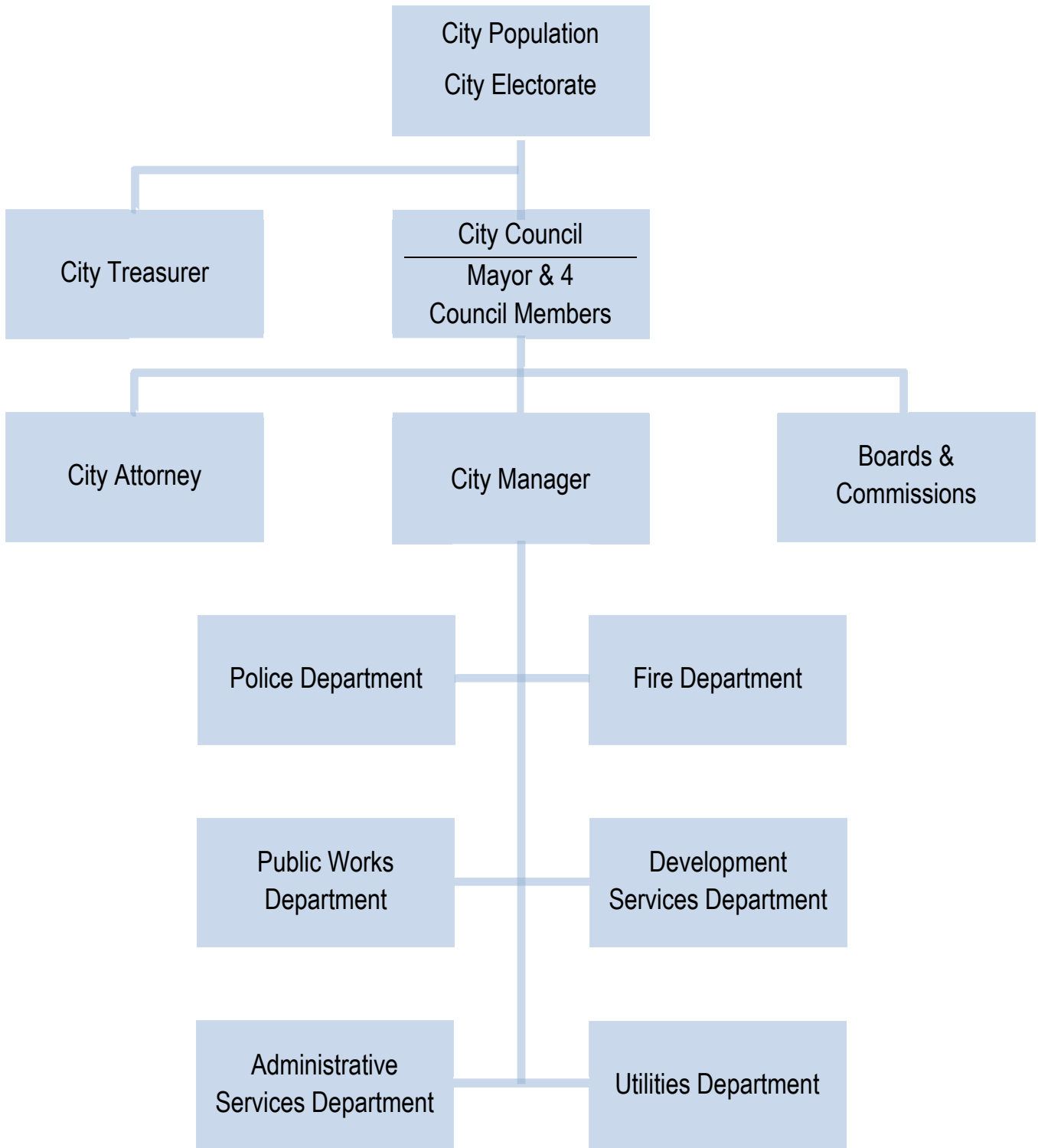
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City of Tracy Organization Chart



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2015

CITY COUNCIL

MICHAEL MACIEL
Mayor

ROBERT RICKMAN
Mayor Pro Tem

MARY MITRACOS
Council Member

VERONICA VARGAS
Council Member

NANCY YOUNG
Council Member

OTHER ELECTED OFFICIALS

RAYMOND McCRAY
City Treasurer

CITY OF TRACY, CALIFORNIA

OTHER CITY OFFICIALS

Troy Brown
City Manager

Stephanie Garrabrant-Sierra
Assistant City Manager

Dan Sodergren
City Attorney

V. Rachelle McQuiston
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
in Financial
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Presented to

**City of Tracy
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Think Inside the Triangle™

CITY OF TRACY

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

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

April 30, 2016

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, 2015.

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 2015.

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.

Our independent auditors, Maze and Associates, have issued an unmodified (“clean”) opinion on the City of Tracy’s financial statements for the fiscal year ended June 30, 2015. 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, the June 2015 unemployment rate of 6.3% remains higher than the national average of 5.3%. San Joaquin County’s unemployment rate of 8.8% is higher than both California and the nation; however, it continues to decline. The City of Tracy is a little lower than the County at 7.4%.

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 14/15 they represented 71% of the City’s total general fund revenues, including Measure E, 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 have increased for the second year in a row. Housing prices are now approaching pre-recessionary 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 14/15 was the third 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, 2015, the City had \$37,653,433 in reserves. Fiscal Year 14-15 was also the last full year of Measure E receipts, and the City continues to run a structural deficit. Employees helped buoy the city during the economic recession by making contributions to their retirements and not receiving raises. In some cases, certain employees had not received raises in 7 years. New employee contracts have been completed that provides in an investment in our employees, which remain our most valuable asset. This investment will have an impact on our financial outlook and contribute the projected structural deficit. 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 unassigned reserves as of June 30, 2015 of \$29.8 million, this represents approximately 56% of expected General Fund expenses in FY 14/15. 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

Continued Investments in the Community

The City continues to invest in community infrastructure to enhance the quality of life for the citizens of Tracy.

- Joe Wilson Pool is scheduled to open in the Spring of 2016, which will provide the pool with accompanying shade structures, splash pad, and a passive solar system and HVAC.
- Legacy Fields – the 160 acre site will host softball, baseball, football, soccer and potentially lacrosse.
- 11th Street Bridge Replacement – Originally built in 1936 with two lanes, the bridge was later widened to four lanes in 1960. The condition of the bridge has deteriorated with time and the City awarded a construction contract in March 2015 to rebuild the bridge to current structural and seismic standards. Construction began in April 2015 and is expected to conclude in late 2017.

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.

Major Initiatives (continued)

Implementation of Financial Systems Modernization Plan

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

- During FY 14/15, the City implemented new recreation reservation software which brought significant improvements both to the citizen users and to city staff.
- On July 1, 2015, the City completed the first phase of a multi-year project to replace the City's financial, budget, human resource and community development software with an integrated Enterprise Resource Planning system. The financial and budget pieces are now in operation with additional phases in progress. When completed in 2017, a total of fifteen different systems will have been replaced with a single, comprehensive ERP 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 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. In October 2014, the City Council adopted a new stabilization policy and created three stabilization reserves. The General Fund balance of \$37.6 million is actually comprised of \$13.2 million in the General Fund, \$11.6 million in the Contingency/Emergency Reserve, \$5.8 million in the Budget Stabilization Reserve and \$7.0 million in the Measure E Mitigation Reserve.

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 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.

GASB 68 & 71

These are new accounting standards deal with reporting of pension liabilities. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. These new standards were designed to improve and provide transparency to the accounting and financial reporting for state and local government defined benefit pension plans and to bring governmental employer accounting and reporting standards closer in line with private sector requirements. The City implemented GASB Statement No. 68 and GASB Statement No. 71 this fiscal year.

In prior years, information on the pension liabilities was disclosed in the note disclosure and required supplementary information sections of the CAFR. With the implementation of GASB 68, the net pension liability is reported on the face of the Statement of Net Position, effectively reducing an entity's overall net position. Thus, GASB 68 changed the accounting and financial reporting requirements of pension obligations by reporting pension obligations not only on the note disclosure and required supplementary information sections but also on the face of the basic financial statements. GASB 68 affects the reporting and accounting "presentation" of the City's pension liability; however, it is not a new liability and the City has been disclosing and is profoundly aware of this liability.

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, 2014. This was the 27th 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.

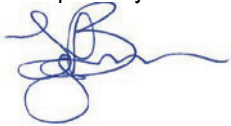
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 15/16. 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



V. Rachele McQuiston
Administrative Services Director

Financial Section



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Tracy, California

Report on 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 as of and for the year ended June 30, 2015, 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 the 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 City'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 City'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 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Community Development Agency Dissolution

As discussed in Note 16, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Tracy Community Development Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Tracy Community Development Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 16, but the effect of that review cannot be determined as of June 30, 2015.

In fiscal year 2011, the former Community Development Agency transferred \$9,967,619 of assets to the City, comprised of cash of \$6,306,390 and capital assets of \$3,661,229. ABx1 26 and AB1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the former Community Development Agency or, on or after February 1, 2012, to the Successor Agency. During fiscal year 2012, the City returned cash of \$1,843,395 and capital assets of \$3,661,229 to the Successor Agency. The City received the results of the State Controller's asset transfer review in December 2014 that indicates the City is to return the remaining cash in the amount of \$4,462,995 to the Successor Agency. City management disputes the findings of the State Controller, however to allow the Successor Agency to receive its Finding of Completion, the City transferred \$4,462,995 to the Successor Agency in November 2015. The City and Successor Agency continue to contest the order of the Department of Finance and are engaged in litigation on the matter. Therefore, the amount, if any, of assets to be returned is not determinable at this time.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Restatements of Fund Balance and Net Position

As discussed in Note 9E, the City restated the balance of beginning net position of governmental activities and business type activities, as well as the beginning fund balance or net position of various major and nonmajor funds. The emphasis of this matter does not constitute a modification to our opinions.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position as discussed in Note 10 to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other Required Supplementary Information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic 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 April 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
April 29, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the City of Tracy's financial performance for the fiscal year ended June 30, 2015. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeds its liabilities and deferred inflows of resources at the close of the 2014-15 fiscal year by \$1,013 million (Net Position). Of this amount \$19.6 million (Unrestricted Net Position) is designated to be used to meet ongoing obligations to citizens and creditors; \$152.7 million is restricted for capital projects, debt service and legally segregated taxes, grants, and fees; and \$840.6 million is invested in capital assets. The Unrestricted Net Position reflects the inclusion of a Net Pension Liability of \$56.5 million in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.
- As of June 30, 2015, the governmental funds reported combined fund balances of \$163.5 million, of which \$156.8 million is available to meet the City's current and future needs (Restricted, Committed, Assigned, and Unassigned balances).
- As of June 30, 2015 the fund balance for the General Fund was \$37.7 million of which \$6.6 million is designated as Non-Spendable for items such as deposits, prepaid assets, inter-fund advances, and inventory. Assigned fund balance was \$1.2 million, designated for items such as economic revitalization and public facilities oversizing, and the unassigned balance was \$29.9 million.
- Governmental capital assets increased by \$19.1 million prior to depreciation in comparison to prior year assets (as restated) representing additions of capital street improvements, land, equipment, and construction in progress. The increase is reflected in the net investment in capital assets.
- The City's total long-term liabilities increased by \$49.6 million compared to the prior year. This increase is primarily attributable to the implementation of GASB Statement No. 68 as noted above.
- Three elements were added to the Statement of Net Position per GASB Statement No. 68: Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions and a Net Pension Liability in the Long-term Liability section. Refer to Note 10 of the Notes to the Financial Statements for a detailed explanation of how the implementation of the new statement affects the financial statements.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of the following sections:

- 1) Introductory Section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis,
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining Statements for Non-major Governmental Funds and Internal Service Funds,
- 6) Statistical Information

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole and are presented in a manner similar to a private-sector business. These statements are comprised of:

Statement of Net Position – Presents information on all City assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities – Presents information reflecting any change in the government's net position during the most recent fiscal year. 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). Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and compensated time leaves).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public ways and facilities/transportation, public works, and culture and leisure. These services are supported by general city revenues such as taxes, and by specific program revenues such as developer fees.

The City's governmental activities include not only the City of Tracy (known as the primary government), but also the activities of the Tracy Operating Partnership Joint Powers Authority, South County Fire Authority and Tracy Public Financing Authority, which are controlled by and dependent on the City. While they are separate legal entities, City Council serves in separate sessions as the governing body of the Tracy Operating Partnership Joint Powers Authority and the Tracy Public Financing Authority and the City is financially accountable for those entities as well as the South County Fire Authority. The financial activities of all three entities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

Pursuant to ABX 126 ("AB 26"), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Tracy Community Development Agency ("Agency") was dissolved on January 31, 2012. The former Agency is now administered under the name of Successor Agency to the Community Development Agency of the City of Tracy. The activities of the Successor Agency can be found in the Fiduciary Fund Section of the Financial Statements.

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

Fund Financial Statements

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 Governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets, deferred outflows of resources, liabilities and deferred inflows of resources, both current and long-term. Each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental Funds – These funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources and are therefore prepared on the modified accrual basis. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The City of Tracy has 33 governmental funds of which 7 are considered major funds for presentation purposes. Each major fund is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The financial information for the remaining non-major governmental funds is combined into a single, aggregated presentation.

- Proprietary Funds – The City maintains two different types of proprietary funds; Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as "business-type activities" in the Government-wide Financial Statements. Internal Service Funds account for the financial activity of the City's central services departments, vehicle and equipment replacement, central garage, building maintenance, and self-insurance. Financial statements for proprietary funds are prepared on the full accrual basis 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 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 City-wide financial statements and any related profits or losses are returned to the activities which created them.

- Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-wide Financial Statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is similar to that used for Proprietary Funds. With the dissolution of the Community Development Agency per ABX 126 and AB 1484, the activities of the Successor Agency to the Tracy Community Development Agency are reported as a Private Purpose Trust Fund in the Fiduciary Fund section.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Combining Statements

This section of the report includes additional detailed information about non-major governmental, internal service and agency funds.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the financial activities of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, combined net position (government and business-type activities) totaled \$1,013 million at the close of the fiscal year ended June 30, 2015. This is a decrease of \$33.4 million from June 30, 2014, excluding the effects of the implementation of GASB Statements No. 68 and 71.

The following table reflects the Summary of Net Position for the fiscal year ended June 30, 2015 with comparative data for the fiscal year ended June 30, 2014.

Summary of Net Position at June 30
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Cash and Investments	\$ 176,382	\$ 140,406	\$ 37,874	\$ 26,746	\$ 214,255	\$ 167,152
Other Assets	47,926	51,392	9,045	9,286	56,972	60,678
Capital Assets	549,264	540,794	353,658	368,217	902,922	909,011
Total Assets	<u>773,572</u>	<u>732,592</u>	<u>400,577</u>	<u>404,249</u>	<u>1,174,149</u>	<u>1,136,841</u>
Deferred Outflows						
Related to Pensions	<u>6,405</u>		<u>577</u>		<u>6,982</u>	
Current Liabilities	23,115	17,117	9,214	5,921	32,330	23,038
Non-Current Liabilities	76,871	27,226	44,475	39,915	121,346	67,141
Total Liabilities	<u>99,986</u>	<u>44,343</u>	<u>53,689</u>	<u>45,836</u>	<u>153,675</u>	<u>90,179</u>
Deferred Inflows						
Related to Pensions	<u>12,815</u>		<u>1,406</u>		<u>14,221</u>	
Net Investment in Capital						
Assets	526,467	528,287	314,492	327,065	840,959	855,352
Restricted	152,380	117,898	346	247	152,726	118,146
Unrestricted	<u>(11,671)</u>	<u>42,063</u>	<u>31,221</u>	<u>31,101</u>	<u>19,550</u>	<u>73,164</u>
Total Net Position	<u>\$ 667,176</u>	<u>\$ 680,248</u>	<u>\$ 346,059</u>	<u>\$ 358,413</u>	<u>\$ 1,013,235</u>	<u>\$ 1,046,661</u>

*Not restated for the implementation of GASB Statement Nos. 68 and 71 discussed in Note 10, however restated for other adjustments discussed in Note 9E.

The City's Government-wide Net Position as of June 30, 2015, comprised the following:

- Cash and investments comprised of \$207.8 million in the city treasury and \$6.4 million of restricted cash held by fiscal agents. This represents a decrease of \$6.3 million in restricted cash and investments. The decrease is primarily attributable to capital projects activity.
- Governmental receivables were comprised of \$8.1 million of current receivables and \$34.2 million of long-term receivables. Long-term receivables are primarily related to grants and loans provided by the former Community Development Agency designed to encourage the construction of or improvement to low-to-moderate-income housing. The grants and loans have varying repayment terms and interest rates.
- Net capital assets of \$902.9 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$152.7 million, is restricted for capital projects (\$110.4 million), low-moderate income housing projects (\$16.3 million), debt service (\$10.7 million), and \$15.3 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position totals \$19.6 million and is designated to be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions. While these assets are technically unrestricted, most of these assets are committed or assigned for a specific use. The negative unrestricted balance of \$11.6 million in Governmental Activities and the decrease in the restricted balance of Business-type Activities reflects the implementation of GASB Statement No. 68 and the related Net Pension Liability of \$56.5 million.

The Change in Net Position expressed as the change in revenues and expenses through June 30, 2015 is further reflected in the Statement of Changes in Net Position.

Statement of Changes in Net Position
Fiscal Year Ended June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014*	2015	2014*	2015	2014*
Revenues						
Program Revenues:						
Charges for Services	\$ 11,136	\$ 10,798	\$ 51,037	\$ 55,734	\$ 62,173	\$ 66,532
Operating Contributions and Grants	13,097	10,863	1,608		14,705	10,863
Capital Grants and Contributions	40,451	18,166	8,652	6,336	49,103	24,502
Total Program Revenues	<u>64,684</u>	<u>39,827</u>	<u>61,297</u>	<u>62,070</u>	<u>125,981</u>	<u>101,897</u>
General Revenues:						
Property Taxes	17,709	15,700			17,709	15,700
Other Taxes	29,346	27,303			29,346	27,303
Other General Revenues	1,924	2,363	626	264	2,548	2,627
Total General Revenues	<u>48,979</u>	<u>45,366</u>	<u>626</u>	<u>264</u>	<u>49,603</u>	<u>45,630</u>
Total Revenues	<u>113,663</u>	<u>85,193</u>	<u>61,923</u>	<u>62,334</u>	<u>175,584</u>	<u>147,527</u>
Expenses						
General Government	7,907	6,412			7,907	6,412
Police	21,556	22,032			21,556	22,032
Fire	16,005	15,942			16,005	15,942
Development & Engineering	7,667	7,860			7,667	7,860
Public Works	19,905	24,498			19,905	24,498
Parks & Community Services	3,290	4,668			3,290	4,668
Interest on Long-term Debt	1,337	1,342			1,337	1,342
Unallocated Depreciation		587			-	587
Water			23,610	22,300	23,610	22,300
Wastewater			17,040	16,442	17,040	16,442
Solid Waste			19,477	18,923	19,477	18,923
Storm Drainage			3,436	3,404	3,436	3,404
Airport			703	629	703	629
Transit			2,967	2,556	2,967	2,556
Total Expenses	<u>77,666</u>	<u>83,341</u>	<u>67,233</u>	<u>64,254</u>	<u>144,899</u>	<u>147,595</u>
Change in Net Position	<u>35,996</u>	<u>1,852</u>	<u>(5,310)</u>	<u>(1,920)</u>	<u>30,685</u>	<u>(68)</u>
Net Position, Beginning	<u>688,248</u>	<u>659,465</u>	<u>358,413</u>	<u>360,505</u>	<u>1,046,661</u>	<u>1,019,970</u>
Prior Period Adjustment	<u>(57,068)</u>	<u>26,931</u>	<u>(7,044)</u>	<u>(172)</u>	<u>64,111</u>	<u>26,759</u>
Net Position, Beginning (Restated)	<u>631,180</u>	<u>661,317</u>	<u>351,369</u>	<u>360,333</u>	<u>982,550</u>	<u>1,046,729</u>
Net Position, Ending	<u>\$ 667,176</u>	<u>\$ 688,248</u>	<u>\$ 346,059</u>	<u>\$ 358,413</u>	<u>\$ 1,013,235</u>	<u>\$ 1,046,661</u>

*Not restated for the implementation of GASB Statement Nos. 68 and 71 discussed in Note 10, however restated for other adjustments discussed in Note 9E.

Revenues

Total governmental activity revenues increased by \$28.0 million or 32.6%. This increase is primarily attributable to increased capital grants and contributions related to public works projects and the newly implemented Tracy Infrastructure Master Plans program.

Expenses

Expenses for the City totaled \$144.9 million and \$147.6 million for the years ended June 30, 2015 and 2014, respectively. Governmental activities incurred \$77.7 million of expenses while business-type activities incurred \$83.3 million. Of the Governmental Activities, the largest expenses were in Public Safety (\$37.6 million), Public Works (\$19.9 million), and General Government (\$7.9 million).

Governmental Activities

The net cost of each of the City's largest programs associated with Governmental Activities is tabled below. These programs include general government, public safety, public works, culture and leisure, and interest and fiscal charges. Net cost is defined as total program cost less the revenues generated by those specific activities. For most governmental programs expenses have been greater than the revenue generated to support them.

Cost of Services by Program - Governmental Activities
Fiscal Year Ended June 30, 2015
(in thousands of dollars)

Program	Net Revenue/(Expense) From Services	
	2015	2014
General Government	(\$ 4,057)	(\$ 3,521)
Public Safety	(27,923)	(29,317)
Public ways and facilities/transportation	22,132	(5,328)
Culture and Leisure	(1,796)	(3,419)
Interest and Fiscal Charges	(1,337)	(1,342)
Unallocated depreciation	0	(587)
Total Net Revenue/(Expense)	(\$ 12,981)	(\$ 43,514)

Net revenues/expenses to General Government decreased by \$0.5 million due to increased development activity in the City. Public Works increased by \$16.8 million as a result of a \$24.5 increase in Grants and Contributions combined with \$4.8 million increase in expenses.

Business-Type Activities

Changes in Business-Type Activities by Program Fiscal Year Ended June 30 (in thousands of dollars)

	Business-type Activities	
	2015	2014
Net Revenue (Expense) from Business-type Activities		
Water	(\$ 5,951)	(\$ 2,396)
Wastewater	(2,508)	(2,041)
Airport	3,357	225
Solid Waste	2,878	2,598
Transit	(937)	(572)
Drainage	(2,776)	2
Total Business-type Activities	(\$ 5,937)	(\$ 2,184)

Net revenues of Business-type Activities decreased \$3.8 million as a result of decreased revenues related to Charges for Services (\$4.7 million) combined with an increase in Capital Grants of \$2.4 million. The increase in Capital Grants is related to the infrastructure donated to the City in connection with residential development and capital grants to improve the City's Airport.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City's financing requirements. The classification of spendable fund balances to committed, assigned, and unassigned, is intended to be helpful in measuring the resources available for spending at the end of the fiscal year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, the City's governmental funds reported combined fund balances of \$163.5 million, which is an increase of \$26.7 million or 20.3% compared with the prior year. This increase is largely attributable to the \$20.0 million of revenues in the new Tracy Infrastructure Master Plans Fund. Governmental fund revenues were \$114.0 million this year. The General Fund accounted for 54% of this total. Expenditures were \$87.9 million this year. Of this total, \$53.6 million was in the General Fund, \$20.1 million was in the remaining major funds and \$14.2 million was in non-major funds.

General Fund

General Fund revenues increased by \$4.5 million or 7.8 % as compared to fiscal year end 2014. Sales tax increased by 7.0% and property taxes increased by \$1.9 million or 12.1%. Property tax revenues include \$4 million in receipts distributed to Affected Taxing Entities (ATE) that prior to the dissolution of redevelopment would have been distributed to the former Tracy Community Development Agency. General Fund expenditures increased by \$3.6 million or 7.2% over prior year expenditures of \$50.0 million.

At June 30, 2015, the General Fund balance was comprised of \$6.6 million in nonspendable balances, \$1.2 million of assigned balances and \$29.9 million in unassigned balances. Fund balances have been classified in accordance with GASB 54. While amounts have been categorized as unassigned, they may be informally earmarked by the City Council for specific purposes.

Housing Successor Fund

On June 28, 2011 the State of California adopted ABx1 26, amended by AB 1484 on June 27, 2012, which dissolved redevelopment agencies as of January 31, 2012. All assets of the former Redevelopment Agency were transferred as prescribed by law to either the Housing Successor or to the Successor Agency.

The City of Tracy elected to become the Housing Successor and established the Housing Successor Special Revenue Fund to account for the housing assets and activities formally provided by the Tracy Community Development Agency. As of June 30, 2015, the fund balance of the Housing Successor Special Revenue Fund was comprised of \$.3 million in cash and investments and \$2.9 million in loans to the Successor Agency.

TEA Grant Fund

The TEA Grant Fund had revenues of \$5.0 million and expenses of \$4.2 million, all for capital projects. The fund balance was (\$.6) million and increased over prior year balance of (\$1.2) million.

South County Fire Authority Fund

The South County Fire Authority Fund had revenues of \$6.9 million and expenses of \$6.8 million. The fund balance of \$1.1 million was an increase of \$.1 million over the prior year.

2008 Lease revenue Bonds

The fund balance of the 2008 Lease Revenue Bond Fund remained essentially unchanged at \$.6 million over the prior year.

General Projects Fund

The fund balance in this fund shows an increase of \$2.8 million or 22.7% over the prior year. The fund had cash and investments of \$11.8 million and \$1.8 million in cash held by fiscal agents. Expenditures for capital outlays were \$7.8 million for the fiscal year.

Tracy Infrastructure Master Plan Fund

The fund balance in this fund shows is \$20.1 million comprised entirely of cash and investments. Revenues accounted for all of the fund balance and there were no expenditures during the year as this was a newly established program that will have future project activity.

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. The City's Proprietary Funds are comprised of the Water Utility Fund, the Wastewater Utility Fund, Drainage Fund, Solid Waste Fund, Municipal Airport and Municipal Transit Funds. Proprietary Fund net position totaled \$346.0 million at June 30, 2015. Proprietary operating revenues were \$51.1 million and operating expenses were \$65.5 million in fiscal 2015. The beginning net position for these funds has been restated in relation to the implementation of GASB Statement No. 68.

Water Fund

The net position of the Water Fund is \$152.1 million. Approximately \$1.3 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$150.8 million. Activities for the year were comprised of \$14.4 million in operating revenues for the current year and \$23.1 million in operating expenses. Charges for services showed a decrease of 10.0% as compared to the prior year. The decrease in revenues is a direct result of mandatory conservation efforts to meet current State mandates. Operating expenses increased by 5.5% from fiscal year 2014.

Wastewater Fund

The net position of the Wastewater Fund is \$117.9 million for the current year. Operating revenues for fiscal year 2015 were \$13.1 million, an increase of 1.5% from fiscal year 2014. Operating expenditures increased by \$0.6 million or 3.9% from fiscal year 2014. A total of \$95.3 million of the fund's net position is invested in capital assets, with \$22.3 million unrestricted.

Solid Waste Fund

Operating revenues for fiscal year 2015 totaled \$22.4 million, an increase of 4.2% over fiscal year 2014. Operating expenses were \$19.5 million, an increase of \$0.6 million from fiscal year 2014. The unrestricted net position was \$10.3 million at year-end.

Drainage Fund

The net position of the Drainage Fund is \$48.1 million for the current year. Operating revenues for fiscal year 2015 were \$.6 million, an increase of \$.1 million from fiscal year 2014. Operating expenditures increased by .09% from fiscal year 2014. A total of \$47.9 million of the fund's net position is invested in capital assets, with \$.1 million unrestricted.

Airport Fund

Operating revenues for the Airport Fund were \$.5 million, an increase of 27.5% over fiscal year 2014. Operating expenses increased by 8.6% from fiscal year 2014. A total of \$6.5 million of the fund's net position is invested in capital assets, with (\$3.0) million unrestricted.

Transit Fund

The operating revenue for this fund totaled \$.1 million as of June 30, 2015. Operating expenses were \$3.0 million, an increase of 16.1% over the prior year. The result was a loss of \$1.2 million before contributions and transfers. A total of \$14.0 million of the fund's net position is invested in capital assets, with \$.2 million unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget for the General Fund totaled \$60.5 million. The difference in appropriations between the original budget and the final amended budget was \$1.0 million.

As the economy continues to recover, General Fund revenues exceeded their budgeted forecasts. As previously noted, Property Taxes for the City surpassed projections by \$1.3 million of which \$.4 million was related to revenues associated with the dissolution of the former Tracy Community Development Agency. Also notable was an increase of Sales Tax over projections of \$1.2 million, of which \$.6 million was related to the special Measure "E" Tracy sales tax.

At the end of the fiscal year, the total actual expenses of the General Fund were \$5.9 million under the total amended budget. \$2.2 million of this variance was attributable to lower public safety expenses, primarily related to delays in hiring new personnel. An additional \$1.8 million was attributable to public works related to delays in capital projects engineering. The remaining variance resulted from General Fund operating departments prudently operating under budget.

CAPITAL ASSETS

At the end of fiscal 2015 the City had \$902.9 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below. Capital Assets are discussed in more detail in Note 6 in the Notes to the Basic Financial Statements.

Capital Assets Fiscal Year Ended June 30 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014*	2015	2014*	2015	2014*
Non-depreciable assets						
Land	\$ 171,938	\$ 171,917	\$ 11,841	\$ 11,841	\$ 183,779	\$ 183,758
Streets and Roads	222,927	221,246			222,927	221,246
Construction in-Progress	20,650	14,575	13,624	7,042	34,274	21,617
Total	<u>415,515</u>	<u>407,738</u>	<u>25,465</u>	<u>18,883</u>	<u>440,980</u>	<u>426,621</u>
Depreciable assets						
Buildings and Improvements	85,453	80,477	135,266	135,265	220,719	215,742
Improvements	82,853	81,933	90,205	90,189	173,058	172,122
Grading, Curbs & Gutters Sidewalks & Driveway Approaches	27,582	27,582			27,582	27,582
Traffic Signals	18,548	18,012			18,548	18,012
Equipment	29,839	25,436	44,617	44,446	74,456	69,882
Infrastructure	13,356	12,888	248,375	248,406	261,731	261,294
Intangible Assets	972	968	76,745	76,731	77,717	77,699
Less: accumulated depreciation	(124,854)	(114,241)	(267,015)	(245,703)	(391,869)	(359,944)
Net depreciable assets	<u>133,749</u>	<u>133,055</u>	<u>328,193</u>	<u>349,334</u>	<u>461,943</u>	<u>482,389</u>
Total Capital Assets	<u>\$ 549,264</u>	<u>\$ 540,793</u>	<u>\$ 353,658</u>	<u>\$ 368,217</u>	<u>\$ 902,922</u>	<u>\$ 909,010</u>

*Restated as discussed in Note 9E.

The City depreciates all its capital assets over their estimated useful lives, except for roads, which are reported using the Modified Approach. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 6 to the financial statements. The Modified Approach requires the City to employ an asset management system that maintains a current inventory of these assets, estimates annual costs to maintain them, and assesses the condition of the assets in a replicable way.

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 2015, the City expended \$2,242,902 to preserve its roads, and the condition index level was 74. The City estimates that it will be required to expend approximately \$3,648,840 in the fiscal year 2016 to maintain its roads at this condition level.

DEBT SERVICE ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 7 in the Notes to the Basic Financial Statements. At the end of the year, the City had total long-term debt outstanding of \$23.7 million in debt associated with Governmental Activities and \$39.5 million in debt associated with Business-Type Activities.

Outstanding Debt Fiscal Year Ended June 30 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
2008 Lease Revenue Bonds	\$ 18,845	\$ 19,015	\$ 0	\$ 0	\$ 18,845	\$ 19,015
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,190	1,295			1,190	1,295
Capital Leases	826	909			826	909
PG&E LED Street Light Program	195	-			195	-
2004 Wastewater Revenue Bonds			25,935	26,630	25,935	26,630
State of California-Department of Transportation Loan			12	33	12	33
State of California-Department of Health Services Loan			13,565	14,489	13,565	14,489
Total Long Term Liabilities	\$ 23,746	\$ 23,909	\$ 39,512	\$ 41,152	\$ 63,258	\$ 65,061

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 third 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 Finance Department, at 333 Civic Center Plaza, Tracy, CA 95376.

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CITY OF TRACY

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, followed by the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City, Tracy Operating Partnership Joint Powers Authority, South County Fire Authority and the Tracy Public Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

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CITY OF TRACY
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$170,253,809	\$37,528,052	\$207,781,861
Restricted cash and investments (Note 3)	51,671		51,671
Cash and investments with fiscal agents (Note 3)	6,076,123	345,763	6,421,886
Accounts receivable	8,110,264	12,299,651	20,409,915
Inventory		570,994	570,994
Interest receivable	405,841	105,069	510,910
Prepaid items	12,222	190,855	203,077
Internal balances (Note 4)	4,121,057	(4,121,057)	
Deposits (Note 5)	1,000,000		1,000,000
Loans receivable (Note 5)	31,473,205		31,473,205
Advances to CDA successor agency (Note 5)	2,803,520		2,803,520
Capital assets, not being depreciated (Note 6)	415,514,595	25,465,106	440,979,701
Capital assets, being depreciated, net of accumulated depreciation (Note 6)	<u>133,749,636</u>	<u>328,192,729</u>	<u>461,942,365</u>
Total Assets	<u>773,571,943</u>	<u>400,577,162</u>	<u>1,174,149,105</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 10)	<u>6,405,031</u>	<u>577,255</u>	<u>6,982,286</u>
LIABILITIES			
Accounts payable	5,943,529	5,589,922	11,533,451
Accrued interest payable	324,457	99,797	424,254
Deposits payable	12,115,722	1,610,868	13,726,590
Unearned revenue	2,585,656	57,489	2,643,145
Compensated absences (Note 1G):			
Due within one year	951,648	178,363	1,130,011
Due in more than one year	1,995,546	439,673	2,435,219
Claims liabilities (Note 13):			
Due in more than one year	112,494		112,494
Long-term debt (Note 7):			
Due within one year	1,194,278	1,677,957	2,872,235
Due in more than one year	22,551,830	37,833,907	60,385,737
Net pension liability (Note 10)	50,297,386	6,201,424	56,498,810
Net OPEB obligation (Note 11)	<u>1,913,357</u>	<u> </u>	<u>1,913,357</u>
Total Liabilities	<u>99,985,903</u>	<u>53,689,400</u>	<u>153,675,303</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 10)	<u>12,814,790</u>	<u>1,405,856</u>	<u>14,220,646</u>
NET POSITION (Note 9)			
Net investment in capital assets	<u>526,466,866</u>	<u>314,491,734</u>	<u>840,958,600</u>
Restricted for:			
Debt service	10,344,390	345,763	10,690,153
Public safety	2,814,035		2,814,035
Streets and roads	5,974,935		5,974,935
Community development	1,533,194		1,533,194
Special districts	4,969,204		4,969,204
Projects	110,425,544		110,425,544
Housing	<u>16,319,082</u>		<u>16,319,082</u>
Total Restricted Net Position	<u>152,380,384</u>	<u>345,763</u>	<u>152,726,147</u>
Unrestricted	<u>(11,670,969)</u>	<u>31,221,664</u>	<u>19,550,695</u>
Total Net Position	<u>\$667,176,281</u>	<u>\$346,059,161</u>	<u>\$1,013,235,442</u>

See accompanying notes to basic financial statements

CITY OF TRACY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government				
Economic development	\$617,818	\$30	\$212,636	\$3,008,520
General government	3,755,665	575		
Finance	2,175,938			
Non-departmental	1,357,377	496,309		131,709
Public safety				
Police	21,556,428	355,848	1,687,886	803,549
Fire	16,005,324	251,529	6,323,724	216,471
Public ways and facilities/transportation				
Development and engineering	7,667,269	6,123,727		381,003
Public works	19,904,913	2,968,169	4,847,989	35,383,337
Culture and leisure				
Cultural arts	1,381,772	329,698	25,000	
Parks and community services	1,905,797	610,392		526,834
Interest and fiscal charges	1,337,438			
Total Governmental Activities	77,665,739	11,136,277	13,097,235	40,451,423
Business-type Activities:				
Water	23,609,964	14,378,969		3,279,933
Wastewater	17,040,328	13,086,284		1,446,725
Airport	702,612	503,479		3,555,775
Solid waste	19,477,384	22,355,845		
Transit	2,967,489	109,296	1,607,741	313,108
Drainage	3,435,927	603,197		56,292
Total Business-type Activities	67,233,704	51,037,070	1,607,741	8,651,833
Total	\$144,899,443	\$62,173,347	\$14,704,976	\$49,103,256
General revenues:				
Taxes:				
Property taxes				
Franchise taxes				
Sales and use taxes				
Transient occupancy tax				
Business license tax				
Transfer tax				
Motor vehicle in lieu, unrestricted				
Gain from sale of property				
Other revenue				
Interest income				
Total general revenues				
Change in Net Position				
Net Position-Beginning, as restated (Note 9E)				
Net Position-Ending				

See accompanying notes to basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$2,603,368		\$2,603,368
(3,755,090)		(3,755,090)
(2,175,938)		(2,175,938)
(729,359)		(729,359)
(18,709,145)		(18,709,145)
(9,213,600)		(9,213,600)
(1,162,539)		(1,162,539)
23,294,582		23,294,582
(1,027,074)		(1,027,074)
(768,571)		(768,571)
(1,337,438)		(1,337,438)
<u>(12,980,804)</u>		<u>(12,980,804)</u>
	(\$5,951,062)	(5,951,062)
	(2,507,319)	(2,507,319)
	3,356,642	3,356,642
	2,878,461	2,878,461
	(937,344)	(937,344)
	<u>(2,776,438)</u>	<u>(2,776,438)</u>
	<u>(5,937,060)</u>	<u>(5,937,060)</u>
<u>(12,980,804)</u>	<u>(5,937,060)</u>	<u>(18,917,864)</u>
17,709,090		17,709,090
2,727,886		2,727,886
24,279,575		24,279,575
1,123,087		1,123,087
818,656		818,656
362,107		362,107
34,893		34,893
255,784		255,784
1,055,836	42,220	1,098,056
610,007	584,470	1,194,477
<u>48,976,921</u>	<u>626,690</u>	<u>49,603,611</u>
35,996,117	(5,310,370)	30,685,747
<u>631,180,164</u>	<u>351,369,531</u>	<u>982,549,695</u>
<u>\$667,176,281</u>	<u>\$346,059,161</u>	<u>\$1,013,235,442</u>

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2015. Individual non-major funds may be found in the Supplemental 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. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

HOUSING SUCCESSOR

This fund was established to account for housing activities assumed by the City from the former Tracy Community Development Agency and revenues and expenditures related to the low and moderate income housing program.

TEA GRANT

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

SOUTH COUNTY FIRE AUTHORITY

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.

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.

GENERAL PROJECTS

Established to account for capital projects financed through transfers from the General Fund.

TRACY INFRASTRUCTURE MASTER PLANS

The Tracy Infrastructure Master Plans were approved in 2012 and 2013 and cover all subsequent new development in areas of the City not covered by their own financing plan. Capital development fees are levied on developments in these areas and expenditures for various capital facilities to support the developments are accounted for in 6 functional categories.

CITY OF TRACY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General	Housing Successor	TEA Grant	South County Fire Authority
ASSETS				
Cash and investments (Note 3)	\$36,562,467	\$323,886	\$2,084	\$1,238,903
Restricted cash and investments (Note 3)		51,671		
Cash and investments with fiscal agents (Note 3)				
Accounts receivable	4,198,081		2,282,674	1,161,855
Interest receivable	140,954	907		3,012
Due from other funds (Note 4)	1,458,000			
Prepaid items	8,649			200
Deposits				
Loans receivable (Note 5)	532,952	13,139,098		5,872,177
Advances to CDA successor agency (Note 5)		2,803,520		
Advances to other funds (Note 4)	6,116,234			
Total Assets	<u>\$49,017,337</u>	<u>\$16,319,082</u>	<u>\$2,284,758</u>	<u>\$8,276,147</u>
LIABILITIES				
Accounts payable	\$2,392,453		\$968,699	\$349,014
Due to other funds (Note 4)			1,925,000	
Deposits payable	6,394,573			17,692
Advances from other funds (Note 4)				5,872,177
Unearned revenue	2,559,613			
Total Liabilities	<u>11,346,639</u>		<u>2,893,699</u>	<u>6,238,883</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable				885,137
Unavailable revenue - loans	17,265	\$13,139,098		
Total Liabilities	<u>17,265</u>	<u>13,139,098</u>		<u>885,137</u>
FUND BALANCES				
Fund balance (Note 9):				
Nonspendable				
Prepaid items	8,649			200
Advances	6,116,234			
Loans receivable	515,687			
Restricted		3,179,984		1,151,927
Assigned	1,151,925			
Unassigned	29,860,938		(608,941)	
Total Fund Balances	<u>37,653,433</u>	<u>3,179,984</u>	<u>(608,941)</u>	<u>1,152,127</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$49,017,337</u>	<u>\$16,319,082</u>	<u>\$2,284,758</u>	<u>\$8,276,147</u>

See accompanying notes to basic financial statements

<u>2008 Lease Revenue Bonds</u>	<u>General Projects</u>	<u>Tracy Infrastructure Master Plans</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$658,058	\$11,765,505	\$20,015,959	\$85,706,290	\$156,273,152
				51,671
6	1,781,641		3,345,733	5,127,380
			466,335	8,108,945
1,592		48,554	207,173	402,192
	4,345,000			5,803,000
			3,373	12,222
			1,000,000	1,000,000
9,600,000			2,328,978	31,473,205
				2,803,520
			1,747,454	7,863,688
<u>\$10,259,656</u>	<u>\$17,892,146</u>	<u>\$20,064,513</u>	<u>\$94,805,336</u>	<u>\$218,918,975</u>
	\$544,794		\$975,873	\$5,230,833
			1,000	1,926,000
	2,206,145		3,497,312	12,115,722
			1,747,454	7,619,631
			26,043	2,585,656
	<u>2,750,939</u>		<u>6,247,682</u>	<u>29,477,842</u>
\$9,600,000			2,328,978	885,137
				25,085,341
<u>9,600,000</u>			<u>2,328,978</u>	<u>25,970,478</u>
			3,373	12,222
				6,116,234
659,656	1,781,641	\$20,064,513	86,226,311	515,687
	13,359,566			113,064,032
			(1,008)	14,511,491
				29,250,989
<u>659,656</u>	<u>15,141,207</u>	<u>20,064,513</u>	<u>86,228,676</u>	<u>163,470,655</u>
<u>\$10,259,656</u>	<u>\$17,892,146</u>	<u>\$20,064,513</u>	<u>\$94,805,336</u>	<u>\$218,918,975</u>

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CITY OF TRACY
Reconciliation of the
GOVERNMENTAL FUNDS-- BALANCE SHEET
to the
STATEMENT OF NET POSITION
JUNE 30, 2015

Fund balances of Governmental Funds \$163,470,655

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds Balance Sheet. 542,602,324

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to
charge the costs of certain activities, such as insurance and central services and maintenance
to individual governmental funds. The net current assets of the Internal Service Funds are therefore
included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	13,980,657
Cash and investments with fiscal agents	948,743
Accounts receivable	1,319
Prepaid	3,649
Capital assets (net of accumulated depreciation)	6,661,907
Accounts payable	(712,696)
Accrued interest payable	(9,361)
Compensated absences	(203,468)
Claims and judgments payable	(112,494)
Long-term debt	(825,999)
Net pension liability and pension-related deferred outflows/inflows of resources	(1,947,364)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets, because they are not available currently
are taken into revenue in the Statement of Activities. 25,970,478

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

Long-term debt	(22,920,109)
Interest payable	(315,096)
Compensated absences	(2,743,726)
Net pension liability and pension-related deferred outflows/inflows of resources	(54,759,781)
Net OPEB obligation	(1,913,357)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$667,176,281

See accompanying notes to basic financial statements

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Housing Successor	TEA Grant	South County Fire Authority
REVENUES				
Taxes	\$44,083,078			
Licenses, permits and fees	4,388,047			
Fines and penalties	195,891			
Use of money and property	637,267	\$124,534	\$3	(\$1,662)
Intergovernmental	1,866,269	51,671	5,034,255	6,640,195
Charges for current services	8,913,153			251,529
Special assessments	379,936			
Contributions				
Other revenue	1,390,190			
Total Revenues	61,853,831	176,205	5,034,258	6,890,062
EXPENDITURES				
Current:				
General government				
Economic development	383,332			
General government	3,655,711			
Finance	2,243,029			
Non-departmental	757,445			173,060
Public safety				
Police	21,996,611			
Fire	9,716,446			6,316,769
Public ways and facilities/transportation				
Development and engineering	7,621,782			
Public works	3,937,723			
Culture and leisure				
Cultural arts	1,409,819			
Parks and community services	1,609,547			
Capital outlay	241,745		4,226,970	296,352
Debt service:				
Principal	52,732			
Interest and fiscal charges				
Total Expenditures	53,625,922		4,226,970	6,786,181
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,227,909	176,205	807,288	103,881
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt (Note 7)				
Proceeds from sale of property				
Transfers in (Note 4)				
Transfers (Note 4)	(11,518,000)		(167,841)	
Total Other Financing Sources (Uses)	(11,518,000)		(167,841)	
NET CHANGE IN FUND BALANCES	(3,290,091)	176,205	639,447	103,881
FUND BALANCES, JULY 1, 2014, as restated (Note 9E)	40,943,524	3,003,779	(1,248,388)	1,048,246
FUND BALANCES, JUNE 30, 2015	<u>\$37,653,433</u>	<u>\$3,179,984</u>	<u>(\$608,941)</u>	<u>\$1,152,127</u>

See accompanying notes to basic financial statements

2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
			\$2,831,967	\$46,915,045
			317,842	4,705,889
			776,244	972,135
\$4,274	\$5	\$3,860	508,506	1,276,787
400,000			2,242,715	16,235,105
			296	9,164,978
	18,481	19,755,653	9,745,092	29,899,162
	500	305,000	3,138,118	3,443,618
	19,700		140	1,410,030
<u>404,274</u>	<u>38,686</u>	<u>20,064,513</u>	<u>19,560,920</u>	<u>114,022,749</u>
			234,486	617,818
			94,119	3,749,830
				2,243,029
			205,860	1,136,365
			15,844	22,012,455
				16,033,215
			170,756	7,792,538
			5,155,406	9,093,129
				1,409,819
				1,609,547
	7,757,254		8,059,935	20,582,256
170,000			105,000	327,732
1,154,763			179,080	1,333,843
<u>1,324,763</u>	<u>7,757,254</u>		<u>14,220,486</u>	<u>87,941,576</u>
<u>(920,489)</u>	<u>(7,718,568)</u>	<u>20,064,513</u>	<u>5,340,434</u>	<u>26,081,173</u>
	247,841			247,841
924,900	10,314,000		420,253	420,253
	(37,610)		484,551	11,723,451
			(22,000)	(11,745,451)
<u>924,900</u>	<u>10,524,231</u>		<u>882,804</u>	<u>646,094</u>
4,411	2,805,663	20,064,513	6,223,238	26,727,267
655,245	12,335,544		80,005,438	136,743,388
<u>\$659,656</u>	<u>\$15,141,207</u>	<u>\$20,064,513</u>	<u>\$86,228,676</u>	<u>\$163,470,655</u>

CITY OF TRACY
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
 with the
 CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures 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 - TOTAL GOVERNMENTAL FUNDS \$26,727,267

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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 useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance.	16,865,094
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,461,265 which has already been allocated to serviced funds).	(9,753,160)
Retirements are deducted from the fund balance	(171,553)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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	79,891
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Postretirement benefit accrual	(224,141)
Interest payable	25,664
Accrued interest receivable on loans	357,157
Unavailable revenue	(731,468)
Compensated absences	(46,055)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	2,867,421
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$35,996,117
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See accompanying notes to basic financial statements

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 City has determined all of its enterprise funds to be major funds in fiscal 2015, as identified below.

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.

WASTEWATER 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, 2015

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
ASSETS					
Current assets					
Cash and investments (Note 3)	\$9,191,827	\$18,606,384	\$1,877	\$8,366,126	\$470,186
Cash and investments with fiscal agents (Note 3)		345,763			
Accounts receivable	2,038,384	2,007,979	3,531,073	2,955,788	1,725,378
Inventory	570,994				
Interest receivable	25,727	52,118		23,416	1,315
Prepaid expenses		300	40,000	555	
Total current assets	<u>11,826,932</u>	<u>21,012,544</u>	<u>3,572,950</u>	<u>11,345,885</u>	<u>2,196,879</u>
Non-current assets					
Advances to other funds (Note 4)	821,730	5,250,000			
Capital assets, not being depreciated (Note 6)	2,504,288	12,046,156	5,037,627		1,427,226
Capital assets, being depreciated (Note 6)	<u>161,831,623</u>	<u>108,871,254</u>	<u>1,439,765</u>		<u>12,571,001</u>
Total non-current assets	<u>165,157,641</u>	<u>126,167,410</u>	<u>6,477,392</u>		<u>13,998,227</u>
Total Assets	<u>176,984,573</u>	<u>147,179,954</u>	<u>10,050,342</u>	<u>11,345,885</u>	<u>16,195,106</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	<u>310,812</u>	<u>208,297</u>	<u>9,562</u>	<u>11,273</u>	<u>21,458</u>
LIABILITIES					
Current liabilities					
Accounts payable	1,100,247	462,615	2,930,212	904,067	183,645
Accrued interest payable		99,400	397		
Deposit payable	849,117	4,500	49,616		
Due to other funds (Note 4)			2,419,000		1,458,000
Unearned revenue					57,489
Current portion- compensated absences	94,210	64,447	2,079	3,772	7,155
Current portion- long-term debt (Note 7)	<u>946,002</u>	<u>720,000</u>	<u>11,955</u>		
Total current liabilities	<u>2,989,576</u>	<u>1,350,962</u>	<u>5,413,259</u>	<u>907,839</u>	<u>1,706,289</u>
Noncurrent liabilities					
Advances from other funds (Note 4)	5,250,000		1,065,787		
Notes payable (Note 7)	12,618,907				
Compensated absences	269,802	141,407	4,941	1,277	10,154
Claims payable					
Certificates of participation payable (Note 7)		25,215,000			
Net pension liability (Note 10)	<u>3,339,040</u>	<u>2,237,726</u>	<u>102,723</u>	<u>121,100</u>	<u>230,522</u>
Total noncurrent liabilities	<u>21,477,749</u>	<u>27,594,133</u>	<u>1,173,451</u>	<u>122,377</u>	<u>240,676</u>
Total Liabilities	<u>24,467,325</u>	<u>28,945,095</u>	<u>6,586,710</u>	<u>1,030,216</u>	<u>1,946,965</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 10)	<u>756,957</u>	<u>507,290</u>	<u>23,287</u>	<u>27,453</u>	<u>52,259</u>
NET POSITION (Note 9)					
Net investment in capital assets	150,771,002	95,328,173	6,465,437		13,998,227
Restricted for debt services		345,763			
Unrestricted	<u>1,300,101</u>	<u>22,261,930</u>	<u>(3,015,530)</u>	<u>10,299,489</u>	<u>219,113</u>
Total Net Position	<u>\$152,071,103</u>	<u>\$117,935,866</u>	<u>\$3,449,907</u>	<u>\$10,299,489</u>	<u>\$14,217,340</u>

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Drainage</u>	<u>Totals</u>	
\$891,652	\$37,528,052	\$13,980,657
	345,763	948,743
41,049	12,299,651	1,319
	570,994	
2,493	105,069	
150,000	190,855	3,649
<u>1,085,194</u>	<u>51,040,384</u>	<u>14,934,368</u>
	6,071,730	
4,449,809	25,465,106	
<u>43,479,086</u>	<u>328,192,729</u>	<u>6,661,907</u>
<u>47,928,895</u>	<u>359,729,565</u>	<u>6,661,907</u>
<u>49,014,089</u>	<u>410,769,949</u>	<u>21,596,275</u>
<u>15,853</u>	<u>577,255</u>	<u>159,902</u>
9,136	5,589,922	712,696
	99,797	9,361
707,635	1,610,868	
	3,877,000	
	57,489	
6,700	178,363	60,663
	1,677,957	825,999
<u>723,471</u>	<u>13,091,396</u>	<u>1,608,719</u>
	6,315,787	
	12,618,907	
12,092	439,673	142,805
		112,494
	25,215,000	
<u>170,313</u>	<u>6,201,424</u>	<u>1,717,835</u>
<u>182,405</u>	<u>50,790,791</u>	<u>1,973,134</u>
<u>905,876</u>	<u>63,882,187</u>	<u>3,581,853</u>
<u>38,610</u>	<u>1,405,856</u>	<u>389,431</u>
47,928,895	314,491,734	6,784,651
	345,763	
156,561	31,221,664	11,000,242
<u>\$48,085,456</u>	<u>\$346,059,161</u>	<u>\$17,784,893</u>

CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
OPERATING REVENUES					
Sales and charges for services	\$14,378,969	\$13,086,284	\$503,479	\$22,355,845	\$109,296
Other operating revenue	16,766	25,429		25	
Total Operating Revenues	14,395,735	13,111,713	503,479	22,355,870	109,296
OPERATING EXPENSES					
Purchase of water	3,936,471				
Maintenance and operation	9,382,438	7,387,200	416,483	19,407,730	1,841,076
Administration	657,336	436,015	79,680	69,630	62,420
Insurance costs and claims					
Depreciation	9,127,017	8,002,179	184,620	24	1,063,993
Total Operating Expenses	23,103,262	15,825,394	680,783	19,477,384	2,967,489
Operating Income (Loss)	(8,707,527)	(2,713,681)	(177,304)	2,878,486	(2,858,193)
NONOPERATING REVENUES (EXPENSES)					
Operating grants					1,607,741
Interest income	56,861	328,252	13,118	132,566	50,889
Interest (expense)	(466,171)	(1,211,292)	(21,829)		
Gain/loss on disposal of capital assets	(40,531)	(3,642)			
Net Nonoperating Revenues (Expenses)	(449,841)	(886,682)	(8,711)	132,566	1,658,630
Income (Loss) Before Capital Contributions and Transfers	(9,157,368)	(3,600,363)	(186,015)	3,011,052	(1,199,563)
Capital contributions and grants	3,279,933	1,446,725	3,555,775		313,108
Transfers in (Note 4)		11,378			
Transfers out (Note 4)	(11,378)				
Net Contributions and Transfers	3,268,555	1,458,103	3,555,775		313,108
Change in net position	(5,888,813)	(2,142,260)	3,369,760	3,011,052	(886,455)
NET POSITION, JULY 1, 2014, AS RESTATED (Note 9E)	157,959,916	120,078,126	80,147	7,288,437	15,103,795
NET POSITION, JUNE 30, 2015	\$152,071,103	\$117,935,866	\$3,449,907	\$10,299,489	\$14,217,340

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Drainage</u>	<u>Totals</u>	
\$603,197	\$51,037,070	\$9,311,453
	42,220	768,049
<u>603,197</u>	<u>51,079,290</u>	<u>10,079,502</u>
	3,936,471	
382,671	38,817,598	4,257,500
61,890	1,366,971	158,091
		2,896,117
<u>2,991,366</u>	<u>21,369,199</u>	<u>1,461,265</u>
<u>3,435,927</u>	<u>65,490,239</u>	<u>8,772,973</u>
<u>(2,832,730)</u>	<u>(14,410,949)</u>	<u>1,306,529</u>
	1,607,741	
2,784	584,470	
	(1,699,292)	(29,259)
	(44,173)	(16,301)
<u>2,784</u>	<u>448,746</u>	<u>(45,560)</u>
<u>(2,829,946)</u>	<u>(13,962,203)</u>	<u>1,260,969</u>
56,292	8,651,833	1,584,452
	11,378	22,000
	(11,378)	
<u>56,292</u>	<u>8,651,833</u>	<u>1,606,452</u>
<u>(2,773,654)</u>	<u>(5,310,370)</u>	<u>2,867,421</u>
<u>50,859,110</u>	<u>351,369,531</u>	<u>14,917,472</u>
<u>\$48,085,456</u>	<u>\$346,059,161</u>	<u>\$17,784,893</u>

CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$15,192,892	\$13,442,069	\$495,930	\$22,210,411	\$1,244,132
Receipt from interfund charges					
Payments to suppliers	(13,210,027)	(7,134,156)	(419,314)	(19,338,162)	(1,936,406)
Payments to employees	(638,322)	(420,314)	(88,789)	(68,953)	(60,647)
Net cash provided (used) by Operating Activities	<u>1,344,543</u>	<u>5,887,599</u>	<u>(12,173)</u>	<u>2,803,296</u>	<u>(752,921)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from grantors					1,607,741
Due to/due from other funds	1,336,000		1,083,000	(14,805)	(1,102,000)
Advances to/from other funds	290,770	(250,000)	(40,770)		
Transfers in		11,378			
Transfers out	(11,378)				
Net cash provided (used) by Noncapital Financing Activities	<u>1,615,392</u>	<u>(238,622)</u>	<u>1,042,230</u>	<u>(14,805)</u>	<u>505,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments- long-term debt	(924,248)	(695,000)	(21,194)		
Interest paid	(466,171)	(1,208,468)	(22,534)		
Capital contributions and grants received	2,549,416	496,245	513,060		299,378
Acquisition of capital assets	(131,867)	(509,763)	(1,514,539)	(1)	(44,273)
Proceeds from sale of capital assets	52,479	1,241			
Net cash provided (used) by Capital and and Related Financing Activities	<u>1,079,609</u>	<u>(1,915,745)</u>	<u>(1,045,207)</u>	<u>(1)</u>	<u>255,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	42,652	307,951	13,118	121,131	50,477
Net cash provided (used) by Investing Activities	<u>42,652</u>	<u>307,951</u>	<u>13,118</u>	<u>121,131</u>	<u>50,477</u>
Net increase (decrease) in cash and cash equivalents	4,082,196	4,041,183	(2,032)	2,909,621	58,402
Cash and cash equivalents, July 1, 2014, as restated	<u>5,109,631</u>	<u>14,910,964</u>	<u>3,909</u>	<u>5,456,505</u>	<u>411,784</u>
Cash and cash equivalents, June 30, 2015	<u><u>\$9,191,827</u></u>	<u><u>\$18,952,147</u></u>	<u><u>\$1,877</u></u>	<u><u>\$8,366,126</u></u>	<u><u>\$470,186</u></u>
Reconciliation of cash and cash equivalents to statement of net position					
Cash and investments	\$9,191,827	\$18,606,384	\$1,877	\$8,366,126	\$470,186
Cash and investments with fiscal agents		345,763			
Total cash and investments	<u><u>\$9,191,827</u></u>	<u><u>\$18,952,147</u></u>	<u><u>\$1,877</u></u>	<u><u>\$8,366,126</u></u>	<u><u>\$470,186</u></u>
Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities					
Operating income (loss)	(\$8,707,527)	(\$2,713,681)	(\$177,304)	\$2,878,486	(\$2,858,193)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	9,127,017	8,002,179	184,620	24	1,063,993
Change in assets and liabilities:					
Accounts receivable	749,432	330,356	(9,490)	(145,459)	1,077,347
Prepaid items		2,129			
Accounts payable	108,882	250,915	(2,831)	69,568	(95,330)
Compensated absences	26,326	20,602	(8,883)	943	2,278
Deposits payable	47,725		1,941		
Unearned revenue					57,489
Net pension liability and deferred outflows/inflows	(7,312)	(4,901)	(226)	(266)	(505)
Net cash provided (used) by Operating Activities	<u><u>\$1,344,543</u></u>	<u><u>\$5,887,599</u></u>	<u><u>(\$12,173)</u></u>	<u><u>\$2,803,296</u></u>	<u><u>(\$752,921)</u></u>
NONCASH TRANSACTIONS:					
Contributions of capital assets	<u><u>\$730,517</u></u>	<u><u>\$950,480</u></u>			<u><u>\$13,730</u></u>
Retirement of capital assets	<u><u>(\$93,010)</u></u>	<u><u>(\$4,883)</u></u>			

See accompanying notes to basic financial statements

Enterprise Funds		Governmental Activities- Internal Service Funds
Drainage	Totals	
\$496,221	\$53,081,655	\$10,080,102
(373,142)	(42,411,207)	(7,070,463)
(59,601)	(1,336,626)	(160,578)
63,478	9,333,822	2,849,061
	1,607,741	
	1,302,195	
	11,378	22,000
	(11,378)	
	2,909,936	22,000
	(1,640,442)	(82,517)
	(1,697,173)	(30,195)
	3,858,099	
(26,772)	(2,227,215)	(1,084,468)
	53,720	(6,456)
(26,772)	(1,653,011)	(1,203,636)
2,162	537,491	
2,162	537,491	
38,868	11,128,238	1,667,425
852,784	26,745,577	13,261,975
\$891,652	\$37,873,815	\$14,929,400
\$891,652	\$37,528,052	\$13,980,657
	345,763	948,743
\$891,652	\$37,873,815	\$14,929,400
(\$2,832,730)	(\$14,410,949)	\$1,306,529
2,991,366	21,369,199	1,461,265
(3,476)	1,998,710	600
27,273	29,402	33,671
(17,744)	313,460	6,842
2,662	43,928	43,917
(103,500)	(53,834)	
	57,489	
(373)	(13,583)	(3,763)
\$63,478	\$9,333,822	\$2,849,061
\$56,292	\$1,751,019	\$1,584,452
	(\$97,893)	(\$9,845)

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

These 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 City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

TRUST FUNDS are used to account for assets held by the City as a trustee agent for individuals, private organizations, or other governments.

AGENCY FUNDS are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF TRACY
 FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2015

	Successor Agency Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments (Note 3)	\$3,522,532	\$13,254,150
Cash and investments with fiscal agents (Note 3)	3,750,634	14,997,428
Accounts receivable		21,270
Interest receivable	8,761	19,096
Capital assets, not being depreciated (Note 16B)	2,581,457	
Capital assets, being depreciated, net of accumulated depreciation (Note 16B)	580,560	
Total Assets	10,443,944	28,291,944
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on debt refunding	1,526,651	
Total Deferred Outflows of Resources	1,526,651	
LIABILITIES		
Accounts payable	2,214	258,592
Accrued interest payable	764,154	
Deposits payable		5,277,508
Due to assessment district bondholders		22,755,844
Noncurrent liabilities (Note 16C):		
Due within one year	1,820,000	
Due in more than one year	54,198,520	
Total Liabilities	56,784,888	\$28,291,944
NET POSITION (DEFICIT) (Note 9)		
Unrestricted	(44,814,293)	
Total Net Position	(\$44,814,293)	

See accompanying notes to basic financial statements

CITY OF TRACY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Successor Agency Private-Purpose Trust Fund</u>
ADDITIONS	
Taxes and assessments	\$3,939,516
Investment revenue	54,562
	3,994,078
DEDUCTIONS	
Administration	112,051
Public works	
Development and engineering	
Depreciation	89,973
Transfer to City of Tracy	51,671
Interest expenses	2,395,781
	2,649,476
CHANGE IN NET POSITION	1,344,602
Net Position July 1, 2014, as restated (Note 9E)	(46,158,895)
Net Position June 30, 2015	(\$44,814,293)

See accompanying notes to basic financial statements

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CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A. Reporting Entity

The accompanying basic financial statements of the City of Tracy include the financial activities of the City as well as the Tracy Operating Partnership Joint Powers Authority, South County Fire Authority and Tracy Public Financing Authority, which are controlled by and dependent on the City. While they are separate legal entities, City Council serves in separate sessions as the governing body of the Tracy Operating Partnership Joint Powers Authority and the Tracy Public Financing Authority and their financial activities are integral to those of the City. The financial activities of all three entities have been aggregated and merged (termed “blended”) with those of the City in the accompanying financial statements. Further details about each entity follow:

The **Tracy Operating Partnership Joint Powers Authority (TOP)**, established in October 1995, is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the former Community Development Agency and certain programs and projects of the City. The TOP is administered by a Governing Board whose members are the City Council of the City of Tracy, and the City also performs all accounting and administrative functions for the TOP.. The TOP does not issue separate financial statements

The **South County Fire Authority (SCFA)** was created in September 1999 by a Joint Exercise of Powers Agreement between the City and the Tracy Rural Fire Protection District to provide fire administration, fire prevention and fire training and safety within the jurisdictional area of the SCFA. The jurisdictional area as of June 30, 2015 includes the City of Tracy, the Tracy Rural Fire Protection District, the Mountain House Community Services District and the Delta Island School, however the Mountain House Community Services District withdrew from the SCFA in September 2015. The SCFA is prohibited from hiring employees and is prohibited from owning real or personal property, unless the ownership will facilitate the collection of a fire impact fee, therefore the SCFA uses City of Tracy employees to provide its services. The SCFA is governed by a Board comprised of two members each from the City and the District. The City and District lease all facilities to be used in providing fire protection services to the SCFA and the City performs all accounting and administrative functions for the SCFA. The activity of the SCFA is included in the General Fund and the South County Fire Authority Special Revenue Fund. The SCFA does not issue separate financial statements. Further information regarding the SCFA is discussed in Note 15.

The **Tracy Public Financing Authority (TPFA)**, established in May 2013, is a separate government entity whose purpose is to assist the City and the South County Fire Authority with the financing or refinancing of certain public capital facilities within the City. The TPFA has the power to purchase bonds issued by any local agency at public, or negotiated sale, and may sell such bonds to public or private purchasers at public, or negotiated sale. The TPFA is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the TPFA. The TPFA does not issue separate financial statements.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its blended component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental 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 program 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 governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating revenues*, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. 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 – 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. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

HOUSING SUCCESSOR FUND - This fund was established to account for housing activities assumed by the City from the former Tracy Community Redevelopment Agency and revenues and expenditures related to the low and moderate income housing program.

TEA GRANT FUND – This fund was established to account for the revenues from transportation efficiency act grant projects.

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.

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.

GENERAL PROJECTS FUND – This fund was established to account for capital projects financed through transfers from the General Fund.

TRACY INFRASTRUCTURE MASTER PLANS FUND - The Tracy Infrastructure Master Plans were approved in 2012 and 2013 and cover all subsequent new development in areas of the City not covered by their own financing plan. Capital development fees are levied on developments in these areas and expenditures for various capital facilities to support the developments are accounted for in 6 functional categories.

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.

WASTEWATER 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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The City also reports the following fund types:

Internal Service Funds. The funds account for insurance, maintenance and equipment acquisition, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The City collects assessments and pays property enhancement and rehabilitation costs and debt service for various assessment districts within the City that are reported in various Agency Funds. The City also maintains a Private Purpose Trust Fund for the activities of the successor to the former community development agency. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and 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. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. In addition, contributions from state and federal agencies, developers and others are recorded as revenue.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City’s policy is to first apply restricted resources to such programs, followed by general revenues if necessary.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain indirect costs are included in program expenses reported for individual functions and activities.

Those revenues susceptible to accrual are use of money and property revenue, charges for services, other taxes and intergovernmental revenues.

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

E. Revenue Recognition for Utility Funds

Revenues are recognized based on cycle billings rendered to customers. 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.

F. Property Tax

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

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

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

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

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

G. Compensated Absences

The liability for compensated absences includes the vested portion of vacation. For governmental funds, a liability for these amounts is recorded only if they have matured, for example, as a result of employee resignations and retirements. The remaining amounts are reported as a liability in the Statement of Net Position. Proprietary funds’ liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Changes in compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,857,222	\$574,108	\$3,431,330
Additions	3,232,626	675,389	3,908,015
Payments	(3,142,654)	(631,461)	(3,774,115)
Ending Balance	<u>\$2,947,194</u>	<u>\$618,036</u>	<u>\$3,565,230</u>
Current Portion	<u>\$951,648</u>	<u>\$178,363</u>	<u>\$1,130,011</u>

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Prepaid Items and Inventories*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventories are valued at cost, using the weighted-average method. Inventories of the Enterprise Funds consist primarily of water storage held for future use.

I. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position and balance sheet report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and 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 during the reporting period. Actual results could differ from those estimates.

K. *New Funds, Renamed Fund and Closed Funds*

The Tracy Infrastructure Master Plans Capital Projects Fund was established to account for the Tracy Infrastructure Master Plans approved in 2012 and 2013 that cover all subsequent new development in areas of the City not covered by their own financing plan. Capital development fees are levied on developments in these areas and expenditures for various capital facilities to support the developments are accounted for in 6 functional categories.

The 2011-01 CFD Tracy 580 Business Park Agency Fund was established to account for the transactions of the 2011-01 CFD.

The Sewer Utility Enterprise Fund was renamed to the Wastewater Utility Enterprise Fund.

The Regional Mall COP Debt Service Fund was closed during the year ended June 30, 2015.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

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

The City does not adopt budgets for the Proposition 1B, Residential and Commercial Rehabilitation Loan and Grow Tracy Special Revenue Funds. Budgets for Capital Projects Funds are adopted on a project-length basis.

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. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as a restriction, commitment or assignment of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

C. *Expenditures in Excess of Appropriations*

The General Fund incurred non-departmental expenditures in excess of appropriations of \$87,445, the Transportation Development Special Revenue Fund incurred public works expenditures in excess of appropriations of \$99,040, the Landscaping District Special Revenue Fund incurred non-departmental expenditures in excess of appropriations of \$2,740, the Community Access CTV Special Revenue Fund incurred non-departmental expenditures in excess of appropriations of \$26,130, and the 2007 Lease Revenue Bonds Debt Service Fund incurred expenditures in excess of appropriations of \$4,980. Sufficient resources were available within each fund to finance these excesses.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. 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. Investments are carried at fair value. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2015 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments available for City operations	\$207,781,861
Cash and investments with fiscal agents	6,421,886
Restricted cash and investments	51,671
Total City cash and investments of primary government	214,255,418
Cash and investments in Fiduciary Funds	35,524,744
Total cash and investments	\$249,780,162

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$1,559
Deposits with financial institutions	57,018,202
Investments	192,760,401
Total cash and investments	\$249,780,162

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Bonds, Notes	5 years	None	100%	No Limit
United States Government Agency Debenture Issues	5 years	None	100%	No Limit
Municipal Securities	5 years	None	30%	10%
Bankers' Acceptances	180 days	None	30%	10%
Commercial Paper	270 days	A/A-1 or higher	25%	5%
Negotiable Certificates of Deposit	1.5 years	None	30%	10%
Certificates of Deposit	1 year	None	30%	10%
Repurchase Agreements	1 year	None	100%	10%
Reverse Repurchase Agreements	92 days	None	20%	10%
Local Agency Investment Fund	N/A	None	\$50 million	\$50 million
Medium-Term Corporation Notes	5 years	A	30%	10%
Money Market Funds	N/A	Highest Category	20%	10%
California Asset Management Program	N/A	None	100%	No Limit

D. Investments Authorized by Debt Agreements

The City and Successor Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City or Successor Agency fails to meet the obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment- type.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
United States Treasury Bill, Bonds, Notes	5 years	N/A
United States Government Agency Obligations or Government-Sponsored Enterprise Obligations	3 years	AAA
Certificates of Deposit	None	Three Highest Categories
Investment Agreements, Short Term	None	Two Highest Categories
Investment Agreements, Long Term	None	Three Highest Categories
Repurchase Agreements	None	A-
Money Market Mutual Funds	N/A	Highest Category
Tax-Exempt Obligations, including Money Market Funds	None	Two Highest Categories
Local Agency Investment Fund	N/A	Not rated
California Asset Management Program	N/A	Not rated
Banker's Acceptances	360 days	A-1 or A-1+
Commercial Paper	270 days	A-1+
State Obligations	None	Highest Category

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, 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 trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	25 to 36 Months	37 to 60 Months	Total
<i>Held by City:</i>					
U.S. Treasury Notes	\$2,562,673	\$6,881,620	\$7,931,959	\$1,804,500	\$19,180,752
Money Market Funds	1,418,373				1,418,373
Federal Agency Obligations	15,825,434	18,859,113	26,675,028	6,584,218	67,943,793
Commercial Paper	4,695,995				4,695,995
Corporate Notes	11,007,300	7,842,285	24,322,071	10,385,533	53,557,189
Negotiable Certificates of Deposit	1,479,079	227,052		1,192,891	2,899,022
California Local Agency Investment Fund	20,423,067				20,423,067
Municipal Securities				125,785	125,785
<i>Held by Trustees:</i>					
U.S. Treasury Notes	300,951	3,162,986	496,015		3,959,952
Money Market Funds	14,894,549				14,894,549
Federal Agency Obligations	1,668,570	1,993,354			3,661,924
Total Investments	<u>\$74,275,991</u>	<u>\$38,966,410</u>	<u>\$59,425,073</u>	<u>\$20,092,927</u>	<u>\$192,760,401</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2015, these investments have an average maturity of 239 days.

Money market funds are available for withdrawal on demand and at June 30, 2015, and have an average maturity of 7 to 41 days.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

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 actual rating as of June 30, 2015 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AA+/ AA/AA-	A+/A/A-	AAA/AAAm	BBB+/ BBB/BBB-	Total
Held by City:					
Federal Agency Obligations	\$67,943,793				\$67,943,793
Corporate Notes					
Callable	218,880	\$5,138,773			5,357,653
Non-Callable	15,037,675	28,222,433	\$1,697,663	\$2,446,925	47,404,696
Commercial Paper			4,695,995		4,695,995
Held by Trustees:					
Federal Agency Securities	3,661,924				3,661,924
Money Market Mutual Funds			13,945,840		13,945,840
Totals	<u>\$86,862,272</u>	<u>\$33,361,206</u>	<u>\$20,339,498</u>	<u>\$2,446,925</u>	143,009,901
Not rated:					
Money Market Mutual Funds					2,367,082
California Local Agency Investment Fund					20,423,067
Certificates of Deposit					2,899,022
Corporate Notes					794,840
Municipal Securities					125,785
Exempt from credit rating disclosure:					
U.S. Treasury Notes					23,140,704
Total Investments					<u>\$192,760,401</u>

G. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, the book value of the City's cash with banks and petty cash was \$57,018,202, and the associated bank balances were \$57,781,097. As of June 30, 2015, \$2,403,523 of the City's bank balances of \$57,781,097 was exposed to custodial credit risk, because it was uncollateralized beyond the FDIC insurance of \$250,000.

H. Concentration Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, Local Agency Investment Fund and money market funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal National Mortgage Association	Federal Agency Obligations	\$19,797,836
	Federal Home Loan Bank	Federal Agency Obligations	22,023,785
	Federal Home Loan Mortgage Corporation	Federal Agency Obligations	19,127,136
	Federal Farm Credit Bureau	Federal Agency Obligations	10,359,033

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. During the fiscal year ended June 30, 2015 the transfers were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	General Projects Capital Projects Fund	\$10,314,000 (A)
General Fund	2007 Lease Revenue Bond Debt Service Fund	279,100 (B)
General Fund	2008 Lease Revenue Bond Debt Service Fund	924,900 (B)
General Projects Capital Projects Fund	Community Development Block Grant Special Revenue Fund	37,610 (C)
TEA Grant Special Revenue Fund	Infill Capital Projects Fund	167,841 (C)
Asset Forfeiture Special Revenue Fund	Equipment Acquisition Internal Service Fund	22,000 (D)
Water Utility Enterprise Fund	Wastewater Utility Enterprise Fund	<u>11,378 (E)</u>
		<u><u>\$11,756,829</u></u>

(A) To use unrestricted revenues collected in the General Fund to help finance capital projects.

(B) To move cash to debt service funds for the funds responsible for payment as debt service payments become due.

(C) To fund capital projects.

(D) To make annual loan payment to the City's Equipment Replacement Fund.

(E) To transfer capital assets.

B. Current Interfund Balances

Current interfund balances arise mainly due to the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be repaid shortly after the end of the fiscal year. Current amounts due from one fund to another at June 30, 2015 were as follows:

<u>Due From Funds</u>	<u>Due To Funds</u>	<u>Amount</u>
General Fund	Municipal Transit Enterprise Fund	\$1,458,000
General Projects Capital Projects Fund	Community Development Block Grant Special Revenue Fund	1,000
	Municipal Airport Enterprise Fund	2,419,000
	TEA Grant Special Revenue Fund	<u>1,925,000</u>
	Total Current Interfund Balances	<u><u>\$5,803,000</u></u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

At June 30, 2015 the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid when sufficient cash is available in the borrowing funds.

(Asset) Fund Making Advance	(Liability) Fund Receiving Advance	Amount of Advance
General Fund	South County Fire Authority Special Revenue Fund	\$5,872,177
General Fund	Municipal Airport Enterprise Fund	244,057
Water Utility Enterprise Fund	Municipal Airport Enterprise Fund	821,730
Wastewater Utility Enterprise Fund	Water Utility Enterprise Fund	5,250,000
North East Industrial Plan Area #2 Capital Projects Fund	North East Industrial Plan Area #1 Capital Projects Fund	1,747,454
	Total Advances	<u>\$13,935,418</u>

South County Fire Authority advance from the General Fund does not bear interest and is related to the costs incurred by the General Fund on behalf of the Tracy Rural Fire District discussed in Note 5H. Repayment of the advance will be amortized over 94 months beginning July 1, 2015.

Municipal Airport advance from the General Fund in June 2009 does not bear interest and is to be repaid when funds are available. The advance from the Water Utility Enterprise Fund in June 2009 is to be repaid over 33 years at 2.42% interest, interest only for 3 years, annual payments of \$40,770 for remaining 30 years beginning February 2016. 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.

Water Utility advance from the Wastewater Utility Fund in August 2013 to fund the purchase of additional capacity and water supply. The advance bears interest of 2.5% and is due in August 2015.

Northeast Industrial Plan Area # 1 advance in August 2012 does not bear interest and is to be repaid when funds are available. The funds were used for projects within the project area.

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5- REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE

A. Summary of Loans Receivable and Unavailable Revenue

The former Community Development Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 16, the City agreed to become the successor to the Community Development Agency's housing activities and as a result the Housing Successor Fund assumed the loans receivable of the Community Development Agency's Low and Moderate Income Housing Fund. In addition, other funds of the City have made loans to third parties.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)

At June 30, 2015, these loans totaled:

Housing Successor Loans:	
Commercial Rehabilitation Program	\$266,747
Mountain View Townhomes	928,725
Eden Housing Inc.	2,461,637
Habitat for Humanity	52,146
Down Payment Assistance Program	2,312,672
Tracy Place Associates	4,695,686
DHI Tracy Garden Associates, LP	2,421,485
Development Loan	57,265
Housing Loan	475,687
Successor Agency Reimbursement Agreement	9,600,000
Tracy Mall Partners, LP	2,328,978
Tracy Rural Fire District	5,872,177
	<hr/>
Total Loans Receivable	<u>\$31,473,205</u>
	<hr/>
CDA Successor Agency SERAF Loan	<u>\$2,803,520</u>

B. *Housing Successor Former 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 \$266,747 at June 30, 2015.

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 third deed of trust on the property, is payable over twenty-eight years beginning in 2026 and accrues interest at 3%. As of June 30, 2015, principal and accrued interest totaled \$928,725.

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 at Stone Pine Meadows. The loan is payable over seven years beginning forty years after the project was complete, which was January 11, 2000, and is secured by a subordinated deed of trust on the property. The loan does not bear interest for the first three years, then accrues interest at 1% per year for the next forty years and 3% for the last seven years. As of June 30, 2015, principal and accrued interest totaled \$2,461,637.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)

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. The loan proceeds were available for draw down through December 31, 2005 and Habitat for Humanity drew down only \$40,093 of the loan proceeds through that date. 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 thirty years. The balance of the outstanding loan, including accrued interest, as of June 30, 2015 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, 2015, principal and accrued interest totaled \$2,312,672.

In November 2005, the Agency entered into a loan agreement with Tracy Place Associates for an amount not to exceed \$4,350,000 to be used as construction and permanent financing costs for the development of a 49 unit affordable senior housing complex, Tracy Place Senior Apartments. The loan is secured by a deed of trust on the property and bears simple interest of 1%. The loan is repayable from residual receipts as defined in the loan agreement starting in April 2008, and is due 55 years from the issuance of the certificate of occupancy, which was December 29, 2008, or if a transfer occurs that is not approved by the City. As of June 30, 2015, the developer owes \$4,695,686 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 was to develop and rehabilitate an 88 unit Senior Housing Complex for low income senior households. The maximum amount of loan from the Agency was \$1,975,000. Simple interest accrues 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 that DHI has for the project. 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, 2015 is \$2,421,485.

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 secured by a deed of trust on the property, bears interest of 5% and is due and payable when the property is sold. The balance as of June 30, 2015, including principal and accrued interest, is \$57,265.

D. *Housing Loan (Related Party)*

The City loaned \$595,000 to its previous City Manager (Related Party) in May 2005 to assist in the purchase of a home within the City. The loan is a 30 year fully amortized loan starting September 1, 2011, with monthly payments of \$2,446 including principal and interest at 4%. The loan is secured by a deed of trust on the property and is due if the home is sold. The balance of the loan as of June 30, 2015 is \$475,687.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)

E. *Successor Agency Reimbursement Agreement*

On December 1, 2008, the City entered into a Reimbursement Agreement with the former Community Development Agency of the City of Tracy to reimburse the City for a portion of lease payments made by the City under the property lease for the 2008 Lease Revenue Bonds discussed in Note 7D. The terms of the Reimbursement Agreement indicate that the Agency is required to make the annual payments of \$400,000, regardless of whether the City's annual lease payments are abated. Therefore, the City has accounted for the Reimbursement Agreement as a note receivable. The Reimbursement Agreement does not bear interest and annual principal payments are due through 2038.

F. *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 provided a financial contribution of \$2,750,000 to the Mall Owner. In exchange, the Mall Owner guarantees 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 annual repayment 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 Macy's space. The Mall Owner gets credit for 100% of the Macy's sales tax collected in any one year, and any amount under or over that threshold can be used toward a prior shortage.

The sales tax revenue collected from Macy's in fiscal year 2015 did not exceed the threshold, therefore only \$137,406 of the annual repayment was forgiven and as of June 30, 2015. The cumulative shortage of sales tax collections was \$87,794 as of June 30, 2015 and the balance of the loan is \$2,328,978 at that date.

G. *Tracy Rural Fire District*

The South County Fire Authority incurred costs of services on behalf of the Tracy Rural Fire District prior to June 30, 2008, including accrued interest, in the amount of \$5,872,177. The Joint Exercise of Powers Agreement (Agreement) between the City and the Tracy Rural Fire Protection District was amended in January 2013 to formalize the terms for the repayment of that shortfall. In consideration for the District contributing 100% of the Station 92 operation and maintenance costs over the seven year and ten month period (94 months), including supplemental services costs, the City deems the shortfall obligation satisfied. However, in the event the District defaults on contributing 100% of the costs of Station 92 over that time period, the City is entitled to liquidate damages from the District under the terms of the Agreement, including interest at the LAIF rate since June 30, 2008. The District's obligation to reimburse the City is to survive termination of the Agreement. Therefore, the City will amortize the receivable over 94 months beginning July 1, 2015.

H. *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 Successor Agency, except for the housing assets which were transferred to the City as Housing Successor. The \$2,803,520 was an advance payment from the Community Development Housing Fund to the 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 Community Development Agency had insufficient cash to make the payment. Borrowing from the Housing Fund was authorized by State SERAF legislation. The Successor Agency will begin making payments to the Housing Successor Fund upon approval from Department of Finance, as discussed in Note 16C(4).

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)

I. *Grow Tracy Fund*

The City and the Grow America Fund, Inc. (GAF) established and capitalized the Grow Tracy Fund as an economic development tool designed to assist eligible small businesses within the City to obtain the financing required to grow their businesses. The City contributed \$1 million as its share of the capitalization of the program. Loans made under the program are underwritten by the GAF and guaranteed by the Small Business Administration (SBA) under GAF’s Small Business Lending Company License. Therefore, each loan must comply with SBA guidelines and procedures. In order to qualify for these loans, a business must be a for-profit operating entity; it must be financially healthy and in need of expansion capital. The Grow Tracy Fund can make loans ranging from \$100,000 to \$2 million as permitted by the SBA at or below market rates, for terms up to 25 years, depending on the proposed use of funds.

As of June 30, 2015, there were three loans outstanding in the amount of \$667,267 under the program. The City has not recorded these loans and instead has recorded the capitalization contribution that GAF uses to fund the share of the loans that the SBA does not guarantee. The City has recorded its capitalization contribution to the program as a deposit receivable, and the portion of the loans funded with that contribution as of June 30, 2015 was \$160,075 and the unused balance of the capitalization contribution was \$839,925.

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

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 year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for capital assets with a cost of \$1,000 or more and a useful life of more than one year. The City has assigned the useful lives listed below to capital assets:

Buildings	10-30 years
Improvements	5-50 years
Equipment and vehicles	2-20 years
Grading, curbs, gutters, sidewalks, driveway approaches	40 years
Traffic signals	20 years
Street drainage	40 years
Infrastructure	5-40 years
Intangibles	3-5 years

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

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2015 were as follows:

	Balance at June 30, 2014, as restated	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets not being depreciated:					
Land	\$171,917,310	\$185,371	(\$164,469)		\$171,938,212
Roads accounted for using the modified approach	221,246,259	1,680,472			222,926,731
Construction in progress	14,574,852	7,834,012		(\$1,759,212)	20,649,652
Total capital assets not being depreciated	<u>407,738,421</u>	<u>9,699,855</u>	<u>(164,469)</u>	<u>(1,759,212)</u>	<u>415,514,595</u>
Capital assets being depreciated:					
Buildings and improvements	80,477,123	4,003,814	(14,129)	986,296	85,453,104
Improvements	81,932,301	920,594			82,852,895
Grading, curb & gutter, sidewalk and driveway approaches	27,582,648				27,582,648
Traffic signals and street lights	18,012,110	380,113		155,977	18,548,200
Equipment	25,435,942	4,391,252	(604,904)	616,939	29,839,229
Infrastructure and drainage	12,887,837	467,605			13,355,442
Intangibles	968,329	3,359			971,688
Total capital assets being depreciated	<u>247,296,290</u>	<u>10,166,737</u>	<u>(619,033)</u>	<u>1,759,212</u>	<u>258,603,206</u>
Less accumulated depreciation for:					
Buildings and improvements	(25,011,415)	(3,302,800)	7,045		(28,307,170)
Improvements	(44,511,247)	(4,748,882)			(49,260,129)
Grading, curb & gutter, sidewalk and driveway approaches	(11,920,117)	(670,652)			(12,590,769)
Traffic signals and street lights	(11,154,585)	(621,921)			(11,776,506)
Equipment	(20,017,341)	(1,576,663)	595,059		(20,998,945)
Infrastructure and drainage	(802,750)	(246,133)			(1,048,883)
Intangibles	(823,794)	(47,374)			(871,168)
Total accumulated depreciation	<u>(114,241,249)</u>	<u>(11,214,425)</u>	<u>602,104</u>		<u>(124,853,570)</u>
Net capital assets being depreciated	<u>133,055,041</u>	<u>(1,047,688)</u>	<u>(16,929)</u>	<u>1,759,212</u>	<u>133,749,636</u>
Governmental activity capital assets, net	<u>\$540,793,462</u>	<u>\$8,652,167</u>	<u>(\$181,398)</u>		<u>\$549,264,231</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

<i>Business-type activities</i>	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets not being depreciated:					
Land	\$11,841,043				\$11,841,043
Construction in progress	7,042,346	\$6,608,892		(\$27,175)	13,624,063
Total capital assets not being depreciated	<u>18,883,389</u>	<u>6,608,892</u>		<u>(27,175)</u>	<u>25,465,106</u>
Capital assets being depreciated:					
Infrastructure	248,405,839	58,793	(\$89,538)		248,375,094
Buildings	135,264,750	1,000			135,265,750
Improvements	90,189,379	15,596			90,204,975
Equipment	44,446,194	208,805	(65,891)	27,175	44,616,283
Intangibles	76,730,610	14,556			76,745,166
Total capital assets being depreciated	<u>595,036,772</u>	<u>298,750</u>	<u>(155,429)</u>	<u>27,175</u>	<u>595,207,268</u>
Less accumulated depreciation for:					
Infrastructure	(84,249,407)	(5,080,651)	3,024		(89,327,034)
Buildings	(56,014,853)	(4,185,679)			(60,200,532)
Improvements	(56,438,785)	(5,109,340)			(61,548,125)
Equipment	(29,111,409)	(4,061,679)	54,512		(33,118,576)
Intangibles	(19,888,422)	(2,931,850)			(22,820,272)
Total accumulated depreciation	<u>(245,702,876)</u>	<u>(21,369,199)</u>	<u>57,536</u>		<u>(267,014,539)</u>
Net capital assets being depreciated	<u>349,333,896</u>	<u>(21,070,449)</u>	<u>(97,893)</u>	<u>27,175</u>	<u>328,192,729</u>
Total Business-type activity capital assets, net	<u>\$368,217,285</u>	<u>(\$14,461,557)</u>	<u>(\$97,893)</u>		<u>\$353,657,835</u>

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Activities	
General government	\$169,004
Police	130,294
Fire	346,731
Development and engineering	3,796
Public works	8,771,096
Cultural arts	1,786
Parks and community services	330,453
Internal service funds	<u>1,461,265</u>
Total Governmental Activities	<u><u>\$11,214,425</u></u>
Business-Type Activities	
Water utility	\$9,127,017
Wastewater utility	8,002,179
Municipal airport	184,620
Solid waste	24
Municipal transit	1,063,993
Drainage	<u>2,991,366</u>
Total Business-Type Activities	<u><u>\$21,369,199</u></u>

D. 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 2015, the City expended \$2,242,902 to preserve its roads. The City estimates that it will be required to expend approximately \$3,648,840 in the fiscal year 2016 to maintain its roads at this condition level. Please see Modified Approach to Reporting Street Pavement Costs section of the Required Supplementary Information section following the Notes to the Basic Financial Statements for more detailed information.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG -TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Governmental Activity Debt:						
Lease Revenue Bonds						
2007 Lease Revenue Bonds - Series A, 4.37% - 4.5%	\$2,690,000	\$2,690,000			\$2,690,000	
2007 Lease Revenue Bonds - Series B, 4% - 4.25%	1,980,000	1,295,000		\$105,000	1,190,000	\$110,000
2008 Lease Revenue Bonds, 3% - 6.375%	19,765,000	19,015,000		170,000	18,845,000	195,000
Capital Lease						
HI-TECH Emergency Vehicle Service, 3.4%	948,743	908,516		82,517	825,999	825,999
Loan Payable						
PG&E On-Bill Loan, 0%	247,841		\$247,841	52,732	195,109	63,279
Total Governmental Activity Debt		<u>\$23,908,516</u>	<u>\$247,841</u>	<u>\$410,249</u>	<u>\$23,746,108</u>	<u>\$1,194,278</u>
Business-type Activity Debt:						
Certificates of Participation						
2004 Wastewater Certificates of Participation, 2% - 4.75%	\$30,955,000	\$26,630,000		\$695,000	\$25,935,000	\$720,000
Loans Payable						
State of California Department of Transportation, Division of Aeronautics, 4.987%	250,000	33,149		21,194	11,955	11,955
State of California Department of Public Health, 2.34%	20,000,000	14,489,157		924,248	13,564,909	946,002
Total Business-type Activity Debt		<u>\$41,152,306</u>		<u>\$1,640,442</u>	<u>\$39,511,864</u>	<u>\$1,677,957</u>

B. 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 were used to finance the acquisition and construction of Fire Station 97 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 for Fire Station 91 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.

C. 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 proceeds from the bonds along with a reserve fund from the 1995 Certificates were used to immediately call the 1995 bonds. The 2007B bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease for Fire Station 91 dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2008. Final maturity of the bonds is March 1, 2025.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG -TERM DEBT (Continued)

D. 2008 Lease Revenue Bonds

On December 16, 2008, the City, under the Tracy Operating Partnership (TOP) issued \$19,765,000 of 2008 Lease Revenue Bonds. The proceeds of the bonds were 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 through 2038. The TOP 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 Community Development Agency (\$2,126,306).

E. Capital Lease

On December 6, 2013, the City entered into an equipment lease-purchase agreement with Holman Capital to fund an agreement with HI-TECH Emergency Vehicle Service to acquire two pumper trucks for the use by the Fire Department. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of minimum lease payments in the amount of \$948,743. Rental payments are due in 20 even payments, which include interest at a rate of 3.4%. Payments were due semi-annually on April 30 and October 21, commencing April 30, 2014, through 2023, however the City repaid the lease in February 2016.

F. Pacific Gas and Electric On-Bill Loan

On December 28, 2014, the City entered into a loan agreement with Pacific Gas and Electric Company for the provision of energy efficiency/demand response equipment and services which qualify for one or more of PG&E's applicable rebate or incentive programs. The monthly payments will be included by PG&E on the Account's regular service bills, or by separate bill, in PG&E's discretion. The loan balance shall not bear interest. Customer may, without prepayment penalty, pay the entire outstanding balance in one lump sum payment provided the customer first notifies PG&E. As of June 30, 2015, the outstanding balance of the loan was \$195,110.

G. 2004 Wastewater Certificates of Participation

The City issued Wastewater Certificates of Participation (COPs) in April 2004 to fund the upgrade of the City's wastewater treatment plan. 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 through 2036. Interest payments commence on December 1, 2004, and are payable semi-annually on December 1 and June 1, thereafter.

For fiscal year 2015 net revenues amounted to \$13,439,965 which represented coverage of 706% over the \$1,903,468 of debt service. The pledge of net revenues ends upon repayment of the City's repayment of the remaining balance of \$43,580,748, which is scheduled to occur in 2037.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG -TERM DEBT (Continued)

H. State of California Department of Transportation Division of Aeronautics Loans

In March 1998, the City received a loan of \$250,000 for the construction of twelve hangars, upgrade of electrical power to hangars and to relocate nine existing hangars at the Tracy Municipal Airport. Principal and interest on the loan is payable annually each November 5 through 2015

I. State of California Department of Public Health Loan

In 2006, the City entered into a loan agreement with the State of California Department of Public Health in the amount of \$20,000,000 for assistance in the construction of its new Water Treatment Plant. The proceeds from the loan were 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 is obligated to make semi-annual payments of principal and interest in the amount of \$628,960 beginning July 1, 2008 with a final maturity date of January 1, 2028.

J. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$1,194,278	\$1,339,764	\$1,677,957	\$1,491,269
2017	398,279	1,298,906	1,713,269	1,439,467
2018	428,279	1,283,418	1,766,058	1,385,889
2019	410,272	1,265,755	1,819,385	1,329,769
2020	440,000	1,245,955	1,878,261	1,271,139
2021-2025	2,910,000	5,831,255	10,364,573	5,371,776
2026-2030	4,475,000	4,822,474	9,062,361	4,048,851
2031-2035	6,630,000	3,217,723		2,667,130
2036-2039	6,860,000	882,915	11,230,000	800,139
Total	\$23,746,108	\$21,188,165	\$39,511,864	\$19,805,429

K. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding

For governmental activities and proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between governmental activities or proprietary refunded debt and the debt issued to refund it, called a deferred charge on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENTS

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, 2015, is as follows:

Description	Fiscal Year		Underlying Assessment District Bonds	Outstanding June 30, 2015
	Issue Year	Maturity Year		
1996A Tax Bonds (93-1 Community Facilities District - I-205 Parcel GL-17)	1997	2027		\$880,000
2002 Special Tax Bonds (93-1 Community Facilities District - 1-205 Parcel GL-17)	2003	2033		1,820,000
2003-01 Assessment District Limited Obligation Improvement Bonds (Berg Avenue)	2003	2029		655,000
2005A TOP JPA Revenue Bonds (Senior Lien) (98-1 Plan C)	2006	2029		52,490,000
2005B TOP JPA Revenue Bonds (Junior Lien) (98-3 Plan C)	2006	2036		2,430,000
2005C TOP JPA Revenue Bonds	2006	2036		12,520,000
2006 Special Tax Bonds (2006-1 Community Facilities District - NE Industrial Phase II)	2007	2037		10,325,000
2011A TOP JPA Revenue Bonds:				
98-4 Morrison Homes and 2000-02 Heartland Three	2011	2026	\$1,775,000	
2011-1 Reassessment Bonds	2011	2027	550,000	
99-2 South MacArthur Plan Area (2000 and 2002)	2011	2028	<u>9,360,000</u>	
Total 2011A TOP JPA Revenue Bonds				11,685,000
2014A Tracy Public Financing Authority Revenue Bonds:				
89-1 Community Facilities District	2014	2021	\$5,185,000	
99-1 Community Facilities District - Northeast Industrial Area	2014	2025	5,130,000	
2014-1 Reassessment Bonds	2014	2023	<u>5,490,000</u>	
Total 2014A Tracy Public Financing Authority Revenue Bonds				15,805,000
Total				<u>\$108,610,000</u>

NOTE 9 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions on the Statement of Net Position. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes 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 describes the portion of Net Position which is restricted 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 to low-and-moderate-income purposes, and gas tax funds for street construction.

Unrestricted describes the portion of Net Position which is not restricted to use.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned, unless City Council has provided otherwise in its commitment or assignment actions. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. The highest level of formal action of the City Council is an Ordinance. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's Fund Balances, as of June 30, 2015, are below:

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Fund Balance Classifications	General Fund	Special Revenue			Debt Service
		Housing Successor Fund	TEA Grant	South County Fire Authority	2008 Lease Revenue Bonds
Nonspendable:					
Items not in spendable form:					
Prepaid items	\$8,649			\$200	
Advances	6,116,234				
Loans receivable	515,687				
Total Nonspendable Fund Balances	6,640,570			200	
Restricted for:					
Housing		\$3,179,984			
Special area projects					
Debt service					\$659,656
Community development					
Asset forfeiture					
Streets and roads					
Landscaping district					
Fire authority				1,151,927	
Cable TV					
Tracy GROW					
Total Restricted Fund Balances		3,179,984		1,151,927	659,656
Assigned to:					
General	1,129,732				
Animal Control Trust	22,193				
Capital Projects					
Total Assigned Fund Balances	1,151,925				
Unassigned:					
Contingency/Emergency	11,600,000				
Economic/Budget Stability	5,800,000				
Measure E Mitigation	7,000,000				
Unassigned	5,460,938		(\$608,941)		
Total Unassigned Fund Balances	29,860,938		(608,941)		
Total Fund Balances	\$37,653,433	\$3,179,984	(\$608,941)	\$1,152,127	\$659,656

(Continued)

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Fund Balance Classifications	Capital Projects		Other Governmental Funds	Total
	General Projects	Tracy Infrastructure Master Plans		
Nonspendable:				
Items not in spendable form:				
Prepaid items			\$3,373	\$12,222
Advances				6,116,234
Loans receivable				515,687
Total Nonspendable Fund Balances			3,373	6,644,143
Restricted for:				
Housing				3,179,984
Special area projects	\$1,781,641	\$20,064,513	72,890,846	94,737,000
Debt service			84,734	744,390
Community development			198,136	198,136
Asset forfeiture			773,411	773,411
Streets and roads			5,974,935	5,974,935
Landscaping district			4,969,191	4,969,191
Fire authority				1,151,927
Cable TV			335,058	335,058
Tracy GROW			1,000,000	1,000,000
Total Restricted Fund Balances	1,781,641	20,064,513	86,226,311	113,064,032
Assigned to:				
General				1,129,732
Animal Control Trust				22,193
Capital Projects	13,359,566			13,359,566
Total Assigned Fund Balances	13,359,566			14,511,491
Unassigned:				
Contingency/Emergency				11,600,000
Economic/Budget Stability				5,800,000
Measure E Mitigation				7,000,000
Unassigned			(1,008)	4,850,989
Total Unassigned Fund Balances			(1,008)	29,250,989
Total Fund Balances	\$15,141,207	\$20,064,513	\$86,228,676	\$163,470,655

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

C. General Fund Reserve Policies

The City Council adopted a revised General Fund Reserve (Unassigned Fund Balance) Policy in October 2014 with Resolution 2014-173 that established a minimum fund balance policy for the General Fund in order to mitigate the effect of unanticipated situations such as natural disasters and severe unforeseen events. Reserves also provide the City with stability in times of economic fluctuations and help provide for a smooth transition to changes in service levels caused by changes in the City's financial situation. The Policy established the following reserves:

Contingency/Emergency Reserve – The Contingency/Emergency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency/Emergency Reserve also serves as back-up liquidity to self-insured losses if this need were to arise. The Contingency/Emergency Reserve is established with a target goal of 20% of the General Fund's adopted annual budget for expenditures and recurring transfers out. The City Manager will first evaluate the City's financial condition and make a recommendation to City Council as to the need to make contributions to the Contingency/Emergency Reserve or the possible need to access funds from the Contingency/Emergency Reserve. This action is done as part of the annual budget adoption; however these actions can be completed at any time the City Manager deems necessary.

The balance of the Contingency/Emergency Reserve was \$11,600,000 at June 30, 2015, which is a component of unassigned fund balance of the General Fund.

Economic/Budget Stability Reserve – The Economic/Budget Stability Reserve is intended to offset quantifiable revenue/expenditure uncertainty in the multi-year forecast thereby helping to stabilize service levels through economic cycles. The long-term use of this reserve is determined by estimating the level of financial risk associated with the following three areas of uncertainty:

1. Revenue risks: Revenues falling short of budget projections may cause deficits. Transitional funding may be necessary to respond to reductions in major revenues due to local, regional, and national economic downturns.
2. State budget risks: There is a possibility that the State may implement budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues). These include property taxes, sales taxes, gas taxes, grants, and reimbursements.
3. Uncontrollable costs: The City may require a source of supplemental funding for uncontrollable costs. Examples include, but are not limited to: unanticipated increases in CalPERS retirement rates resulting from CalPERS investment performance, or changes in actuarial assumptions CalPERS might impose. In addition, there may be other cost increases that are beyond the City's control (e.g., various fuel and utility charges).

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

The Economic/Budget Stability Reserve is established with a target goal of 10% of the General Fund's adopted annual budget for expenditures and recurring transfers out. The City Manager will first evaluate the City's financial condition and make a recommendation to City Council as to the need to make contributions to the Economic/Budget Stability Reserve or the possible need to access funds from the Economic/Budget Stability Reserve. This action is done as part of the annual budget adoption; however these actions can be completed at any time the City Manager deems necessary.

The balance of the Economic/Budget Stability Reserve was \$5,800,000 at June 30, 2015, which is a component of unassigned fund balance of the General Fund.

“Measure E” Mitigation Reserve – The “Measure E” Mitigation Reserve provides for the specific transition when the Measure E sales tax sunsets in FY 16/17. This one time reserve would be used over a multi-year period to mitigate the loss of revenue from the half cent sales tax and allow the City time to transition to the reduced revenue levels.

The “Measure E” Mitigation Reserve is established with a target goal of \$7,000,000. The City Manager will first evaluate the City's financial condition and make a recommendation to City Council as to the need to make contributions to the Measure E” Mitigation Reserve or the possible need to access funds from the Measure E” Mitigation Reserve. This action is done as part of the annual budget adoption; however these actions can be completed at any time the City Manager deems necessary.

The balance of the “Measure E” Mitigation Reserve was \$7,000,000 at June 30, 2015, which is a component of unassigned fund balance of the General Fund.

All uses of the Contingency/Emergency Reserve and Economic/Budget Stability Reserve must be approved by the City Council. Any such uses are to be repaid to the respective reserves over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years.

Like the Contingency/Emergency and Economic/Budget Stability Reserves, the use of the “Measure E” Mitigation Reserve must be approved by the City Council. The “Measure E” Mitigation Reserve is a one-time reserve, if there are funds unused, they should be returned to the General Fund and the General Fund “Measure E” Mitigation Reserve be closed.

Year-end excess and/or one-time revenue under the proposed reserves structure would remain in the General Fund's unassigned fund balance. As part of the annual budget adoption process, or at any time the City Manager deems necessary, the City Manager would recommend whether the excess funds could be allocated to other reserves, or used as one-time funding with consideration given to economic development and/or capital projects.

D. *Deficit Fund Balances and Accumulated Deficits*

At June 30, 2015, the TEA Grant and Community Development Block Grant Special Revenue Funds had deficit fund balances of \$608,941 and \$1,000, respectively, which are expected to be eliminated by future grant revenues. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had a deficit net position of \$44,814,293, which will be eliminated by future revenues.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

E. Net Position and Fund Balances Restatements

During fiscal year 2015 the City implemented new accounting pronouncements, adopted revised accounting policies and made other corrections that resulted in restatements or adjustments to beginning net position or fund balance. Below is a summary of those restatements and adjustments which are described in detail following the table:

	Governmental Activities	Business-Type Activities	Governmental Funds	Enterprise Funds	Internal Service Funds	Private-Purpose Trust Fund
Beginning balance as previously reported	\$660,646,784	\$358,413,139	\$131,252,833	\$358,413,139	\$16,868,599	(\$37,847,291)
Restatements:						
Fiscal agent cash	760,403		(188,340)		948,743	188,340
Accounts receivable	791,855		791,855			
Prepaid expenses	(948,743)				(948,743)	
Advances to other funds	5,872,177		5,872,177			
Loans Receivable	15,888,711		15,888,711			
Capital assets	10,105,626					
Advances from other funds	(5,872,177)		(5,872,177)			
Unavailable Revenue			(11,001,671)			
Unearned Revenue						1,500,056
Conditional grant balance allowance	1,003,593					
Interest receivable on advance		125,000		125,000		
Interest payable on advance		(125,000)		(125,000)		
Loan Payable						(10,000,000)
Implementation of GASB 68 and 71:						
Pension Related Deferred Outflows	6,385,251	575,472		575,472	159,408	
Net Pension Liability	(63,453,316)	(7,619,080)		(7,619,080)	(2,110,535)	
Beginning balance, as restated	<u>\$631,180,164</u>	<u>\$351,369,531</u>	<u>\$136,743,388</u>	<u>\$351,369,531</u>	<u>\$14,917,472</u>	<u>(\$46,158,895)</u>

Fiscal Agent Cash and Prepaid Expenses – During fiscal year 2015, City staff discovered that fiscal agent cash in the amount of \$188,340 recorded in the 2007 Lease Revenue Bonds Debt Service Fund should have been recorded in the Successor Agency Private-Purpose Trust Fund. As a result, fiscal agent cash and beginning fund balance/net position have been restated in that amount.

City staff also discovered that cash with fiscal agent in the amount of \$948,743 had been reported as prepaid expenses as of June 30, 2014, therefore the beginning balances of those accounts have been restated accordingly.

Accounts Receivable - During fiscal year 2015, City staff determined that a receivable for the balance due from Tracy Rural Fire District for the compensated absences contribution discussed in Note 15 should have been recorded in the South County Fire Authority Special Revenue Fund. As a result, accounts receivable and unavailable revenue have been restated and increased in that amount.

City staff also determined that a prior year receivable from the District related to the construction of Station 92 had been overstated in the amount of \$193,282. As a result, accounts receivable and beginning fund balance have been reduced and restated in that amount.

Advances To and From Other Funds – During fiscal year 2015, City staff determined that the General Fund’s prior advances of \$5,872,177 to the South County Fire Authority Special Revenue Fund had not been recorded in either fund. As a result, advances to other funds, advances from other funds and beginning fund balance has been restated in that amount in both funds.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Loans Receivable – During fiscal year 2015, City staff determined that the reimbursement agreement between the City and the former Redevelopment Agency should have been recorded as a loan receivable and a loan payable. As a result, loans receivable and beginning fund balance in the 2008 Lease Revenue Bonds Debt Service Fund have been restated and increased and loans payable and beginning net position in the Successor Agency Private-Purpose Trust Fund have been restated and decreased in the amount of \$10,000,000.

City staff also determined that a loan receivable from Tracy Rural Fire District in the amount of \$5,872,177 should have been recorded in the South County Fire Authority Special Revenue Fund. As a result, loans receivable and beginning fund balance have been restated and increased in that amount.

Finally, City staff determined that accrued interest of \$15,265 on the balance of the development loan receivable had not been recorded and that the balance of the Tracy Mall Partners, LP, loan had been understated in the amount of \$1,269, which was comprised of prior reductions that had been overstated and the understatement of imputed interest. As a result, loans receivable and unavailable revenue have been restated and increased in those amounts.

Capital Assets – During fiscal year 2015, City staff increased and restated the balance of governmental activities capital assets in the amount of \$10,105,626 to agree the balances in the Comprehensive Annual Financial Report to the general ledger and the detailed capital assets records.

Unearned Revenue – During fiscal year 2015, City staff determined that unearned revenue recorded in the Successor Agency Private-Purpose Trust Fund had been recorded in error. As a result, unearned revenue has been decreased and beginning net position was increased in the amount of \$1,500,056.

Conditional Grant Balance Allowance – During fiscal year 2015, City staff determined that the conditional grant balance allowance that had been established in fiscal year 2007 had not been amortized since that time and that the associated loan receivable was no longer outstanding. As a result, the conditional grant balance allowance has been reduced and beginning net position has been increased and restated in the amount of \$1,003,593.

Interest Receivable on Advance – During fiscal year 2015, City staff determined that interest payable on the advance between the Water and Wastewater Enterprise funds in the amount of \$125,000 had not been paid during the year ended June 30, 2014. As a result, the balances of the advance to other funds and advance from other funds and beginning net position have been restated in that amount.

Implementation of Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

The implementation of the above Statements required the City to make prior period adjustments. As a result, beginning net positions were restated as shown in the table below. See Note 10 for additional information.

	Pension Related Deferred Outflows	Net Pension Liability	Total
Entity-Wide Level			
Governmental Activities	\$6,385,251	(\$63,453,316)	(\$57,068,065)
Business-Type Activities	\$575,472	(\$7,619,080)	(\$7,043,608)
Enterprise Funds:			
Water Utility	\$309,852	(\$4,102,349)	(\$3,792,497)
Wastewater Utility	207,654	(2,749,274)	(2,541,620)
Municipal Airport	9,532	(126,206)	(116,674)
Solid Waste	11,238	(148,784)	(137,546)
Municipal Transit	21,392	(283,220)	(261,828)
Drainage	15,804	(209,247)	(193,443)
Total Enterprise Funds	\$575,472	(\$7,619,080)	(\$7,043,608)
Internal Service Funds:			
Central Garage	\$26,957	(\$356,908)	(\$329,951)
Central Services	69,867	(925,023)	(855,156)
Building Maintenance	35,216	(466,254)	(431,038)
Insurance	27,368	(362,350)	(334,982)
Total Internal Service Funds	\$159,408	(\$2,110,535)	(\$1,951,127)

NOTE 10 - PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to October 9, 2011	After October 9, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	2.0-2.5%	1.0% - 2.5%
Required employee contribution rates	7%	8%	6.25%
Required employer contribution rates	16.073%	16.073%	16.073%

	Safety - Police		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to April 8, 2012	After April 8, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%	2.0% - 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	27.823%	27.823%	27.823%

	Safety - Fire	
	<u>Classic Tier I</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	27.823%	27.823%

Employees Covered – At the June 30, 2013 valuation date, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	236	121
Inactive employees entitled to but not yet receiving benefits	235	49
Active employees	255	150
Total	<u>726</u>	<u>320</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (2)	3.3% - 14.2% (2)
Investment Rate of Return	7.5% (3)	7.5% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II, and PEPRA)

(2) Depending on age, service and type of employment

(3) Net of pension plan investment expenses, including inflation

(4) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed the difference immaterial to the agent multiple-employer plans.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$117,525,924	\$82,190,743	\$35,335,181
Changes in the year:			
Service cost	3,019,742		3,019,742
Interest on the total pension liability	8,760,895		8,760,895
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		2,699,952	(2,699,952)
Contribution - employee		1,374,066	(1,374,066)
Net investment income		14,281,310	(14,281,310)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,447,727)	0
Net changes	<u>7,332,910</u>	<u>13,907,601</u>	<u>(6,574,691)</u>
Balance at June 30, 2014	<u>\$124,858,834</u>	<u>\$96,098,344</u>	<u>\$28,760,490</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$131,614,301	\$95,877,087	\$35,737,214
Changes in the year:			
Service cost	4,767,092		4,767,092
Interest on the total pension liability	9,861,726		9,861,726
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		4,341,816	(4,341,816)
Contribution - employee		1,458,951	(1,458,951)
Net investment income		16,826,945	(16,826,945)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,016,343)	
Net changes	<u>9,612,475</u>	<u>17,611,369</u>	<u>(7,998,894)</u>
Balance at June 30, 2014	<u>\$141,226,776</u>	<u>\$113,488,456</u>	<u>\$27,738,320</u>
Total Balance at June 30, 2014 (Miscellaneous and Safety Plans)	<u>\$266,085,610</u>	<u>\$209,586,800</u>	<u>\$56,498,810</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$45,758,789	\$48,942,399	\$94,701,188
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$28,760,490	\$27,738,320	\$56,498,810
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$14,681,912	\$10,450,088	\$25,132,000

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLANS (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$6,607,785. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,460,280	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$6,519,976)
Total	<u>\$3,460,280</u>	<u>(\$6,519,976)</u>

Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,522,006	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$7,700,670)
Total	<u>\$3,522,006</u>	<u>(\$7,700,670)</u>
Total Miscellaneous and Safety Plans	<u>\$6,982,286</u>	<u>(\$14,220,646)</u>

\$6,982,286 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	<u>Annual Amortization</u>			
	<u>June 30</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2016		(\$1,629,993)	(\$1,925,168)	(\$3,555,161)
2017		(1,629,993)	(1,925,168)	(3,555,161)
2018		(1,629,993)	(1,925,168)	(3,555,161)
2019		(1,629,997)	(1,925,166)	(3,555,163)
2020		0	0	0
Thereafter		0	0	0
Total		<u>(\$6,519,976)</u>	<u>(\$7,700,670)</u>	<u>(\$14,220,646)</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City administers a single employer defined benefit (implicit subsidy) healthcare plan.

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. However, the City does not explicitly pay for the cost of retiree health premiums. 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.

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 that can be used for medical, dental and vision premiums. 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 at the time of retirement.

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, 2015, those costs for 84 retirees totaled \$548,289, and the total liability amount in the medical leave bank is \$3,015,526.

After the account is exhausted, the retiree has option either to terminate coverage or elect to continue paying the medical (but not dental or vision) premiums from personal funds. Spouses and eligible dependent children of retirees may also be covered at the retiree's expense. While the City does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under Governmental Accounting Standards Board Statement No. 45 (GASB 45). The inclusion of the retirees increases the City's overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The ability to participate in the City's health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, both their liability under GASB 45 and their annual implicit subsidy are both \$0.

The Plan does not issue a separate financial report.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. 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.

C. 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 most recent actuarial valuation date, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 4.0% 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% 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.

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. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future.

D. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the actuarially determined annual required contribution of the employer (ARC). 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
Interest on net OPEB obligation (asset)	67,569
Adjustment to annual required contribution	<u>(125,818)</u>
Annual OPEB cost	388,019
Contributions made	<u>(163,878)</u>
(Decrease) increase in net OPEB obligations	224,141
Net OPEB obligation (asset) June 30, 2014	<u>1,689,216</u>
Net OPEB obligation (asset) June 30, 2015	<u><u>\$1,913,357</u></u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The Plan’s annual OPEB cost and actual contributions for the last three fiscal years is set forth below.

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$411,969	\$142,715	35%	\$1,410,818
June 30, 2014	421,113	142,715	34%	1,689,216
June 30, 2015	388,019	163,878	42%	1,913,357

E. Funded Status and Funding Progress

The schedule of funding progress below and in the required supplementary information immediately following the notes to the financial statements presents information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Cost Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
7/1/2013	\$0	\$3,556,938	\$3,556,938	0.00%	\$33,223,032	-10.71%

NOTE 12 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City’s property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss.

A. Coverage

The City participates in the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool currently operating as a common risk management and insurance program for 54 cities. The purpose of CSJVRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. The CSJVRMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City. Audited financial statements are available from the Central San Joaquin Risk Management Authority at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City participates in the following pooled coverages through CSJVRMA:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$29,000,000
Property (\$1,000 to \$10,000)	1,000,000,000
Worker's Compensation (\$200,000)	Statutory Limit
Boiler and Machinery (\$1,000 to \$10,000)	100,000,000
Automobile - for vehicles with values more than \$25,000 (\$500)	1,000,000

The CSJVRMA maintains separate records for each member for each year of participation. The records track cash paid to the CSJVRMA 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 CSJVRMA assesses the status of all members for the year, then either makes a refund to a member if it has positive balance (i.e. payout and reserve experience is less than premiums paid) or collects any deficit.

During the fiscal year ended June 30, 2015, the City contributed \$2,866,354 for current year coverage.

Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

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 claims will become due and payable in more than one year.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 - RISK MANAGEMENT (Continued)

The City's liability for uninsured claims was estimated by management based on prior year claims experience and CSJVRMA where the City as of June 30, 2015 has reserve deposits which cover claims and IBNRs except for \$112,494.

For the Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2013	\$112,494	\$0	\$0	\$112,494
2014	112,494	0	0	112,494
2015	112,494	0	0	112,494

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City is subject to 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.

B. *Federal and State Grant Programs*

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 as amended 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.

C. *Encumbrances*

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding by fund as of June 30, 2015 were as follows:

	<u>Amount</u>
General Fund	\$1,129,732
TEA Grant Special Revenue Fund	4,062,202
South County Fire Authority Special Revenue Fund	48,859
General Projects Capital Projects Fund	312,799
Non-Major Governmental Funds	<u>6,892,739</u>
	<u>\$12,446,331</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

D. Measure E Sales Tax Revenues

The City receives tax proceeds from the Measure E one-half cent sales tax approved by Tracy voters in November 2010, commencing for a five year period beginning April 1, 2011. The amount of Measure E tax proceeds received and recorded during the fiscal year ending June 30, 2015 was \$7,625,279. Measure E is a general tax of the City and the revenues were deposited in the City's General Fund. Expenditures for a variety of City functions were made from the City's General Fund utilizing the Measure E and other revenue of the City.

E. 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 15 – SOUTH COUNTY FIRE AUTHORITY JOINT POWERS AGREEMENT

The South County Fire Authority was created in September 1999 by a Joint Exercise of Powers Agreement (Agreement) between the City and the Tracy Rural Fire Protection District to provide fire administration, fire prevention and fire training and safety within the jurisdictional area of the Authority. Under the provisions of the Agreement, as amended, the City and District split the annual costs of maintenance and operations for Fire Protection Services, Fire Dispatch Services, Fire Prevention Services, certain expenses of the City defined in the Agreement, and insurance premiums paid by the City to insure itself against liability arising out of the Agreement for the provision of Fire Services. The cost split between the City and District is dependent upon the staffing levels at each of the three City stations and three District stations, except Station 92. Under the provisions of the Agreement, the District is to pay 100% of the Station 92 maintenance and operations funding for 7 years and 10 months from the date of issuance of the Certificate of Occupancy of the relocated Station 92, or July 1, 2015, whichever occurs later. The Certificate of Occupancy was issued in May 2014.

The District was obligated to reimburse the City for the District's share of services that were paid by the City prior to June 30, 2008, including accrued interest, in the amount of \$5,872,177. The Agreement was amended in January 2013 to formalize the terms for the repayment of that shortfall. In consideration for the District contributing 100% of the Station 92 operation and maintenance costs over the seven year and ten month period (94 months), including supplemental services costs, the City deems the shortfall obligation satisfied. However, in the event the District defaults on contributing 100% of the costs of Station 92 over that time period, the City is entitled to liquidate damages from the District under the terms of the Agreement, including interest at the LAIF rate since June 30, 2008. The District's obligation to reimburse the City is to survive termination of the Agreement. Therefore, the City will amortize the receivable over 94 months beginning July 1, 2015. The balance due from the District has been recorded as a loan receivable as discussed in Note 5H.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SOUTH COUNTY FIRE AUTHORITY JOINT POWERS AGREEMENT (Continued)

At the time of the formation of the Authority and the City's employment of former District employees, the City and District agreed that the District would be responsible for the payment of all current and future compensated absences for those twenty-five employees. In March 2010, the City and the District entered into an agreement under which the District will pay the City \$100,000 per year toward the compensated absences balances. As of June 30, 2015, the outstanding balance of former District employees' compensated balances was \$1,385,137, which is included in the City-wide compensated absences balances discussed in Note 1G. The District has made payments to date under the funding agreement of \$400,000, leaving an unreimbursed balance of \$985,137 as of June 30, 2015, which is included in accounts receivable in the South County Fire Authority Special Revenue Fund.

In June 2012, the City and District entered into a construction agreement for Fire Station 92. Under the terms of the construction agreement, the District was to make annual payments ranging from \$85 thousand to \$185 thousand from November 1, 2012 through November 2016 for a total of \$925,000. In addition, the District was to pay the City 22% of the amount over the City engineer's estimate of project costs of \$4,343,200. Total project costs were only \$3,325,990, so the District's obligation was reduced to \$731,718. The amount due from the District for the Station 92 project was \$175,718 as of June 30, 2015, which has been included in accounts receivable in the South County Fire Authority Special Revenue Fund.

Total costs of the Authority for fiscal year 2015 were \$17,967,306 which was shared as follows: District \$3,942,804, Mountain House Community Services District (MHCS), \$2,347,720, grant funding \$350,391 and City \$11,326,391. Although MHCS received the Authority's services in fiscal year 2015, MHCS terminated its contract with the Authority effective September 2015 by previously providing a two year notice of the change.

NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *Redevelopment Dissolution*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

**NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

In fiscal year 2011, the former Community Development Agency transferred \$9,967,619 of assets to the City, comprised of cash of \$6,306,390 and capital assets of \$3,661,229. ABx1 26 and AB1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the former Community Development Agency or, on or after February 1, 2012, to the Successor Agency. During fiscal year 2012, the City returned cash of \$1,843,395 and capital assets of \$3,661,229 to the Successor Agency. The City received the results of the State Controller's asset transfer review in December 2014 that indicates the City is to return the remaining cash in the amount of \$4,462,995 to the Successor Agency. City management disputes the findings of both the State Controller and the Non-housing DDR discussed below, however to allow the Successor Agency to receive its Finding of Completion, the City transferred \$4,462,995 to the Successor Agency in November 2015. The City and Successor Agency continue to contest the order of the Department of Finance and are engaged in litigation on the matter.

Effective January 31, 2012, the Community Development Agency was dissolved. Certain assets of the Community Development Agency Housing Fund were distributed to a Housing Successor; and the remaining Community Development Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

The activities of the Housing Successor are reported in the Housing Successor Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

On January 17, 2012, the City Council elected to become the Successor Agency for the former Community Development Agency in accordance with AB1484 as part of the City resolution number 2012-021, and on February 1, 2012 the Community Development Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in May 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Community Development Agency.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR in November 2012, which indicated that \$3,398,232 was available for distribution and that amount was remitted to the County in November 2012. The Department of Finance did not initially approve the Non-housing DDR, which indicated that the Successor Agency had an available balance of \$2,281,467, and the State made adjustments to the Non-housing DDR and instead made a demand for the return of funds totaling \$4,618,398, which was remitted to the County in November 2015, as discussed above. The Successor Agency received its Finding of Completion on December 8, 2015, which means it can now utilize bond proceeds for projects consistent with the original bond covenants.

Concurrent with the finalization of the State asset transfer review, the City has been working with the California Department of Finance (DOF) on the Agency’s Long Range Property Management Plan (LRPMP). Initial conversations with the DOF indicate that certain capital assets identified in the asset transfer review will be identified as City-owned land upon final approval of the LRPMP. Based on these discussions, the City anticipates that the assets identified will be approved to retained by the City. The City will abide by the final determination as set by the DOF. Therefore, the amount, if any, of assets to be transferred is not determinable at this time.

Cash and investments of the Successor Agency as of June 30, 2015 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2015.

B. Capital Assets

The Successor Agency assumed the non-housing capital assets of the Community Development Agency as of February 1, 2012. 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 market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two 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.

Capital assets recorded as of June 30, 2015 comprise:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated:			
Land	\$2,581,457		\$2,581,457
Capital assets being depreciated:			
Improvements	1,450,790		1,450,790
Less accumulated depreciation	<u>(780,257)</u>	<u>(\$89,973)</u>	<u>(870,230)</u>
Net capital assets being depreciated	<u>670,533</u>	<u>(89,973)</u>	<u>580,560</u>
Governmental activity capital assets, net	<u>\$3,251,990</u>	<u>(\$89,973)</u>	<u>\$3,162,017</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

**NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

C. Long-Term Debt

The Successor Agency assumed the long-term debt of the Community Development Agency as of February 1, 2012.

1. Current Year Transactions and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds, a reimbursement agreement and loan payable issued by the Community Development Agency. The Bonds, reimbursement agreement and loan are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Long-term debt of the Successor Agency as of June 30, 2015 consisted of the following:

	Original Amount	Balance June 30, 2014 (as restated)	Retirements	Balance June 30, 2015	Current Portion
2003 Tax Allocation Bonds, Series A & B, 2% - 6.15%	\$55,720,000	\$44,975,000	\$1,360,000	\$43,615,000	\$1,420,000
Reimbursement Agreement, 0%	12,200,000	10,000,000	400,000	9,600,000	400,000
Loan from Housing Successor, 0%	2,803,520	2,803,520		2,803,520	
Total		<u>\$57,778,520</u>	<u>\$1,760,000</u>	<u>\$56,018,520</u>	<u>\$1,820,000</u>

2. Community Development Agency Tax Allocation Bonds

In November 2003, the Agency issued Tax Allocation Bonds Series A and B in the amount of \$55,720,000 to provide funds for certain projects of the Agency and to advance refund \$17,290,000 of outstanding 1994 Tax Allocation Bonds and \$15,000,000 of outstanding 2001 Tax Allocation Bonds, Series A. As a result, the 1994 and 2001 Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed. Interest on the 2003 A&B Bonds is payable semi-annually each March 1 and September 1 and principal is due annually on each March 1, through 2034.

3. Reimbursement Agreement with the City

On December 1, 2008, the Agency entered into a Reimbursement Agreement with the City related to the City's 2008 Lease Revenue Bonds and the portion of those Bonds that funded improvements that benefitted the Redevelopment Project. Under the terms of the Reimbursement Agreement, the Agency reimburses the City for a portion of lease payments made by the City under the property lease for the 2008 Lease Revenue Bonds discussed in Note 7C that are attributable to the Redevelopment Improvements. The terms of the Reimbursement Agreement indicate that the Agency is required to make the annual payments of \$400,000, regardless of whether the City's annual lease payments are abated. The Agency has pledged tax revenues for the repayment of the Reimbursement Agreement, subordinate to other obligations of the Agency. The Reimbursement Agreement does not bear interest and annual principal payments are due through 2038.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

4. *Supplemental Education Revenue Augmentation Fund Loans from Housing Successor*

During the fiscal years ending June 30, 2010 and 2011 the Agency approved an interfund advance of \$2,803,520 from the Agency's Housing Fund to the Agency's Debt Service Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund.

The above loans had previously been reported as interfund advances within the Community Development Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Housing Successor Fund of the City of Tracy, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6). The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2015-2016, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6).

5. *Pledge of Revenues*

The Agency has pledged all future tax increment revenues, for the repayment of the Tax Allocation Bonds and Reimbursement Agreement. The pledge of all future tax increment revenues end upon repayment of the remaining debt service of \$80,159,204 on the Bonds and Reimbursement Agreement above, which is scheduled to occur in 2039.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2015 calculated by the County Auditor-Controller was \$6,164,939 and the total received by the Successor Agency for fiscal year 2015 debt service was \$3,939,516, which the Agency combined with other available revenues/resources to pay the \$3,744,298 of fiscal year debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 16 – COMMUNITY DEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

6. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Housing Successor loans, because the ultimate repayment terms cannot be determined at this time as discussed above.

For the Year Ending June 30	Principal	Interest
2016	\$1,820,000	\$2,292,462
2017	1,885,000	2,227,662
2018	1,950,000	2,159,336
2019	2,030,000	2,085,136
2020	2,110,000	2,005,536
2021-2025	11,940,000	8,626,938
2026-2030	14,845,000	5,719,364
2031-2034	14,635,000	1,827,770
2035-2039	2,000,000	0
Total	<u>\$53,215,000</u>	<u>\$26,944,204</u>

D. Commitments and Contingencies - State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 17 – SUBSEQUENT EVENTS

A. 2016 Tax Allocation Refunding Bonds

On January 21, 2016, the Successor Agency issued 2016 Tax Allocation Refunding Bonds in the amount of \$33,720,000. The proceeds from the Bonds will be used to refund the outstanding balance of the 2003 Tax Allocation Bonds Series A and B. The Bonds bear interest rates of 2% - 5%. Interest Bonds is payable semi-annually each February 1 and August 1 and principal is due annually on each August 1, through 2033.

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REQUIRED SUPPLEMENTARY INFORMATION

Modified Approach to Reporting Street Pavement Costs

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

1. The City must have an asset management system (AMS) with certain features:
 - It must maintain an up-to-date inventory of the infrastructure assets.
 - It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
 - The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
 - The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.

2. The City must document that the roads are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

The City has elected to use the Modified Approach to report street pavement costs. The City uses the Metropolitan Transportation Commission's (MTC) Pavement System to track the condition levels of each of the street sections.

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).

REQUIRED SUPPLEMENTARY INFORMATION

Modified Approach to Reporting Street Pavement Costs (Continued)

The City's preservation costs are budgeted to be \$3,648,840 in fiscal year 2016. 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	2,244,902
2016	72	3,648,840	

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 \$2,244,902 for street preservation for fiscal year 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Pensions

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years*

Measurement Date	June 30, 2014
Total Pension Liability	
Service Cost	\$3,019,742
Interest	8,760,895
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(4,447,727)
Net change in total pension liability	7,332,910
Total pension liability - beginning	117,525,924
Total pension liability - ending (a)	\$124,858,834
 Plan fiduciary net position	
Contributions - employer	\$2,699,952
Contributions - employee	1,374,066
Net investment income (1)	14,281,310
Benefit payments, including refunds of employee contributions	(4,447,727)
Net change in plan fiduciary net position	13,907,601
Plan fiduciary net position - beginning	82,190,743
Plan fiduciary net position - ending (b)	\$96,098,344
 Net pension liability - ending (a)-(b)	 \$28,760,490
 Plan fiduciary net position as a percentage of the total pension liability	 76.97%
 Covered - employee payroll	 \$18,128,965
 Net pension liability as percentage of covered-employee payroll	 158.64%

Notes to Schedule:

(1) Net of administrative expenses

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

SCHEDULE OF CONTRIBUTIONS

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

	2015
Actuarially determined contribution	\$3,460,280
Contributions in relation to the actuarially determined contributions	(3,460,280)
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$19,031,601
Contributions as a percentage of covered-employee payroll	18.18%

Notes to Schedule:

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	16 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: City of Tracy's general ledger and CalPERS Actuarial Valuation

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Safety Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years*

Measurement Date	June 30, 2014
Total Pension Liability	
Service Cost	\$4,767,092
Interest	9,861,726
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(5,016,343)
Net change in total pension liability	9,612,475
Total pension liability - beginning	131,614,301
Total pension liability - ending (a)	\$141,226,776
 Plan fiduciary net position	
Contributions - employer	\$4,341,816
Contributions - employee	1,458,951
Net investment income (1)	16,826,945
Benefit payments, including refunds of employee contributions	(5,016,343)
Net change in plan fiduciary net position	17,611,369
Plan fiduciary net position - beginning	95,877,087
Plan fiduciary net position - ending (b)	\$113,488,456
 Net pension liability - ending (a)-(b)	 \$27,738,320
 Plan fiduciary net position as a percentage of the total pension liability	 80.36%
 Covered - employee payroll	 \$16,357,591
 Net pension liability as percentage of covered-employee payroll	 169.57%

Notes to Schedule:

(1) Net of administrative expenses

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

SCHEDULE OF CONTRIBUTIONS

Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

	2015
Actuarially determined contribution	\$3,522,006
Contributions in relation to the actuarially determined contributions	(3,522,006)
Contribution deficiency (excess)	\$0
 Covered-employee payroll	 \$15,225,341
 Contributions as a percentage of covered-employee payroll	 23.13%

Notes to Schedule

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	28 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: City of Tracy's general ledger and CalPERS Actuarial Valuation

REQUIRED SUPPLEMENTARY INFORMATION

*Postemployment Benefit Plans Other Than Pensions (OPEB)
Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Cost Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
7/1/2009	\$ -	\$2,295,979	\$2,295,979	0.00%	\$37,101,371	-6.19%
7/1/2011	-	3,213,284	3,213,284	0.00%	33,174,229	-9.69%
7/1/2013	-	3,556,938	3,556,938	0.00%	33,223,032	-10.71%

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes	\$41,099,960	\$41,099,960	\$44,083,078	\$2,983,118
Licenses, permits and fees	4,046,280	4,046,280	4,388,047	341,767
Fines and forfeitures	919,200	919,200	195,891	(723,309)
Use of money and property	449,000	449,000	637,267	188,267
Intergovernmental	1,170,250	1,381,671	1,866,269	484,598
Charges for current services	10,065,910	10,853,566	8,913,153	(1,940,413)
Special assessments	380,000	380,000	379,936	(64)
Other revenue	1,299,070	1,324,070	1,390,190	66,120
Total Revenues	<u>59,429,670</u>	<u>60,453,747</u>	<u>61,853,831</u>	<u>1,400,084</u>
EXPENDITURES:				
Current:				
General government				
Economic development	542,530	625,150	383,332	241,818
General government	3,785,390	4,109,540	3,655,711	453,829
Finance	2,443,270	2,519,270	2,243,029	276,241
Non-departmental	620,000	670,000	757,445	(87,445)
Public safety				
Police	23,866,190	23,960,990	21,996,611	1,964,379
Fire	9,897,450	9,967,450	9,716,446	251,004
Public works				
Development and engineering	8,131,270	9,001,570	7,621,782	1,379,788
Public works	4,434,210	4,380,910	3,937,723	443,187
Culture and leisure				
Cultural arts	1,651,060	1,713,046	1,409,819	303,227
Parks and community services	2,013,190	2,013,190	1,609,547	403,643
Capital outlay	117,160	478,644	241,745	236,899
Debt service:				
Principal		63,300	52,732	10,568
Total Expenditures	<u>57,501,720</u>	<u>59,503,060</u>	<u>53,625,922</u>	<u>5,877,138</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,927,950</u>	<u>950,687</u>	<u>8,227,909</u>	<u>7,277,222</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	674,090	674,090		(674,090)
Transfers (out)	(3,492,090)	(12,192,090)	(11,518,000)	674,090
Total Other Financing Sources (Uses)	<u>(2,818,000)</u>	<u>(11,518,000)</u>	<u>(11,518,000)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$890,050)</u>	<u>(\$10,567,313)</u>	<u>(3,290,091)</u>	<u>\$7,277,222</u>
BEGINNING FUND BALANCE, as Restated			<u>40,943,524</u>	
ENDING FUND BALANCE			<u>\$37,653,433</u>	

CITY OF TRACY
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 HOUSING SUCCESSOR
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of Money and Property	\$25,500	\$25,500	\$124,534	\$99,034
Intergovernmental			51,671	51,671
Total Revenues	<u>25,500</u>	<u>25,500</u>	<u>176,205</u>	<u>150,705</u>
NET CHANGE IN FUND BALANCE	<u>\$25,500</u>	<u>\$25,500</u>	176,205	\$150,705
BEGINNING FUND BALANCE			<u>3,003,779</u>	
ENDING FUND BALANCE			<u>\$3,179,984</u>	

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TEA GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property			\$3	\$3
Intergovernmental	\$39,792,490	\$48,606,483	5,034,255	(43,572,228)
Total Revenues	<u>39,792,490</u>	<u>48,606,483</u>	<u>5,034,258</u>	<u>(43,572,225)</u>
EXPENDITURES:				
Capital outlay	39,792,490	47,058,107	4,226,970	42,831,137
Total Expenditures	<u>39,792,490</u>	<u>47,058,107</u>	<u>4,226,970</u>	<u>42,831,137</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		<u>1,548,376</u>	<u>807,288</u>	<u>(741,088)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out			<u>(167,841)</u>	<u>(167,841)</u>
NET CHANGE IN FUND BALANCE		<u><u>\$1,548,376</u></u>	<u>639,447</u>	<u><u>(\$908,929)</u></u>
BEGINNING FUND BALANCE			<u>(1,248,388)</u>	
ENDING FUND BALANCE			<u><u>(\$608,941)</u></u>	

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOUTH COUNTY FIRE AUTHORITY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property			(\$1,662)	(\$1,662)
Intergovernmental	\$6,564,500	\$6,795,350	6,640,195	(155,155)
Charges for current services	<u>211,950</u>	<u>211,950</u>	<u>251,529</u>	<u>39,579</u>
Total Revenues	<u>6,776,450</u>	<u>7,007,300</u>	<u>6,890,062</u>	<u>(117,238)</u>
EXPENDITURES:				
Current:				
General government				
Non-departmental	215,400	230,400	173,060	57,340
Public safety				
Fire	6,530,550	6,568,550	6,316,769	251,781
Capital outlay	<u>65,470</u>	<u>319,440</u>	<u>296,352</u>	<u>23,088</u>
Total Expenditures	<u>6,811,420</u>	<u>7,118,390</u>	<u>6,786,181</u>	<u>332,209</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,970)</u>	<u>(111,090)</u>	<u>103,881</u>	<u>214,971</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$34,970)</u></u>	<u><u>(\$111,090)</u></u>	<u>103,881</u>	<u><u>\$214,971</u></u>
BEGINNING FUND BALANCE, as Restated			<u>1,048,246</u>	
ENDING FUND BALANCE			<u><u>\$1,152,127</u></u>	

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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.
5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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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**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
THE GENERAL FUND AND SPECIAL REVENUE FUNDS**

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
2008 LEASE REVENUE BONDS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property		\$4,274	\$4,274
Intergovernmental	\$400,000	400,000	
Total Revenues	400,000	404,274	4,274
EXPENDITURES:			
Debt service:			
Principal	170,000	170,000	
Interest and fiscal charges	1,154,900	1,154,763	137
Total Expenditures	1,324,900	1,324,763	137
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(924,900)	(920,489)	4,411
OTHER FINANCING SOURCES (USES)			
Transfers in	924,900	924,900	
NET CHANGE IN FUND BALANCE		4,411	\$4,411
BEGINNING FUND BALANCE		655,245	
ENDING FUND BALANCE		\$659,656	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

BUSINESS IMPROVEMENT DISTRICT FUND

Established to accumulate revenues from assessments against business properties to support the Downtown Tracy Business Improvement District.

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.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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:

NORTH EAST INDUSTRIAL PLAN AREA # 1 FUND

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

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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.

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.

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>Business Improvement District</u>	<u>Asset Forfeiture</u>	<u>Proposition 1B</u>	<u>Transportation Development</u>
ASSETS				
Cash and investments	\$1,987	\$771,685	\$19,692	\$1,291,311
Cash and investments with fiscal agents				
Accounts receivables				
Interest receivable		1,873	48	3,134
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		3,360		
Total Assets	<u>\$1,987</u>	<u>\$776,918</u>	<u>\$19,740</u>	<u>\$1,294,445</u>
LIABILITIES				
Accounts payable		\$147	\$19,651	
Due to other funds				
Advances from other funds				
Deposits payable	\$1,995			
Unearned revenue				
Total Liabilities	<u>1,995</u>	<u>147</u>	<u>19,651</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- loans				
FUND BALANCE				
Fund balance:				
Nonspendable				
Prepaid items		3,360		
Restricted		773,411	89	\$1,294,445
Committed				
Assigned				
Unassigned	(8)			
Total Fund Balances (Deficit)	<u>(8)</u>	<u>776,771</u>	<u>89</u>	<u>1,294,445</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,987</u>	<u>\$776,918</u>	<u>\$19,740</u>	<u>\$1,294,445</u>

SPECIAL REVENUE FUNDS

Proposition K Transportation Tax	State Gas Tax Street	Community Development Block Grant	Landscaping District	Residential and Commercial Rehabilitation Loan	Community Access CTV
\$1,955,587	\$2,824,320	\$26,043	\$5,160,282	\$197,658	\$281,774
301,285			3,201		80,939
4,730	6,838		12,484	478	682
			13		
<u>\$2,261,602</u>	<u>\$2,831,158</u>	<u>\$26,043</u>	<u>\$5,175,980</u>	<u>\$198,136</u>	<u>\$363,395</u>
\$352,029	\$60,330		\$206,776		\$28,337
		\$1,000			
		26,043			
<u>352,029</u>	<u>60,330</u>	<u>27,043</u>	<u>206,776</u>		<u>28,337</u>
1,909,573	2,770,828		4,969,191 ¹³	\$198,136	335,058
		(1,000)			
<u>1,909,573</u>	<u>2,770,828</u>	<u>(1,000)</u>	<u>4,969,204</u>	<u>198,136</u>	<u>335,058</u>
<u>\$2,261,602</u>	<u>\$2,831,158</u>	<u>\$26,043</u>	<u>\$5,175,980</u>	<u>\$198,136</u>	<u>\$363,395</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND
	Grow Tracy	2007 Lease Revenue Bonds	Regional Mall COP Debt Service	North East Industrial Plan Area # 1
ASSETS				
Cash and investments		\$84,530		\$3,652,587
Cash and investments with fiscal agents				
Accounts receivables				
Interest receivable		204		8,685
Due from other funds				
Deposits	\$1,000,000			
Advances to other funds				
Loans receivable				
Prepaid items				
Total Assets	<u>\$1,000,000</u>	<u>\$84,734</u>		<u>\$3,661,272</u>
LIABILITIES				
Accounts payable				\$835
Due to other funds				
Advances from other funds				1,747,454
Deposits payable				
Unearned revenue				
Total Liabilities				<u>1,748,289</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- loans				
FUND BALANCE				
Fund balance:				
Nonspendable				
Prepaid items				
Restricted	\$1,000,000	\$84,734		1,912,983
Committed				
Assigned				
Unassigned				
Total Fund Balances (Deficit)	<u>1,000,000</u>	<u>84,734</u>		<u>1,912,983</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,000,000</u>	<u>\$84,734</u>		<u>\$3,661,272</u>

CAPITAL PROJECTS FUNDS

North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area
\$2,683,104	\$3,117,569	\$5,459,030	\$3,997,106	\$6,090,824	\$10,979,182
3,090,698	4,048		74,184		250,002
6,487	7,546	13,219	9,672	14,741	26,564
1,747,454					
<u>\$7,527,743</u>	<u>\$3,129,163</u>	<u>\$5,472,249</u>	<u>\$4,080,962</u>	<u>\$6,105,565</u>	<u>\$11,255,748</u>
\$9,827	\$319		\$257,209	\$3,510	
35,844		\$779,752	983,161	832,265	\$36,295
<u>45,671</u>	<u>319</u>	<u>779,752</u>	<u>1,240,370</u>	<u>835,775</u>	<u>36,295</u>
7,482,072	3,128,844	4,692,497	2,840,592	5,269,790	11,219,453
<u>7,482,072</u>	<u>3,128,844</u>	<u>4,692,497</u>	<u>2,840,592</u>	<u>5,269,790</u>	<u>11,219,453</u>
<u>\$7,527,743</u>	<u>\$3,129,163</u>	<u>\$5,472,249</u>	<u>\$4,080,962</u>	<u>\$6,105,565</u>	<u>\$11,255,748</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	CAPITAL PROJECTS FUNDS			
	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area
ASSETS				
Cash and investments	\$2,937,870	\$6,016,304	\$277,159	\$3,076,825
Cash and investments with fiscal agents		5,033		
Accounts receivables				
Interest receivable	7,106	14,552	670	7,442
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items				
	<u>\$2,944,976</u>	<u>\$6,035,889</u>	<u>\$277,829</u>	<u>\$3,084,267</u>
Total Assets				
LIABILITIES				
Accounts payable	\$7,916	\$780		\$22,618
Due to other funds				
Advances from other funds				
Deposits payable		825,000	\$3,000	
Unearned revenue				
	<u>7,916</u>	<u>825,780</u>	<u>3,000</u>	<u>22,618</u>
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- loans				
FUND BALANCE				
Fund balance:				
Nonspendable				
Prepaid items				
Restricted	2,937,060	5,210,109	274,829	3,061,649
Committed				
Assigned				
Unassigned				
	<u>2,937,060</u>	<u>5,210,109</u>	<u>274,829</u>	<u>3,061,649</u>
Total Fund Balances (Deficit)				
	<u>\$2,944,976</u>	<u>\$6,035,889</u>	<u>\$277,829</u>	<u>\$3,084,267</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				

CAPITAL PROJECTS FUNDS

<u>Plan "C"</u>	<u>Residential Specific Plan Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$21,661,711	\$3,142,150	\$85,706,290
		3,345,733
	2,678	466,335
52,417	7,601	207,173
		1,000,000
		1,747,454
	2,328,978	2,328,978
		3,373
<u>\$21,714,128</u>	<u>\$5,481,407</u>	<u>\$94,805,336</u>
\$741	\$4,848	\$975,873
		1,000
		1,747,454
		3,497,312
		26,043
<u>741</u>	<u>4,848</u>	<u>6,247,682</u>
	2,328,978	2,328,978
		3,373
21,713,387	3,147,581	86,226,311
		(1,008)
<u>21,713,387</u>	<u>3,147,581</u>	<u>86,228,676</u>
<u>\$21,714,128</u>	<u>\$5,481,407</u>	<u>\$94,805,336</u>

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>Business Improvement District</u>	<u>Asset Forfeiture</u>	<u>Proposition 1B</u>	<u>Transportation Development</u>
REVENUES				
Taxes				\$1,587,876
Licenses, permits and fees	\$113,979			
Fines and penalties		\$776,244		
Use of money and property	5	675	\$133	1,132
Intergovernmental				
Charges for current services				
Special assessments				
Contributions				
Other revenue				
Total Revenues	<u>113,984</u>	<u>776,919</u>	<u>133</u>	<u>1,589,008</u>
EXPENDITURES				
Current:				
General government				
Economic development	113,979			
General government				
Non-departmental				31,820
Public safety				
Police		15,844		
Public ways and facilities/transportation				
Development and engineering				170,756
Public works				1,465,000
Capital outlay				31,843
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>113,979</u>	<u>15,844</u>	<u>133</u>	<u>1,699,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5</u>	<u>761,075</u>	<u>133</u>	<u>(110,411)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers in				
Transfers (out)		(22,000)		
Total Other Financing Sources (Uses)		<u>(22,000)</u>		
NET CHANGE IN FUND BALANCES	5	739,075	133	(110,411)
BEGINNING FUND BALANCES (DEFICITS)	(13)	37,696	(44)	1,404,856
ENDING FUND BALANCES (DEFICITS)	<u>(\$8)</u>	<u>\$776,771</u>	<u>\$89</u>	<u>\$1,294,445</u>

SPECIAL REVENUE FUNDS

Proposition K Transportation Tax	State Gas Tax Street	Community Development Block Grant	Landscaping District	Residential and Commercial Rehabilitation Loan	Community Access CTV
\$1,244,091					\$203,863
13,505	\$12,428 2,131,611	\$3 111,104	\$35,108	\$1,334	1,670
			2,668,702		296
			140		
<u>1,257,596</u>	<u>2,144,039</u>	<u>111,107</u>	<u>2,703,950</u>	<u>1,334</u>	<u>205,829</u>
		120,507			94,119
	36,140		88,970		48,930
1,217,505	850,053 510,647		2,840,353 36,206		13,704
<u>1,217,505</u>	<u>1,396,840</u>	<u>120,507</u>	<u>2,965,529</u>		<u>156,753</u>
40,091	747,199	(9,400)	(261,579)	1,334	49,076
		37,610			
		<u>37,610</u>			
40,091	747,199	28,210	(261,579)	1,334	49,076
<u>1,869,482</u>	<u>2,023,629</u>	<u>(29,210)</u>	<u>5,230,783</u>	<u>196,802</u>	<u>285,982</u>
<u>\$1,909,573</u>	<u>\$2,770,828</u>	<u>(\$1,000)</u>	<u>\$4,969,204</u>	<u>\$198,136</u>	<u>\$335,058</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND
	Grow Tracy	2007 Lease Revenue Bonds	Regional Mall COP Debt Service	North East Industrial Plan Area #1
REVENUES				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property		\$618	(\$3)	\$33,651
Intergovernmental				
Charges for current services				
Special assessments				
Contributions				
Other revenue				
Total Revenues		618	(3)	33,651
EXPENDITURES				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay				1,922,911
Debt service:				
Principal payments		105,000		
Interest and fiscal charges		179,080		
Total Expenditures		284,080		1,922,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(283,462)	(3)	(1,889,260)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers in		279,100		
Transfers (out)				
Total Other Financing Sources (Uses)		279,100		
NET CHANGE IN FUND BALANCES		(4,362)	(3)	(1,889,260)
BEGINNING FUND BALANCES (DEFICITS)	\$1,000,000	89,096	3	3,802,243
ENDING FUND BALANCES (DEFICITS)	\$1,000,000	\$84,734		\$1,912,983

CAPITAL PROJECTS FUNDS

North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area
\$22,451	\$13,672	\$24,407	\$22,962	\$24,374	\$70,061
	1,002,567	1,877,073	616,411 2,571,373	566,745	610,976
<u>22,451</u>	<u>1,016,239</u>	<u>1,901,480</u>	<u>3,210,746</u>	<u>591,119</u>	<u>681,037</u>
564,620	151,383	83,541	2,884,240	25,037	57,462
<u>564,620</u>	<u>151,383</u>	<u>83,541</u>	<u>2,884,240</u>	<u>25,037</u>	<u>57,462</u>
(542,169)	864,856	1,817,939	326,506	566,082	623,575
	167,841				
	<u>167,841</u>				
(542,169)	1,032,697	1,817,939	326,506	566,082	623,575
8,024,241	2,096,147	2,874,558	2,514,086	4,703,708	10,595,878
<u>\$7,482,072</u>	<u>\$3,128,844</u>	<u>\$4,692,497</u>	<u>\$2,840,592</u>	<u>\$5,269,790</u>	<u>\$11,219,453</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	CAPITAL PROJECTS FUNDS			
	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area
REVENUES				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property	\$20,059	\$40,608	\$1,477	\$21,073
Intergovernmental				
Charges for current services				
Special assessments	24,941			
Contributions				
Other revenue				
Total Revenues	<u>45,000</u>	<u>40,608</u>	<u>1,477</u>	<u>21,073</u>
EXPENDITURES				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay	72,705	1,560		65,517
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>72,705</u>	<u>1,560</u>		<u>65,517</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(27,705)</u>	<u>39,048</u>	<u>1,477</u>	<u>(44,444)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(27,705)	39,048	1,477	(44,444)
BEGINNING FUND BALANCES (DEFICITS)	<u>2,964,765</u>	<u>5,171,061</u>	<u>273,352</u>	<u>3,106,093</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>\$2,937,060</u></u>	<u><u>\$5,210,109</u></u>	<u><u>\$274,829</u></u>	<u><u>\$3,061,649</u></u>

CAPITAL PROJECTS FUNDS

Plan "C"	Residential Specific Plan Project	Total Nonmajor Governmental Funds
		\$2,831,967
		317,842
		776,244
\$126,548	\$20,555	508,506
		2,242,715
		296
2,944,422		9,745,092
		3,138,118
		140
<u>3,070,970</u>	<u>20,555</u>	<u>19,560,920</u>
		234,486
		94,119
		205,860
		15,844
		170,756
132,379	288,675	5,155,406
		8,059,935
		105,000
		179,080
<u>132,379</u>	<u>288,675</u>	<u>14,220,486</u>
2,938,591	(268,120)	5,340,434
	420,253	420,253
		484,551
		(22,000)
	<u>420,253</u>	<u>882,804</u>
2,938,591	152,133	6,223,238
<u>18,774,796</u>	<u>2,995,448</u>	<u>80,005,438</u>
<u>\$21,713,387</u>	<u>\$3,147,581</u>	<u>\$86,228,676</u>

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS IMPROVEMENT DISTRICT			ASSET FORFEITURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees	\$117,150	\$113,979	\$3,171			
Fines and penalties				\$179,136	\$776,244	\$597,108
Use of money and property		5	(5)		675	675
Intergovernmental						
Charges for current services						
Special assessments						
Other revenue						
Total Revenues	<u>117,150</u>	<u>113,984</u>	<u>3,166</u>	<u>179,136</u>	<u>776,919</u>	<u>597,783</u>
EXPENDITURES						
Current:						
General government						
Economic development	117,200	113,979	3,221			
General government						
Non-departmental						
Public safety						
Police				16,900	15,844	1,056
Public works						
Development and engineering						
Public works						
Capital outlay				164,136		164,136
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>117,200</u>	<u>113,979</u>	<u>3,221</u>	<u>181,036</u>	<u>15,844</u>	<u>165,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50)</u>	<u>5</u>	<u>55</u>	<u>(1,900)</u>	<u>761,075</u>	<u>762,975</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(22,000)	(22,000)	
Total Other Financing Sources (Uses)				<u>(22,000)</u>	<u>(22,000)</u>	
NET CHANGE IN FUND BALANCES	<u><u>(\$50)</u></u>	<u>5</u>	<u><u>\$55</u></u>	<u><u>(\$23,900)</u></u>	<u>739,075</u>	<u><u>\$762,975</u></u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(13)</u>			<u>37,696</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>(\$8)</u></u>			<u><u>\$776,771</u></u>	

TRANSPORTATION DEVELOPMENT			PROPOSITION K TRANSPORTATION TAX			STATE GAS TAX STREET		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,620,000	\$1,587,876	(\$32,124)	\$1,175,000	\$1,244,091	\$69,091			
	1,132	1,132	905,300	13,505	13,505 (905,300)	\$2,101,380	\$12,428 2,131,611	\$12,428 30,231
<u>1,620,000</u>	<u>1,589,008</u>	<u>(30,992)</u>	<u>2,080,300</u>	<u>1,257,596</u>	<u>(822,704)</u>	<u>2,101,380</u>	<u>2,144,039</u>	<u>42,659</u>
36,770	31,820	4,950				36,140	36,140	
180,000	170,756	9,244						
1,365,960	1,465,000	(99,040)				1,394,040	850,053	543,987
1,410,000	31,843	1,378,157	3,270,308	1,217,505	2,052,803	2,461,636	510,647	1,950,989
<u>2,992,730</u>	<u>1,699,419</u>	<u>1,293,311</u>	<u>3,270,308</u>	<u>1,217,505</u>	<u>2,052,803</u>	<u>3,891,816</u>	<u>1,396,840</u>	<u>2,494,976</u>
<u>(1,372,730)</u>	<u>(110,411)</u>	<u>1,262,319</u>	<u>(1,190,008)</u>	<u>40,091</u>	<u>1,230,099</u>	<u>(1,790,436)</u>	<u>747,199</u>	<u>2,537,635</u>
<u>(\$1,372,730)</u>	<u>(110,411)</u>	<u>\$1,262,319</u>	<u>(\$1,190,008)</u>	<u>40,091</u>	<u>\$1,230,099</u>	<u>(\$1,790,436)</u>	<u>747,199</u>	<u>\$2,537,635</u>
	<u>1,404,856</u>			<u>1,869,482</u>			<u>2,023,629</u>	
	<u>\$1,294,445</u>			<u>\$1,909,573</u>			<u>\$2,770,828</u>	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT			LANDSCAPING DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and penalties						
Use of money and property		\$3	\$3	\$19,000	\$35,108	\$16,108
Intergovernmental	\$1,032,315	111,104	(921,211)			
Special assessments						
Other revenue				2,665,860	2,668,702	2,842
Charges for current services					140	140
Total Revenues	<u>1,032,315</u>	<u>111,107</u>	<u>(921,208)</u>	<u>2,684,860</u>	<u>2,703,950</u>	<u>19,090</u>
EXPENDITURES						
Current:						
General government						
Economic development	684,790	120,507	564,283			
General government						
Non-departmental				86,230	88,970	(2,740)
Public safety						
Police						
Public works						
Development and engineering						
Public works				3,931,090	2,840,353	1,090,737
Capital outlay	359,245		359,245	832,000	36,206	795,794
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>1,044,035</u>	<u>120,507</u>	<u>923,528</u>	<u>4,849,320</u>	<u>2,965,529</u>	<u>1,883,791</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,720)</u>	<u>(9,400)</u>	<u>2,320</u>	<u>(2,164,460)</u>	<u>(261,579)</u>	<u>1,902,881</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		37,610	37,610			
Transfers (out)						
Total Other Financing Sources (Uses)		<u>37,610</u>	<u>37,610</u>			
NET CHANGE IN FUND BALANCES	<u><u>(\$11,720)</u></u>	<u>28,210</u>	<u><u>\$39,930</u></u>	<u><u>(\$2,164,460)</u></u>	<u>(261,579)</u>	<u><u>\$1,902,881</u></u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(29,210)</u>			<u>5,230,783</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>(\$1,000)</u></u>			<u><u>\$4,969,204</u></u>	

COMMUNITY ACCESS CTV			2007 LEASE REVENUE BONDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$193,000	\$203,863	\$10,863			
	1,670	1,670		\$618	\$618
500	296	(204)			
<u>193,500</u>	<u>205,829</u>	<u>12,329</u>		<u>618</u>	<u>618</u>
100,970	94,119	6,851			
22,800	48,930	(26,130)			
15,550	13,704	1,846			
			\$105,000	105,000	
			174,100	179,080	(4,980)
<u>139,320</u>	<u>156,753</u>	<u>(17,433)</u>	<u>279,100</u>	<u>284,080</u>	<u>(4,980)</u>
<u>54,180</u>	<u>49,076</u>	<u>(5,104)</u>	<u>(279,100)</u>	<u>(283,462)</u>	<u>(4,362)</u>
			279,100	279,100	
			279,100	279,100	
<u>\$54,180</u>	49,076	<u>(\$5,104)</u>		(4,362)	<u>(\$4,362)</u>
	285,982			89,096	
	<u>\$335,058</u>			<u>\$84,734</u>	

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INTERNAL SERVICES FUND

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.

For the Statement of Activities, the net revenues or expenses of each internal service fund are 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, 2015

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>	<u>Building Maintenance</u>	<u>Insurance</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and investments	\$861,339	\$438,819	\$9,411,296	\$395,686	\$2,873,517	\$13,980,657
Cash and investments with fiscal agent			948,743			948,743
Accounts receivable-net					1,319	1,319
Prepaid expense		3,649				3,649
Total Current Assets	<u>861,339</u>	<u>442,468</u>	<u>10,360,039</u>	<u>395,686</u>	<u>2,874,836</u>	<u>14,934,368</u>
Depreciables:						
Capital assets (net of accumulated depreciation)	10,402		6,627,724	11,081	12,700	6,661,907
Total capital assets	<u>10,402</u>		<u>6,627,724</u>	<u>11,081</u>	<u>12,700</u>	<u>6,661,907</u>
Total Assets	<u>871,741</u>	<u>442,468</u>	<u>16,987,763</u>	<u>406,767</u>	<u>2,887,536</u>	<u>21,596,275</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	27,041	70,083		35,325	27,453	159,902
LIABILITIES						
Current Liabilities:						
Accounts payable	25,209	50,607	628,541	3,376	4,963	712,696
Claims and judgments payable						
Capital lease payable			825,999			825,999
Compensated absences	10,561	21,185		12,434	16,483	60,663
Accrued interest payable			9,361			9,361
Total Current Liabilities	<u>35,770</u>	<u>71,792</u>	<u>1,463,901</u>	<u>15,810</u>	<u>21,446</u>	<u>1,608,719</u>
Long-term Liabilities:						
Capital lease payable						
Compensated absences	15,980	36,666		23,183	66,976	142,805
Claims and judgment payable					112,494	112,494
Net pension liabilities	290,499	752,907		379,500	294,929	1,717,835
Total Long-Term Liabilities	<u>306,479</u>	<u>789,573</u>		<u>402,683</u>	<u>474,399</u>	<u>1,973,134</u>
Total Liabilities	<u>342,249</u>	<u>861,365</u>	<u>1,463,901</u>	<u>418,493</u>	<u>495,845</u>	<u>3,581,853</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	65,856	170,683		86,032	66,860	389,431
NET POSITION						
Net investment in capital assets	10,402		6,750,468	11,081	12,700	6,784,651
Unrestricted	480,275	(519,497)	8,773,394	(73,514)	2,339,584	11,000,242
Total Net Position	<u>\$490,677</u>	<u>(\$519,497)</u>	<u>\$15,523,862</u>	<u>(\$62,433)</u>	<u>\$2,352,284</u>	<u>\$17,784,893</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
REVENUES						
Charges for services	\$1,401,343	\$1,846,391	\$1,830,350	\$789,569	\$3,443,800	\$9,311,453
Other revenues					768,049	768,049
Total Operating Revenues	1,401,343	1,846,391	1,830,350	789,569	4,211,849	10,079,502
EXPENSES						
Maintenance and operation	1,231,562	1,538,985	65,943	762,742	658,268	4,257,500
Administration	70,510			86,280	1,301	158,091
Insurance costs and claims					2,896,117	2,896,117
Depreciation	35,400	591	1,423,800	444	1,030	1,461,265
Total Expenses	1,337,472	1,539,576	1,489,743	849,466	3,556,716	8,772,973
Operating Income (Loss)	63,871	306,815	340,607	(59,897)	655,133	1,306,529
NONOPERATING REVENUES (EXPENSES)						
Interest expense			(29,259)			(29,259)
Gain/loss on disposal			(16,301)			(16,301)
Total Nonoperating Revenues (Expenses)			(45,560)			(45,560)
Income (Loss) Before Capital Contributions and Transfers	63,871	306,815	295,047	(59,897)	655,133	1,260,969
Capital Contributions			1,584,452			1,584,452
Transfers in			22,000			22,000
Change in Net Position	63,871	306,815	1,901,499	(59,897)	655,133	2,867,421
BEGINNING NET POSITION	426,806	(826,312)	13,622,363	(2,536)	1,697,151	14,917,472
ENDING NET POSITION	\$490,677	(\$519,497)	\$15,523,862	(\$62,433)	\$2,352,284	\$17,784,893

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/interfund charges	\$1,401,343	\$1,846,391	\$1,830,350	\$789,569	\$4,212,449	\$10,080,102
Payments to suppliers and users	(1,237,559)	(1,494,184)	(51,672)	(762,266)	(3,524,782)	(7,070,463)
Payments to employees	(58,636)	(13,473)		(86,522)	(1,947)	(160,578)
Net cash provided (used by) Operating Activities	<u>105,148</u>	<u>338,734</u>	<u>1,778,678</u>	<u>(59,219)</u>	<u>685,720</u>	<u>2,849,061</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in			22,000			22,000
Net cash provided (used by) Noncapital Financing Activities			<u>22,000</u>			<u>22,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments- long-term debt			(82,517)			(82,517)
Interest paid			(30,195)			(30,195)
Capital contributions						
Acquisition of capital assets			(1,059,213)	(11,525)	(13,730)	(1,084,468)
Proceeds from sale of capital assets			(6,456)			(6,456)
Net cash used by Capital and Related Financing Activities			<u>(1,178,381)</u>	<u>(11,525)</u>	<u>(13,730)</u>	<u>(1,203,636)</u>
Net increase (decrease) in cash and cash equivalents	105,148	338,734	622,297	(70,744)	671,990	1,667,425
Cash and cash equivalents, July 1, 2014, as restated	756,191	100,085	9,737,742	466,430	2,201,527	13,261,975
Cash and cash equivalents, June 30, 2015	<u>\$861,339</u>	<u>\$438,819</u>	<u>\$10,360,039</u>	<u>\$395,686</u>	<u>\$2,873,517</u>	<u>\$14,929,400</u>
Reconciliation of cash and cash equivalents to statement of net position						
Cash and investments	\$861,339	\$438,819	\$9,411,296	\$395,686	\$2,873,517	\$13,980,657
Cash and investments with fiscal agents			948,743			948,743
Total cash and investments	<u>\$861,339</u>	<u>\$438,819</u>	<u>\$10,360,039</u>	<u>\$395,686</u>	<u>\$2,873,517</u>	<u>\$14,929,400</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$63,871	\$306,815	\$340,607	(\$59,897)	\$655,133	\$1,306,529
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	35,400	591	1,423,800	444	1,030	1,461,265
Change in assets, deferred inflows, liabilities and deferred outflows:						
Accounts receivable					600	600
Prepaid expenses		33,671				33,671
Accounts payable	(5,997)	11,130	14,271	476	(13,038)	6,842
Compensated absences	12,511	(11,824)		589	42,641	43,917
Net pension liability and deferred outflows/inflows	(637)	(1,649)		(831)	(646)	(3,763)
Net cash provided (used) by Operating Activities	<u>\$105,148</u>	<u>\$338,734</u>	<u>\$1,778,678</u>	<u>(\$59,219)</u>	<u>\$685,720</u>	<u>\$2,849,061</u>
NONCASH TRANSACTIONS:						
Contributions of capital assets			<u>\$1,584,452</u>			<u>\$1,584,452</u>
Retirement of capital assets			<u>(\$9,845)</u>			<u>(\$9,845)</u>

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 Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The City's Agency 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.

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.

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.

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.

AGENCY FUNDS

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.

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.

2011-01 CFD TRACY 580 BUSINESS PARK

Establish to account for the transactions of the 2011-01 CFD.

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>87-3 Assessment District</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and investments	\$1	\$30	\$31	
Cash and investments with fiscal agents	29		29	
Total Assets	<u>\$30</u>	<u>\$30</u>	<u>\$60</u>	
Liabilities				
Due to assessment district bond holders	\$30	\$30	\$60	
Total Liabilities	<u>\$30</u>	<u>\$30</u>	<u>\$60</u>	
<u>84-1 Assessment District</u>				
Assets				
Cash and investments	\$10,620	(\$10,620)		
Interest receivable	30		\$30	
Total Assets	<u>\$10,650</u>	<u>(\$10,620)</u>	<u>\$30</u>	
Liabilities				
Due to assessment district bondholders	\$10,650	(\$10,620)	\$30	
Total Liabilities	<u>\$10,650</u>	<u>(\$10,620)</u>	<u>\$30</u>	
<u>89-1 Community Facilities District</u>				
Assets				
Cash and investments	\$2,716,756	\$607,624	\$704,022	\$2,620,358
Cash and investments with fiscal agents	1,101,907	422,177		1,524,084
Interest receivable	7,705	6,337	7,705	6,337
Total Assets	<u>\$3,826,368</u>	<u>\$1,036,138</u>	<u>\$711,727</u>	<u>\$4,150,779</u>
Liabilities				
Accounts payable		\$1,500		\$1,500
Due to assessment district bond holders	\$3,826,368	1,034,638	\$711,727	4,149,279
Total Liabilities	<u>\$3,826,368</u>	<u>\$1,036,138</u>	<u>\$711,727</u>	<u>\$4,150,779</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>94-1 Assessment District</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and investments	\$335,896	\$311,292	\$117,301	\$529,887
Cash and investments with fiscal agents	199,029		199,029	
Interest receivable	953	1,287	953	1,287
Total Assets	<u>\$535,878</u>	<u>\$312,579</u>	<u>\$317,283</u>	<u>\$531,174</u>
Liabilities				
Accounts payable		\$2,000		\$2,000
Due to assessment district bondholders	\$535,878	310,579	\$317,283	529,174
Total Liabilities	<u>\$535,878</u>	<u>\$312,579</u>	<u>\$317,283</u>	<u>\$531,174</u>
 <u>93-1 Community Facilities District</u>				
Assets				
Cash and investments	\$3,187,399	\$366,253	\$259,625	\$3,294,027
Cash and investments with fiscal agents	595,914	6,783		602,697
Interest receivable	9,047	7,968	9,047	7,968
Total Assets	<u>\$3,792,360</u>	<u>\$381,004</u>	<u>\$268,672</u>	<u>\$3,904,692</u>
Liabilities				
Due to assessment district bond holders	\$3,792,360	\$381,004	\$268,672	\$3,904,692
Total Liabilities	<u>\$3,792,360</u>	<u>\$381,004</u>	<u>\$268,672</u>	<u>\$3,904,692</u>
 <u>98-1 Community Facilities District</u>				
Assets				
Cash and investments	\$800,934	\$2,902,830	\$2,922,545	\$781,219
Cash and investments with fiscal agents	2,054,687	2,203,726		4,258,413
Interest receivable	2,269	1,896	2,269	1,896
Total Assets	<u>\$2,857,890</u>	<u>\$5,108,452</u>	<u>\$2,924,814</u>	<u>\$5,041,528</u>
Liabilities				
Accounts payable				
Due to assessment district bondholders	\$2,857,890	\$5,108,452	\$2,924,814	\$5,041,528
Total Liabilities	<u>\$2,857,890</u>	<u>\$5,108,452</u>	<u>\$2,924,814</u>	<u>\$5,041,528</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

98-3 Community Facilities District	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and investments	\$73,411	\$319,163	\$315,805	\$76,769
Cash and investments with fiscal agents	2,153,636		2,004,650	148,986
Interest receivable	208	186	208	186
Total Assets	<u>\$2,227,255</u>	<u>\$319,349</u>	<u>\$2,320,663</u>	<u>\$225,941</u>
Liabilities				
Due to assessment district bond holders	\$2,227,255	\$319,349	\$2,320,663	\$225,941
Total Liabilities	<u>\$2,227,255</u>	<u>\$319,349</u>	<u>\$2,320,663</u>	<u>\$225,941</u>
99-1 Community Facilities District				
Assets				
Cash and investments	\$351,020	\$462,343	\$464,885	\$348,478
Cash and investments with fiscal agents	674,816	192,720		867,536
Interest receivable	996	843	996	843
Total Assets	<u>\$1,026,832</u>	<u>\$655,906</u>	<u>\$465,881</u>	<u>\$1,216,857</u>
Liabilities				
Accounts payable		\$1,500		\$1,500
Due to assessment district bond holders	\$1,026,832	654,406	\$465,881	1,215,357
Total Liabilities	<u>\$1,026,832</u>	<u>\$655,906</u>	<u>\$465,881</u>	<u>\$1,216,857</u>
2000-01 Assessment District				
Assets				
Cash and investments	\$178,788	\$942,875	\$952,421	\$169,242
Cash and investments with fiscal agents	684,871	40,148		725,019
Interest receivable	507	411	507	411
Total Assets	<u>\$864,166</u>	<u>\$983,434</u>	<u>\$952,928</u>	<u>\$894,672</u>
Liabilities				
Due to assessment district bond holders	\$864,166	\$983,434	\$952,928	\$894,672
Total Liabilities	<u>\$864,166</u>	<u>\$983,434</u>	<u>\$952,928</u>	<u>\$894,672</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>2006-01 NE Industrial # 2</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and investments	\$4,837	\$692,192	\$697,029	
Cash and investments with fiscal agents	2,553,573	40,481		\$2,594,054
Interest receivable	13		13	
Total Assets	<u>\$2,558,423</u>	<u>\$732,673</u>	<u>\$697,042</u>	<u>\$2,594,054</u>
Liabilities				
Accounts payable		\$2,807		\$2,807
Due to assessment district bond holders	\$2,558,423	729,866	\$697,042	2,591,247
Total Liabilities	<u>\$2,558,423</u>	<u>\$732,673</u>	<u>\$697,042</u>	<u>\$2,594,054</u>
<u>1999 I205 Residential Reassessment District</u>				
Assets				
Cash and investments	\$665,730	\$102,230	\$764,855	\$3,105
Cash and investments with fiscal agents	1,009,602	930,299		1,939,901
Interest receivable	1,889		1,889	
Total Assets	<u>\$1,677,221</u>	<u>\$1,032,529</u>	<u>\$766,744</u>	<u>\$1,943,006</u>
Liabilities				
Accounts payable	\$88,764	\$90,764	\$88,764	\$90,764
Due to assessment district bondholders	1,588,457	941,765	677,980	1,852,242
Total Liabilities	<u>\$1,677,221</u>	<u>\$1,032,529</u>	<u>\$766,744</u>	<u>\$1,943,006</u>
<u>2000-03 Assessment District</u>				
Assets				
Cash and investments	\$16,347	\$118		\$16,465
Interest receivable	46	40	\$46	40
Total Assets	<u>\$16,393</u>	<u>\$158</u>	<u>\$46</u>	<u>\$16,505</u>
Liabilities				
Due to assessment district bond holders	\$16,393	\$158	\$46	\$16,505
Total Liabilities	<u>\$16,393</u>	<u>\$158</u>	<u>\$46</u>	<u>\$16,505</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>2003-01 Assessment District</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Assets				
Cash and investments		\$77,391	\$77,391	
Cash and investments with fiscal agents	\$142,615	4,930		\$147,545
Interest receivable	243		243	
Total Assets	<u>\$142,858</u>	<u>\$82,321</u>	<u>\$77,634</u>	<u>\$147,545</u>
Liabilities				
Accounts payable		\$5,861		\$5,861
Due to City of Tracy	\$7,764		\$7,764	
Deposits payable	5,818	12,722	5,818	12,722
Due to assessment district bondholders	129,276	63,738	64,052	128,962
Total Liabilities	<u>\$142,858</u>	<u>\$82,321</u>	<u>\$77,634</u>	<u>\$147,545</u>
 Cultural Arts				
Assets				
Cash and investments	\$1,147	\$9		\$1,156
Total Assets	<u>\$1,147</u>	<u>\$9</u>		<u>\$1,156</u>
Liabilities				
Deposits payable	\$1,147	\$9		\$1,156
Total Liabilities	<u>\$1,147</u>	<u>\$9</u>		<u>\$1,156</u>
 Regional Transportation Impact				
Assets				
Cash and investments	\$2,613,442	\$2,394,045	\$363,187	\$4,644,300
Total Assets	<u>\$2,613,442</u>	<u>\$2,394,045</u>	<u>\$363,187</u>	<u>\$4,644,300</u>
Liabilities				
Accounts payable	\$48,665	\$59,271	\$48,665	\$59,271
Deposits payable	2,564,777	2,334,774	314,522	4,585,029
Total Liabilities	<u>\$2,613,442</u>	<u>\$2,394,045</u>	<u>\$363,187</u>	<u>\$4,644,300</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>Medical Leave Bank</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Assets				
Cash and investments	\$853,447		\$174,847	\$678,600
Total Assets	<u>\$853,447</u>		<u>\$174,847</u>	<u>\$678,600</u>
Liabilities				
Deposits payable	\$853,447		\$174,847	\$678,600
Total Liabilities	<u>\$853,447</u>		<u>\$174,847</u>	<u>\$678,600</u>
 <u>Post Employment Benefit Trust</u>				
Assets				
Cash and investments		\$714,476	\$673,688	\$40,788
Accounts receivable	\$19,644	21,270	19,644	21,270
Total Assets	<u>\$19,644</u>	<u>\$735,746</u>	<u>\$693,332</u>	<u>\$62,058</u>
Liabilities				
Due to City of Tracy	\$11,286		\$11,286	
Accounts payable	8,358	\$62,057	8,358	\$62,057
Deposits payable		673,689	673,688	1
Total Liabilities	<u>\$19,644</u>	<u>\$735,746</u>	<u>\$693,332</u>	<u>\$62,058</u>
 <u>2011 TOP JPA Revenue Bonds</u>				
Assets				
Cash and investments	\$60,071	\$1,139,742	\$1,194,798	\$5,015
Cash and investments with fiscal agents	2,089,719	99,474		2,189,193
Interest receivable		19		19
Total Assets	<u>\$2,149,790</u>	<u>\$1,239,235</u>	<u>\$1,194,798</u>	<u>\$2,194,227</u>
Liabilities				
Accounts payable				
Due to assessment district bondholders	\$2,149,790	\$1,239,235	\$1,194,798	\$2,194,227
Total Liabilities	<u>\$2,149,790</u>	<u>\$1,239,235</u>	<u>\$1,194,798</u>	<u>\$2,194,227</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

<u>2011-01 CFD Tracy 580 Business Park</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Assets				
Cash and investments		\$46,321	\$1,580	\$44,741
Interest receivable		109		109
Total Assets		<u>\$46,430</u>	<u>\$1,580</u>	<u>\$44,850</u>
Liabilities				
Accounts payable		\$32,832		\$32,832
Due to assessment district bondholders		13,598	\$1,580	12,018
Total Liabilities		<u>\$46,430</u>	<u>\$1,580</u>	<u>\$44,850</u>
<hr/> Total - All Agency Funds <hr/>				
Assets				
Cash and investments	\$11,869,846	\$11,068,314	\$9,684,010	\$13,254,150
Cash and investments with fiscal agents	13,260,398	3,940,738	2,203,708	14,997,428
Accounts receivable	19,644	21,270	19,644	21,270
Interest receivable	23,906	19,096	23,906	19,096
Total Assets	<u>\$25,173,794</u>	<u>\$15,049,418</u>	<u>\$11,931,268</u>	<u>\$28,291,944</u>
Liabilities				
Accounts payable	\$145,787	\$258,592	\$145,787	\$258,592
Due to City of Tracy	19,050		19,050	
Deposits payable	3,425,189	3,021,194	1,168,875	5,277,508
Due to assessment district bondholders	21,583,768	11,769,632	10,597,556	22,755,844
Total Liabilities	<u>\$25,173,794</u>	<u>\$15,049,418</u>	<u>\$11,931,268</u>	<u>\$28,291,944</u>

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Statistical Section



STATISTICAL SECTION

This part of the City'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. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

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

1. Net Position by Component
2. Changes in Net Position
3. Program Revenues by Function/Program
4. Fund Balances, Governmental Funds
5. Changes in Fund Balances, Governmental Funds
6. Tax Revenues by Source

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property and sales taxes and water and wastewater charges for services:

1. Assessed Value and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Property Tax Levies and Collections
4. Principal Property Taxpayers
5. Sales Tax Rates, Direct and Overlapping Governments
6. Taxable Sales by Category
7. Principal Sales Tax Producers
8. Water and Wastewater Rates

Debt Capacity

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:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Direct and Overlapping Governmental Activities Debt
4. Legal Debt Margin Information
5. Pledged Revenue Bond Coverage

STATISTICAL SECTION (Continued)
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Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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 City provides and the activities it performs:

1. Full-Time and Part-Time City Employees by Function
2. Operating Indicators by Function
3. Capital Asset Statistics by Function

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF TRACY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 526,467	\$ 518,181	\$ 512,728	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124	\$ 357,579
Restricted	152,380	100,403	111,131	105,425	118,367	120,961	157,162	134,092	135,593	139,007
Unrestricted	(11,671)	42,063	35,606	32,898	33,347	46,711	34,330	45,861	42,395	15,645
Total governmental activities net assets	667,176	660,647	659,465	648,646	641,767	631,621	640,333	631,802	574,112	512,231
Business-type activities:										
Net investment in capital assets	314,492	327,065	328,985	340,536	345,554	340,944	346,861	352,609	353,095	339,971
Restricted	346	247	237	232	227	222	183	244	555	3,344
Unrestricted	31,221	31,101	31,283	29,148	40,621	46,123	38,826	34,303	25,827	25,174
Total business-type activities	346,059	358,413	360,505	369,916	386,402	387,289	385,870	387,156	379,477	368,489
Primary government:										
Net investment in capital assets	840,959	845,246	841,713	850,859	835,607	804,893	795,702	804,458	749,219	697,550
Restricted	152,726	100,650	111,368	105,657	118,594	121,183	157,345	134,336	136,148	142,351
Unrestricted	19,550	73,164	66,889	62,046	73,968	92,834	73,156	80,164	68,222	40,819
Total primary government	\$ 1,013,235	\$ 1,019,060	\$ 1,019,970	\$ 1,018,562	\$ 1,028,169	\$ 1,018,910	\$ 1,026,203	\$ 1,018,958	\$ 953,589	\$ 880,720

Note - The City implemented GASB 68 in the fiscal year 2014-2015. Prior amounts have not been restated.

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General government	\$ 7,907	\$ 6,412	\$ 6,572	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391	\$ 7,432
Public safety	37,562	37,974	37,248	37,602	35,509	36,567	36,663	35,074	30,178	28,434
Public works	27,572	32,358	25,954	52,418	24,371	21,855	29,492	24,661	29,391	24,821
Culture and leisure	3,288	4,668	4,709	5,097	5,143	12,202	9,159	7,502	3,929	3,760
Interest on long-term debt	1,337	1,342	1,399	1,925	4,121	4,063	4,201	3,548	4,084	3,994
Unallocated depreciation	0	586	520	566	617	631	295	820	649	506
Total Governmental Activities Expenses	<u>77,666</u>	<u>83,340</u>	<u>76,402</u>	<u>103,891</u>	<u>88,057</u>	<u>82,702</u>	<u>89,005</u>	<u>78,788</u>	<u>74,622</u>	<u>68,947</u>
Business-type Activities:										
Water	23,610	22,300	21,765	22,295	21,229	19,580	19,173	18,786	16,106	16,029
Wastewater	17,040	16,442	14,970	18,980	17,133	14,874	15,380	11,415	9,639	10,281
Airport	703	629	590	686	705	912	742	542	666	592
Solid waste	19,477	18,923	18,820	18,585	17,473	16,962	17,893	17,088	16,492	16,367
Transit	2,968	2,556	2,404	2,436	2,291	1,733	1,277	1,531	1,499	1,438
Drainage	3,436	3,404	3,232	3,351	3,402	2,618	2,646	3,486	3,247	3,957
Total Business-Type Activities	<u>67,234</u>	<u>64,254</u>	<u>61,781</u>	<u>66,333</u>	<u>62,233</u>	<u>56,679</u>	<u>57,111</u>	<u>52,848</u>	<u>47,649</u>	<u>48,664</u>
Total Primary Government Expenses	<u>\$ 144,900</u>	<u>\$ 147,594</u>	<u>\$ 138,183</u>	<u>\$ 170,224</u>	<u>\$ 150,290</u>	<u>\$ 139,381</u>	<u>\$ 146,116</u>	<u>\$ 131,636</u>	<u>\$ 122,271</u>	<u>\$ 117,611</u>
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	6,124	\$ 3,039	\$ 2,460	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700	\$ 5,281
Other public works	2,968	5,040	5,300	5,204	3,800	4,401	3,983	26,478	7,660	8,660
Parks and community services	940	838	878	789	757	1,208	1,065	1,206	1,480	3,621
Other activities	1,104	1,879	1,665	2,566	2,634	4,143	3,778	1,457	2,281	1,008
Operating grants and contributions	13,097	10,964	12,723	9,482	10,065	9,305	12,766	13,091	11,800	12,621
Capital grants and contributions	40,451	18,166	22,596	15,527	19,080	11,069	12,965	24,426	49,554	19,936
Total Governmental Activities Program Revenues	<u>64,684</u>	<u>39,926</u>	<u>45,622</u>	<u>35,185</u>	<u>38,141</u>	<u>37,051</u>	<u>43,397</u>	<u>71,947</u>	<u>77,475</u>	<u>51,127</u>
Business-type Activities:										
Charges for Services:										
Water	14,379	18,700	15,672	14,433	14,641	13,693	15,833	15,305	13,654	12,472
Wastewater	13,086	12,940	11,978	11,480	12,032	11,490	11,661	12,513	12,115	8,471
Airport	504	395	272	375	342	373	257	281	265	272
Solid waste	22,356	21,521	20,352	18,852	16,321	17,320	16,774	17,950	15,006	15,147
Transit	109	1,631	818	822	899	1,295	940	92	1,231	109
Drainage	603	546	564	564	553	556	541	563	545	535
Operating grants and contributions	1,608	-	-	-	-	-	20	1,774	865	1,038
Capital grants and contributions	8,652	6,337	2,528	2,801	3,678	6,132	9,161	10,992	13,119	10,063
Total Business-Type Activities Program Revenues	<u>61,297</u>	<u>62,070</u>	<u>52,184</u>	<u>49,327</u>	<u>48,466</u>	<u>50,859</u>	<u>55,187</u>	<u>59,470</u>	<u>56,800</u>	<u>48,107</u>
Total Primary Government Revenues	<u>\$ 125,981</u>	<u>\$ 101,996</u>	<u>\$ 97,806</u>	<u>\$ 84,512</u>	<u>\$ 86,807</u>	<u>\$ 87,910</u>	<u>\$ 98,584</u>	<u>\$ 131,417</u>	<u>\$ 134,275</u>	<u>\$ 99,234</u>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense)/revenue	\$ (12,982)	\$ (43,414)	\$ (30,780)	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853	\$ (17,820)
Governmental activities	(5,937)	(2,184)	(9,597)	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)
Business-type activities	(18,919)	(45,598)	(40,377)	(85,712)	(63,683)	(51,471)	(47,532)	(219)	12,002	(18,377)
Total primary government net (expense) revenue										
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	17,709	15,700	14,946	18,527	22,533	24,013	29,324	31,160	23,859	24,613
Franchise taxes	2,728	2,593	2,500	2,443	2,474	2,223	2,138	1,991	2,010	1,808
Sales and use taxes	24,280	22,722	20,553	18,422	11,408	9,225	10,964	12,407	13,053	12,587
Other taxes	2,304	1,952	1,839	1,702	1,621	1,604	1,886	4,321	2,373	2,979
Unrestricted motor vehicle in lieu	35	36	43	41	376	240	277	360	6,228	437
Investment earnings	610	1,129	165	801	1,280	4,840	9,023	12,016	10,406	7,934
Miscellaneous	1,311	1,634	1,595	1,760	1,663	449	527	2,275	1,098	930
Transfers			(42)		(384)	(5,563)				1
Gain on Transfer of assets				31,889						
Total governmental activities	48,977	45,766	41,599	75,585	40,971	37,031	54,139	64,530	59,028	51,288
Business-type activities:										
Interest earnings	585	264	144	520	109	1,676	633	1,038	1,796	1,865
Miscellaneous	42					-	5	19		
Transfers			42		385	5,563			(1)	
Total business-type activities	627	264	186	520	494	7,239	638	1,057	1,795	1,865
Total primary government	49,604	46,030	41,785	76,105	41,465	44,270	54,777	65,587	60,823	53,153
Change in net position										
Governmental activities	35,995	2,352	10,819	6,879	(8,945)	(8,620)	8,531	57,689	61,881	33,469
Business-type activities	(5,310)	(1,920)	(9,411)	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944	1,308
Total primary government	\$ 30,685	\$ 432	\$ 1,408	\$ (9,607)	\$ (22,218)	\$ (7,201)	\$ 7,245	\$ 65,368	\$ 72,825	\$ 34,777

Note - The City implemented GASB 68 in the fiscal year 2014-2015. Prior amounts have not been restated.

CITY OF TRACY
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In thousands)

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
General government	\$ 3,850	\$ 2,892	\$ 1,908	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722	\$ 484
Police	2,847	1,775	2,330	1,390	1,365	1,513	1,984	1,422	1,760	1,691
Fire	6,792	6,980	8,692	4,765	6,302	6,386	10,372	7,506	7,648	5,635
Development and engineering	6,505	3,410	2,871	1,974	2,148	16,700	14,287	5,477	5,945	7,969
Public works	43,198	23,621	28,367	23,224	17,397	5,817	11,460	53,382	55,183	29,807
Parks, recreation, and community services	1,492	1,248	1,454	1,150	1,058	2,009	1,114	2,645	4,662	4,950
Interest in long-term debt					-	591	590	591	592	591
Subtotal governmental activities	64,684	39,926	45,622	35,185	38,141	37,051	43,397	71,947	77,512	51,127
Business-type activities:										
Water	17,659	16,877	15,672	14,501	14,658	15,534	16,859	19,044	16,050	12,487
Wastewater	14,533	13,438	12,131	12,669	14,766	11,494	13,113	16,150	14,934	17,108
Airport	4,060	731	607	417	402	730	277	897	386	615
Solid waste	22,356	20,352	20,352	18,858	16,321	17,330	16,774	17,950	15,006	15,168
Transit	2,030	1,171	2,858	2,018	1,677	4,871	7,386	3,029	3,232	2,194
Drainage	659	3,424	564	864	640	900	777	2,400	7,190	535
Subtotal business-type activities	61,297	55,993	52,184	49,327	48,464	50,859	55,186	59,470	56,798	48,107
Total primary government	\$ 125,981	\$ 95,919	\$ 97,806	\$ 84,512	\$ 86,605	\$ 87,910	\$ 98,583	\$ 131,417	\$ 134,310	\$ 99,234

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755	\$ 1,028
Unreserved	6,640	782	781	791	820	17,626	16,705	17,193	17,356	19,471
Nonspendable										
Restricted		346	333	445	613					
Committed										
Assigned	1,152	523	277	22	2,198					
Unassigned	29,861	33,420	27,503	25,676	23,356					
Total general fund	\$ 37,653	\$ 35,071	\$ 28,894	\$ 26,934	\$ 26,987	\$ 18,985	\$ 17,923	\$ 18,579	\$ 19,111	\$ 20,499
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960	\$ 49,991
Unreserved reported in:										
Special revenue funds						20,890	33,100	35,121	30,971	27,491
Capital projects funds						81,533	100,196	96,588	76,671	73,913
Nonspendable	4	57		4,646	2,948					
Restricted	113,064	97,402	108,381	90,507	99,794					
Committed					4,131					
Assigned	13,360			15,339	20,043					
Unassigned										
Special revenue funds	(610)	(1,278)	(159)	(1,071)	(2,099)					
Capital projects funds										
Debt service funds										
Total all other governmental funds	\$ 125,818	\$ 96,181	\$ 108,222	\$ 109,421	\$ 124,817	\$ 147,131	\$ 171,662	\$ 164,935	\$ 150,602	\$ 151,395

Note - 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Taxes	\$ 46,915	\$ 43,804	\$ 40,503	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343	\$ 40,105
Licenses, permits, and fees	4,706	4,008	3,564	3,174	3,092	3,040	3,112	2,839	3,501	3,688
Fines and forfeits	972	863	568	1,552	1,570	1,715	1,722	1,515	290	290
Use of money and property	1,277	1,699	700	1,459	2,792	4,197	9,046	11,992	9,900	7,479
Intergovernmental	16,235	12,928	16,038	11,992	17,758	15,282	12,899	13,578	18,130	16,948
Charges for services	9,165	8,894	9,147	8,388	10,110	8,525	8,438	5,186	4,913	5,041
Special assessments	29,899	7,181	13,406	4,095	4,933	4,699	5,583	4,843	8,845	10,796
Contributions from assessment districts	3,444	4,346	1,887	5,404	4,448	2,915	6,049	23,043	12,800	14,296
Other	1,410	1,767	1,124	1,294	1,148	1,656	4,595	2,058	1,810	2,684
Total revenues	114,023	85,490	86,937	78,751	82,185	79,093	96,124	113,102	109,515	101,327
Expenditures:										
Current:										
General government	7,748	7,050	6,434	6,854	17,599	7,054	7,569	8,730	6,274	4,700
Police	22,012	21,592	21,488	21,902	20,943	21,836	21,574	20,161	17,607	15,834
Fire	16,033	15,869	15,305	15,205	14,027	14,664	15,387	14,602	13,594	12,201
Community development	7,793	6,467	6,449	6,273	6,066	7,790	12,360	10,114	7,241	12,105
Public works	9,093	8,471	8,091	7,530	7,285	7,327	8,369	8,082	8,203	3,680
Parks and recreation	3,019	3,113	3,330	3,599	3,509	3,320	4,507	3,146	3,117	3,009
Intergovernmental					2,691	6,281	3,288	3,177	2,931	2,570
Debt Service:										
Debt service-principal	328	245	220	195	1,315	1,490	11,300	3,620	1,430	1,390
Debt service-interest	1,334	1,345	1,352	2,623	3,945	3,994	3,799	3,390	3,934	3,849
Debt service-issue costs							1,163	237		
Capital Outlay	20,582	27,179	23,465	19,829	18,731	23,152	20,502	28,712	47,363	41,653
Total expenditures	87,942	91,331	86,134	84,010	96,111	96,908	109,818	103,971	111,694	100,991
Excess of revenue over (under) expenditures	26,081	(5,841)	803	(5,259)	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336
Other financing sources (uses):										
Issuance of debt	248						19,765	4,670		
Transfers in	11,723	1,214	20,600	2,699	3,836	21,828	26,040	12,680	22,148	11,595
Transfers out	(11,745)	(1,236)	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)
Proceeds from sale of property	420									
Total other financing sources (uses):	646	(22)	(42)	-	(385)	(5,563)	19,765	4,670	(2)	-
Net change in fund balances	\$ 26,727	\$ (5,863)	\$ 761	\$ (5,259)	\$ (14,311)	\$ (23,378)	\$ 6,071	\$ 13,801	\$ (2,181)	\$ 336
Debt service as a percentage of non-capital expenditures	2.34%	2.12%	2.33%	4.22%	6.25%	7.44%	16.91%	9.08%	7.35%	7.91%

**CITY OF TRACY
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**

Fiscal Year	Property Current	Property Transfer	Business License	Sales	Franchise	Transient	Transportation		Total
							Tax and	Other	
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
2015	17,709,090	362,107	818,656	24,279,575	2,727,886	1,123,087	2,831,967		49,852,368

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	Taxable Assessed Value	Less Exemptions	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2006	\$7,676,540,593	\$1,407,903,370	\$30,018,206	\$9,114,462,169	\$8,910,751,285	\$203,710,884	\$1,064,000,083	\$118,029,640	\$8,894,854	\$1,173,134,869	1.0000%
2007	7,722,515,369	1,926,262,386	28,870,984	9,677,648,739	9,471,621,705	206,027,034	1,153,659,910	129,426,090	8,627,642	1,274,458,358	1.0000%
2008	7,100,460,195	1,802,322,555	29,831,945	8,932,614,695	8,722,158,216	210,456,479	1,064,845,371	119,462,219	8,442,153	1,175,865,437	1.0000%
2009	5,545,597,687	1,541,725,210	10,742,998	7,098,065,895	8,132,493,612	158,643,838	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	6,182,878,325	120,292,254	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	6,453,385,809	84,950,354	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	5,770,059,807	119,824,162	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	5,701,107,764	119,652,776	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	6,243,627,285	117,977,641	1,053,197,694	140,059,801	96,074,732	1,097,182,763	1.0000%
2015	5,762,710,327	1,272,788,513	269,549,238	7,305,048,078	7,209,389,999	95,658,079	1,106,399,275	148,342,694	77,314,936	1,177,427,033	1.0000%

Source: San Joaquin County -Office of the Auditor-controller and Assessor, MuniServices, LLC
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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Direct rates:</u>										
City of Tracy	0.1561%	0.1561%	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%	0.1703%	0.1729%	0.1207%
San Joaquin County	0.1865%	0.1865%	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%
ERAF	0.2686%	0.2686%	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%	0.2790%	0.2790%	0.2801%
All Others	0.3889%	0.3889%	0.3889%	0.3889%	0.6336%	0.3613%	0.3546%	0.3545%	0.3519%	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	0.0233%	0.0194%	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%
Tracy Unified School District (1,2,3)	0.0213%	0.0247%	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%
Tracy Unified School District (SFID 3)	0.0212%	0.0228%	0.0093%	0.0088%	0.0000%	0.0185%	0.0000%	0.0000%	0.0000%	0.0000%
Total Overlapping Rate	0.0658%	0.0669%	0.0557%	0.0554%	0.0411%	0.0596%	0.2101%	0.2101%	0.2103%	0.2132%
Total Tax Rate	1.0658%	1.0669%	1.0557%	1.0554%	1.0411%	1.0596%	1.2101%	1.2101%	1.2103%	1.2132%

Source: San Joaquin County Auditor data, MuniServices, LLC
1. Rates are not adjusted for ERAF

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

Taxpayer Name	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Prologis	\$136,442,304	1	1.63%	\$26,887,854	6	0.27%
Leprino Foods Company Corp	88,636,458	2	1.06%	12,610,599	19	0.13%
Tracy Mall Partners Lp	80,445,396	3	0.96%	17,774,275	13	0.18%
Amazoncom Distrib W H	61,428,862	4	0.73%	-	-	-
Tracy Hills Project Owner LLC	55,229,808	5	0.66%	-	-	-
Pac Corporate Center Tracy	53,902,064	6	0.64%	-	-	-
Central Valley Ltd Liability	53,531,077	7	0.64%	17,729,857	14	0.18%
Duke Realty Ltd. Ptp	43,434,122	8	0.52%	-	-	-
Tce Tracy Llc	32,860,745	9	0.39%	87,072,913	2	0.86%
Excel Tracy Pavilion Llc	32,115,145	10	0.38%	-	-	-
Car Corral Hollow Llc	31,309,394	11	0.37%	-	-	-
Red Maple Village Lp	31,200,000	12	0.37%	-	-	-
Us Cold Storage Of Calif	25,380,791	13	0.30%	-	-	-
Mg Waterstone Apartments Lp	25,370,060	14	0.30%	46,451,402	3	0.46%
Yrc Inc	23,620,160	15	0.28%	-	-	-
Amb Property Lp	21,991,626	16	0.26%	-	-	-
Wal Mart Real Estate Business	21,642,470	17	0.26%	10,387,796	24	0.10%
Kaiser Foundation Health Plan	21,514,876	18	0.26%	12,439,237	20	0.12%
Lba Ppf Industrial Macarthur	20,851,221	19	0.25%	-	-	-
Sycamore Village Invest	20,322,431	20	0.24%	13,189,930	18	0.13%
Taylor Farms Pacific Inc	19,466,234	21	0.23%	-	-	-
Costco Wholesale Corp	17,956,425	22	0.21%	16,762,542	17	0.17%
Save Mart Supermarket	17,130,638	23	0.20%	9,991,056	25	0.10%
Inland Container Corp	16,910,167	24	0.20%	24,332,973	9	0.24%
Queirolo Shirlee M	16,496,063	25	0.20%	12,041,557	22	0.12%
Pattillo Development Partners	-	-	-	89,072,746	1	0.88%
Standard Pacific Corp	-	-	-	34,968,741	4	0.35%
Orchard Supply Hardware Corp	-	-	-	28,900,000	5	0.29%
Tracy Pavilion LLC	-	-	-	25,537,248	7	0.25%
Comcast Corp	-	-	-	24,732,215	8	0.25%
Stuart Limited Partnership	-	-	-	21,249,529	10	0.21%
RRG RMC Tracy LLC	-	-	-	18,218,622	11	0.18%
Yellow Freight System Inc	-	-	-	17,787,798	12	0.18%
Distribution Ventures LLC	-	-	-	17,175,685	15	0.17%
Consolidated Container Company	-	-	-	17,022,177	16	0.17%
O'Brien Mark T	-	-	-	10,976,211	23	0.11%
Dow Chemical Company Corp	-	-	-	12,320,727	21	0.12%
Total Top 25 Taxpayers	<u>\$969,188,537</u>		11.56%	<u>\$625,633,690</u>		6.20%
Total Taxable Assessed Value	<u>\$8,386,817,032</u>		100.00%	<u>\$10,083,886,154</u>		100.00%

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

**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
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
2015	11,403,560	11,403,560	100.00%	0.00	11,403,560	100.00%	8,386,817,032

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
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%	8.75% (1)
2010	1%		0.50%	0.25%	1%	6%	8.75%
2011	1%	0.50%	0.50%	0.25%	1%	6%	8.75% (2)
2012	1%	0.50%	0.50%	0.25%	1%	5%	8.25%
2013	1%	0.50%	0.50%	0.25%	1%	5.25%	8.50% (3)
2014	1%	0.50%	0.50%	0.25%	1%	5.25%	8.50% (3)
2015	1%	0.50%	0.50%	0.25%	1%	5.25%	8.50% (3)

(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
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(In Thousands)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Apparel stores	\$ 40,690	\$ 44,353	\$ 44,201	\$ 43,308	\$ 44,139	\$ 44,168	\$ 48,789	\$ 50,454	\$ 50,949	\$ 49,641
General merchandise stores	187,434	181,099	175,484	162,641	153,615	190,638	198,898	202,332	191,555	176,705
Food and beverage stores	53,794	56,881	48,819	46,934	43,706	42,410	45,992	46,261	46,378	46,791
Eating and drinking places	116,414	106,888	102,047	96,823	96,801	96,548	96,331	91,427	86,254	79,220
Home furnishings and appliances	126,838	112,795	105,587	69,881	39,955	29,817	20,983	23,221	22,962	21,060
Building maintenance and garden supplies	68,049	60,879	53,955	48,572	46,012	52,559	77,317	114,574	127,316	105,535
Auto dealers and auto suppliers	277,155	215,269	171,430	152,558	143,481	173,715	221,318	257,991	275,477	255,439
Service stations	193,770	186,978	184,707	152,205	127,153	170,652	156,155	129,173	112,621	91,094
Other retail stores	75,202	65,452	57,598	56,267	58,002	82,675	110,264	104,627	107,887	96,944
All other outlets	200,048	168,710	112,575	99,552	126,061	143,815	157,627	156,712	143,499	110,079
Total	\$ 1,339,394	\$ 1,199,306	\$ 1,056,404	\$ 928,740	\$ 878,925	\$ 1,026,995	\$ 1,133,674	\$ 1,176,772	\$ 1,164,898	\$ 1,032,508

City Direct sales tax rate

1%

1%

1%

1%

1%

1%

1%

1%

1%

City Measure E sales tax rate (a)

0.5%

0.5%

0.5%

n/a

n/a

n/a

n/a

n/a

n/a

n/a

Note: Calendar year 2013 most recent data available

(a) Tracy voters approved Measure E, a half cent sales tax with a 5-year sunset effective April 1, 2011

Source: California State Board of Equalization

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

2015		2006	
Taxpayer Name	Business Type	Taxpayer Name	Business Type
American Truck & Titr Body	Auto Parts/Repair	Arco Am/Pm Mini Marts	Service Stations
Arco Am/Pm Mini Marts	Service Stations	Barbosa Cabinets	Bldg. Matis-Retail
Barbosa Cabinets	Bldg. Matis-Retail	Best Buy Stores	Furniture/Appliance
Best Buy Stores	Furniture/Appliance	Chevron Service Stations	Service Stations
Chevron Service Stations	Service Stations	Costco Wholesale	Department Stores
Costco Wholesale	Department Stores	Gottschalks Department Store	Department Stores
Crate & Barrel	Miscellaneous Retail	Home Depot	Bldg. Matis-Retail
Home Depot	-Retail	Independent Utility Supply	Bldg. Matis-Whsle
Independent Utility Supply		Kenko Utility Supply	
Macy's Department Store	Department Stores	Morri Automotive	Auto Sales - New
Nixon-Eglli Equipment Company		Nixon-Eglli Equipment Company	
Premier Hyundai Of Tracy	Auto Sales - New	Safeway Service Stations	Service Stations
Safeway Service Stations	Service Stations	Safeway Stores	Food Markets
Safeway Stores	Food Markets	Save Mart Supermarkets	Food Markets
Save Mart Supermarkets	Food Markets	Sears Roebuck & Company	Department Stores
Shell Service Stations	Service Stations	Target Stores	Department Stores
Target Stores	Department Stores	Tracy Chevrolet	Auto Sales - New
Tracy Chevrolet	Auto Sales - New	Tracy Chrysler/Jeep/Dodge	Auto Sales - New
Tracy Ford Mercury	Auto Sales - New	Tracy Honda	Auto Sales - New
Tracy Honda	Auto Sales - New	Tracy Mazda	Auto Sales - New
Tracy Mazda	Auto Sales - New	Tracy Nissan	Auto Sales - New
Tracy Nissan	Auto Sales - New	Tracy Pontiac/Cadillac/Gmc	Auto Sales - New
Tracy Toyota	Auto Sales - New	Tracy Toyota	Auto Sales - New
Tracy Truck & Auto Stop	Service Stations	Tracy Truck & Auto Stop	Service Stations
Wal Mart Stores	Department Stores	Wal Mart Stores	Department Stores

Source: Q114 & Q105 SBOE data, MuniServices, LLC Top Sales Tax Producers listed in alphabetical order.

**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
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
2015	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

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	
	Certificates of Participation (a)	Lease Revenue 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)	Water Revenue Bonds (b)					
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
2015		22,726,000	108,610,000	825,999	-	13,564,909	25,935,000	11,955				171,673,863	2,013	85,296

Note: Special Assessment Bonds have no City commitment.

Source:

(a) California Municipal Statistics

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

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

Fiscal Year	Outstanding General Bond Debt			Total	Percent of Assessed Value	Per Capita
	Certificates of Participation (a)	Lease Revenue Bonds (a)	Tax Allocation Bonds			
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%	270
2015		22,726,000	-	22,726,000	0.34%	266

Source:

Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015

2014-15 Assessed Valuation: \$ 8,500,905,457

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 06/30/2015	% Applicable (1)	City's Share of Debt 06/30/2015
San Joaquin Delta Community College District	\$ 145,438,426	13.042 %	\$ 18,968,080
Tracy Unified School District	42,240,000	63.394	26,777,626
Tracy Unified School District School Facilities Improvement District No. 3	31,907,637	92.018	29,360,769
Banta School District	630,000	33.504	211,075
Jefferson School District	33,010,733	67928	22,423,531
City of Tracy Community Facilities District No. 87-1	7,775,000	100	7,775,000
City of Tracy Community Facilities District No. 89-1	5,185,000	100	5,185,000
City of Tracy Community Facilities District No. 93-1	2,700,000	100	2,700,000
City of Tracy Community Facilities District No. 98-1	50,935,000	100	50,935,000
City of Tracy Community Facilities District No. 98-3	2,270,000	100	2,270,000
City of Tracy Community Facilities District No. 99-1	5,130,000	100	5,130,000
City of Tracy Community Facilities District No. 99-2	9,360,000	100	9,360,000
City of Tracy Community Facilities District No. 2000-1	12,170,000	100	12,170,000
City of Tracy Community Facilities District No. 2006-1	10,325,000	100	10,325,000
City of Tracy 1915 Act Bonds	7,995,000	100	7,995,000
California Statewide Community Development Authority 1915 Act Bonds	7,100,442	100	7,100,442
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 374,172,238		\$ 218,686,523
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	\$ 151,470,000	14.324 %	\$ 21,696,563
Lammersville Joint Unified School District General Fund Obligations	30,345,000	2.256	684,583
Byron -Bethany Irrigation District General Fund Obligation	4,825,000	11.740	566,455
City of Tracy General Fund Obligations	22,725,000	100	22,725,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			\$ 45,672,601
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	43,615,000	100. %	43,615,000
TOTAL DIRECT DEBT			\$ 22,725,000
TOTAL OVERLAPPING DEBT:			\$ 285,249,124
COMBINED TOTAL DEBT			\$ 307,974,124 (2)

(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 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.57%
Total Direct Debt (\$22,725,000).....	0.27%
Combined Total Debt.....	3.62%

Ratios to redevelopment Incremental Valuation (\$908,535,322)

Total Overlapping Tax Increment Debt.....	4.80%
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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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed Value	\$ 8,387	\$ 7,341	\$ 6,757	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,563	\$ 9,003	\$ 7,775
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,097	1,835	1,689	1,707	1,827	1,835	2,283	2,391	2,251	1,944
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	315	275	253	256	274	275	342	359	338	292
Total net debt applicable to limit	65	65	69	71	121	122	138	132	136	125
Legal debt margin	\$ 250	\$ 210	\$ 184	\$ 185	\$ 153	\$ 153	\$ 204	\$ 227	\$ 202	\$ 167

Note:

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

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water revenue bonds/EDA note										
Water revenue	\$ 17,675,668	\$ 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
Less: operating expenses	(13,976,245)	(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)
Net available revenue	3,699,423	5,928,620	2,545,995	2,363,099	2,201,569	4,296,071	5,477,708	5,073,017	4,956,468	4,560,157
Debt service:										
Principal	924,248	902,995	882,230	4,128,612	1,099,165	1,035,686	964,703	878,166	1,960,910	938,962
Interest	466,171	354,924	465,690	531,639	637,999	665,810	731,215	850,589	791,373	477,056
Total Debt Service	1,390,419	1,257,919	1,347,920	4,660,251	1,737,164	1,701,496	1,695,918	1,728,755	2,752,283	1,416,018
Coverage	2.66	4.71	1.89	0.51	1.27	2.52	3.23	2.93	1.80	3.22
Wastewater revenue bonds:										
Wastewater revenue	14,558,438	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
Less: operating expenses	(7,823,215)	(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)
Net available revenue	6,735,223	5,819,664	5,646,859	4,096,110	4,254,235	5,445,255	5,214,253	8,127,883	8,230,253	4,746,126
Debt service:										
Principal	695,000	1,015,000	985,000	950,000	993,010	911,535	885,000	910,000	290,000	280,000
Interest	1,208,468	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
Total Debt Service	1,903,468	2,251,956	2,270,258	2,263,920	2,335,767	2,278,293	2,260,786	2,280,803	1,703,783	1,709,186
Coverage	3.54	2.58	2.49	1.81	1.82	2.39	2.31	2.81	4.83	2.78
Tax allocation bonds:										
Tax increment	-	-	-	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405	9,459,352	7,943,581
Debt service:										
Principal	-	-	-	1,195,000	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000	980,000
Interest	-	-	-	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489	2,714,677	2,739,269
Total Debt Service	-	-	-	2,457,289	3,721,992	3,718,989	3,734,812	3,725,489	3,719,677	3,719,269
Coverage	-	-	-	1.77	2.04	2.38	2.75	2.73	2.54	2.14

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

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 Rate (1)	Unemployment Number (1)	Population (2)	Labor Force (1)	Employment (1)	Unemployment Rate (1)	Unemployment Number (1)
2006	80,461	32,700	31,200	4.5%	1,500	662,395	284,300	263,200	7.2%	21,100
2007	81,107	32,930	31,310	4.9%	1,620	667,886	289,200	265,800	7.7%	23,300
2008	81,548	34,100	32,000	6.2%	2,100	672,388	293,000	262,700	9.5%	30,300
2009	81,714	34,169	28,872	15.5%	5,297	674,860	298,200	252,600	14.8%	45,600
2010	81,519	32,800	29,600	9.7%	3,200	685,306	298,900	247,200	16.4%	51,800
2011	83,418	32,900	29,800	9.6%	3,100	682,660	295,300	244,000	16.7%	51,300
2012	83,900	32,900	29,800	9.5%	3,100	695,750	300,300	254,800	15.1%	45,500
2013	84,060	32,700	29,600	9.5%	3,100	692,997	298,500	253,200	15.2%	45,300
2014	85,146	33,100	30,500	8.0%	2,600	701,745	298,800	260,400	12.8%	38,400
2015	85,296	41,200	38,100	7.4%	3,050	719,511	309,800	282,600	8.80%	27,200

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 EMPLOYERS
CURRENT FISCAL YEAR AND EIGHT YEARS AGO**

Taxpayer Name	2015			2007 ^(a)		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
GOLDEN STATE FC LLC (AMAZON)	1,853	1	9.86%			
SMX LLC	840	2	4.47%			
THE HOME DEPOT	442	3	2.35%	113	18	0.8%
TAYLOR FARMS PACIFIC INC	433	4	2.30%	197	7	1.4%
BARBOSA CABINETS INC	384	5	2.04%	370	1	2.6%
WAL-MART	377	6	2.01%	234	4	1.7%
RESTORATION HARDWARE	355	7	1.89%	50	37	0.4%
BEST BUY	332	8	1.77%	106	19	0.8%
LEPRINO FOODS	309	9	1.64%	297	3	2.1%
ORCHARD SUPPLY HARDWARE	279	10	1.48%	342	2	2.4%
MCDONALD'S	273	11	1.45%	157	10	1.1%
MEDLINE INDUSTRIES INC	251	12	1.34%			
PACIFIC MEDICAL INC	200	13	1.06%	120	16	0.8%
Y R C	193	14	1.03%	200	6	1.4%
COSTCO WHOLESALE	153	15	0.81%	136	11	1.0%
APL LOGISTICS	145	16	0.77%	121	15	0.9%
INTERNATIONAL PAPER	138	17	0.73%	231	5	1.6%
MC LANE FOODSERVICE INC	132	18	0.70%	1	939	0.0%
CRATE & BARREL	121	19	0.64%			
GLASSFAB TEMPERING	120	20	0.64%			
MACY'S	110	21	0.59%			
EVERGREEN NEW HOPE	109	22	0.58%	105	20	0.7%
TEXAS ROADHOUSE	105	23	0.56%	82	25	0.6%
TARGET STORES	104	24	0.55%	136	12	1.0%
MI PUEBLO FOOD CENTER	102	25	0.54%			
Total Top 25 Employers	7,860		11.54%	2,998		21.21%
Total Citywide Employees	18,797		100.00%	14,133		100.00%

Source: City of Tracy Finance Department

Notes: ^(a) Data for nine years prior not available

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	4	5	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	7	7	7	16	17	6	6
Human Resources	6	5	5	6	6	6	9	9	9	7
Finance & Information Systems	27	24	23	23	23	23	26	27	25	25
Police	136	135	135	134	133	135	154	155	141	132
Fire	79	78	80	82	78	78	85	84	81	107
Economic Development	3	2	2	4	8	6	6	5		
Development and Engineering	37	40	38	48	41	44	55	55	52	54
Public Works	46	46	46	59	59	66	71	74	80	64
Parks and Community Services	38	35	41	50	59	50	48	49	40	18
Water	39	39	39	40	40	41	44	44	40	38
Wastewater	26	27	26	28	28	29	29	29	25	24
Airport	2	2	2	1	2	2	2	2	1	1
Solid waste	1	1	1	2	1	1	1	1	1	1
Transit	2	2	2	2	2	2	2	2	2	2
Drainage	3	3	3	2	2	2	2	2	2	2
Total	462	456	460	499	499	502	560	565	515	491

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Building Permits Issued	2,852	1,924	1,435	1,293	915	844	898	774	790	1,136
Building Inspections requested	13,824	9,128	6,189	4,568	2,975	3,377	2,859	5,334	7,920	18,008
Police:										
Arrests	2,502	2,541	2,765	2,896	2,941	3,415	4,435	4,450	4,448	3,561
Parking citations issued	1,160	1,454	1,472	2,196	3,153	4,704	2,948	2,916	2,292	2,107
Traffic violations	5,450	3,798	3,519	5,281	6,668	7,347	7,007	6,867	8,059	6,132
Fire:										
Number of emergency calls	6,811	6,443	6,322	5,951	5,570	5,717	6,159	6,165	6,580	5,907
Inspections	4,071	3,333	3,114	3,416	2,383	1,614	3,776	3,814	3,586	2,316
Water:										
Water Mains (miles)	426	420	410	410	402	402	402	402	400	395
New connections	74	45	23	20	20	22	25	40	40	600
Maximum Daily Capacity (gallons)										
(millions of gallons)	57	57	57	57	57	57	57	57	57	57
Average daily consumptions (gallons)										
(millions of gallons)	14	15	15	15	14.4	16	16	16	16	16
Sewer:										
Sanitary Sewer (miles)	421	415	410	410	400	400	400	400	400	395
New connections	74	45	22	14	20	22	25	40	40	600
Average daily treatment (gallons)										
(millions of gallons)	9.5	9.5	9.5	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)	221	211	205	198	194	227	339	342	339	325
Recyclables collected (tons per day)	69	66	65	64	66	49	26	28	27	27
Transit:										
Average daily passengers	519	444	418	357	325	334	323	329	325	318
Total fixed route miles	313,380	228,817	237,089	226,808	152,284	156,211	154,937	236,684	236,689	213,928

Source: City of Tracy, Finance and Administrative Services Department

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	6,004	5,430	5,430	5,430	5,430	4,781	4,770	4,763	4,752	4,658
Number of traffic signals	84	84	78	78	78					
Parks and recreation:										
Number of parks	76	76	76	76	76	76	76	76	74	74
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	426	420	410	410	395	395	395	395	395	395
Wastewater										
Sanitary sewers (miles)	421	415	410	410	395	395	395	395	395	395
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	15	15	15	15	15	14	13	13	12	12

Source: City of Tracy, Finance and Administrative Services Department