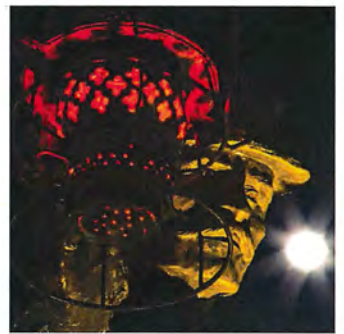




**CITY OF TRACY**  
California



**Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2016**



▲ **Think Inside The Triangle** ▲

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

of the

**CITY OF TRACY, CALIFORNIA**

For the fiscal year ended  
June 30, 2016

Prepared by the  
Finance Department

**MARTHA GARCIA**

Interim Finance Director

**ROBERT HARMON, CPA**

Senior Accountant

**ALLAN J. BORWICK**

Budget Officer

PEGGY BARNES	Accounting Technician
ANNE BELL	Management Analyst II
LAURA BORJON	Accountant
AMANDA CORDOVA	Accounting Assistant
DON HIGGINS	Senior Accounting Assistant
ROSEMARIE MARQUEZ	Accounting Technician
STACEY MERJIL	Accounting Assistant
LINDA MONIZ	Accounting Coordinator
KELLY MURILLO	Accounting Assistant
VERONICA NUNEZ	Accounting Assistant
DELORES OHM	Payroll Coordinator
SARA REMONDA	Senior Accounting Assistant
GRACE SEGURA	Senior Accounting Assistant
RAQUEL VOTAW	Senior Accounting Assistant
VERA WHITTENBURG	Accountant
ISABEL YAMADA	Accounting Technician

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# Introductory Section



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**CITY OF TRACY**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2016**

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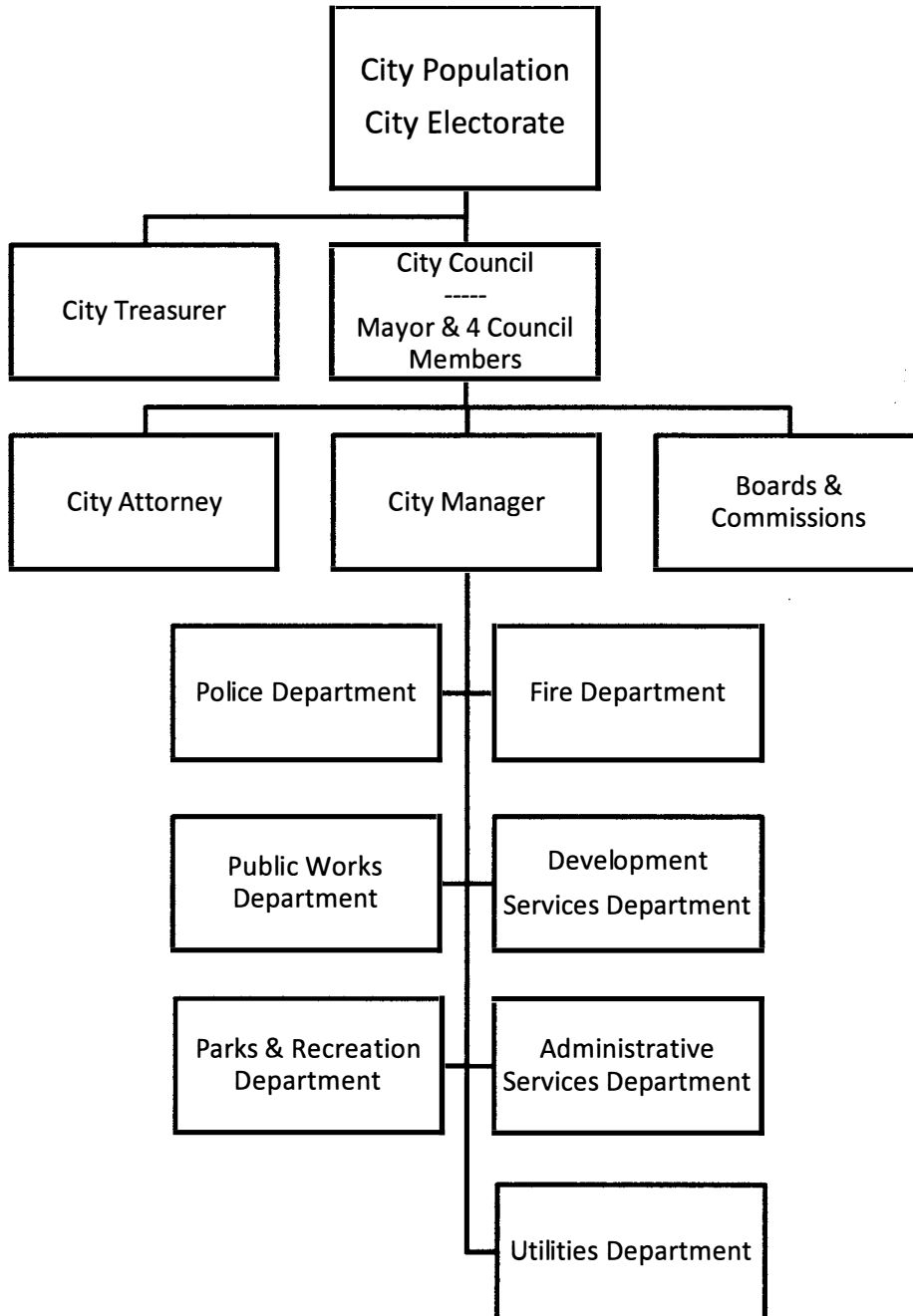
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# City of Tracy ORGANIZATION CHART



**CITY OF TRACY, CALIFORNIA**

**COUNCIL – MANAGER FORM OF GOVERNMENT**

June 30, 2016

**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*

**Bill Sartor**

*City Attorney*

**Martha Garcia**

*Interim Finance Director*

**OTHER DEPARTMENT HEADS**

**Randall Bradley**

*Fire Chief*

**Larry Esquivel**

*Police Chief*

**Andrew Malik**

*Development Services Director*

**Don Scholl**

*Public Works Director*

**Kuldeep Sharma**

*Utilities Director*

**André Pichley**

*Parks & Recreation Director*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Tracy  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



# CITY OF TRACY

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

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

Think Inside the Triangle™

February 16, 2017

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, 2016.

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 89,208 and 29.1 square miles in 2016.

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, 2016. 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 2016 unemployment rate of 5.4% remains higher than the national average of 4.9%. San Joaquin County’s unemployment rate of 8.3% 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%.

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 15/16 they represented 72% 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 which sunsetted in March of 2016, sales tax revenue has exceeded the pre-recession high set in 2007. 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 15/16 was the fourth 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, 2016, the City had \$40,655,597 in reserves. Fiscal Year 15/16 was also



the last year of Measure E receipts, and the City entered FY 16/17 with structural deficit. With unassigned reserves as of June 30, 2016 of \$34.4 million, this represents approximately 61% of expected General Fund expenses in FY 15/16. In November of 2016, the City of Tracy voted to approve a half-cent Measure V sales tax for a term of 20 years. The City is expecting implementation of the half-cent Measure V sales tax in April of 2017. Measure V is expected to generate approximately \$8 million annually and the City of Tracy is committed to maintaining fiscally sustainability while providing public safety, maintaining the backbone of the City and enhancing the City's infrastructure and amenities.

## ***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 opened in Spring of 2016, which provides 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.
- 11<sup>th</sup> 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 was an indicator that the City was facing a structural deficit upon the expiration of measure E. That said, in November of 2016, the City of Tracy voted to approve a half-cent Measure V sales tax for a term of 20 years. The City is expecting implementation of the half-cent Measure V sales tax in April of 2017. Measure V is expected to generate approximately \$8 million annually conversely the 5-year fiscal plan has a structural surplus.

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

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

- 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 2018, a total of fifteen different systems will have been replaced with a single, comprehensive ERP system.

***Major Initiatives (continued)***

**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 Finance 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 V (a half-cent sales tax with a 20-year sunset) in November 2016. Beginning in April 2017, this new long-term temporary revenue source, combined with prior expense reductions, provides a stable fiscal environment. 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 \$40.7 million is actually comprised of \$18.6 million in the General Fund, \$10.1 million in the Contingency/Emergency Reserve, \$5 million in the Budget Stabilization Reserve and \$7 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 V 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 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 in FY 14/15.

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, 2015. This was the 28<sup>th</sup> consecutive year that the government has received this prestigious award. In order

to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 16/17. 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.

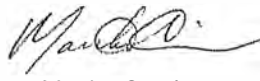
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Administrative Services Department staff. Each member of the Department has my appreciation for the contributions made in the preparation of this report.

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



Martha Garcia  
Interim Finance 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, California, as of and for the year ended June 30, 2016, 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, 2016, 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.



### ***Changes in Accounting Principles***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1J to the financial statements.

Management early-implemented the provisions of Governmental Accounting Standards Board Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information.

The emphasis of these matters 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 February 16, 2017, 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.

*Maye & Associates*

Pleasant Hill, California  
February 16, 2017

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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, 2016. 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 2015-16 fiscal year by \$1.036 billion (Net Position). Of this amount \$34.0 million (Unrestricted Net Position) is designated to be used to meet ongoing obligations to citizens and creditors; \$145.7 million is restricted for capital projects, debt service and legally segregated taxes, grants, and fees; and \$856.8 million is invested in capital assets. The Unrestricted Net Position reflects the inclusion of a Net Pension Liability of \$56.9 million in accordance with 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, 2016, the governmental funds reported combined fund balances of \$152.0 million, of which \$146.1 million is available to meet the City's current and future needs (Restricted, Committed, Assigned, and Unassigned balances).
- As of June 30, 2016 the fund balance for the General Fund was \$40.7 million of which \$5.9 million is designated as Non-Spendable for items such as deposits, prepaid assets, inter-fund advances, and inventory. Assigned fund balance was \$.4 million, designated for items such as economic revitalization and public facilities oversizing, and the unassigned balance was \$34.4 million.

### **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 34 governmental funds of which 8 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 \$1.036 billion at the close of the fiscal year ended June 30, 2016. This is an increase of \$23 million from June 30, 2015.

The following table reflects the Summary of Net Position for the fiscal year ended June 30, 2016 with comparative data for the fiscal year ended June 30, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and Investments	\$ 163,669	\$ 176,382	\$ 44,475	\$ 37,874	\$ 208,144	\$ 214,255
Other Assets	59,817	47,926	6,764	9,045	66,581	56,972
Capital Assets	576,465	549,624	340,374	353,658	916,839	902,922
Total Assets	799,591	773,572	391,613	400,577	1,191,564	1,174,159
Deferred Outflows						
Related to Pensions	7,223	6,405	754	577	7,977	6,982
Current Liabilities	26,174	23,115	6,004	9,214	32,178	32,330
Non-Current Liabilities	77,201	76,871	42,729	44,475	119,930	121,346
Total Liabilities	103,375	99,986	48,733	53,689	152,108	153,675
Deferred Inflows						
Related to Pensions	9,848	12,815	1,042	1,406	10,890	14,221
Net Investment in Capital						
Assets	553,913	526,467	302,887	314,492	856,801	840,959
Restricted	145,380	152,380	347	346	145,728	152,726
Unrestricted	(5,343)	(11,671)	39,357	31,221	34,013	19,550
Total Net Position	\$ 693,950	\$ 667,176	\$ 342,592	\$ 346,059	\$ 1,036,543	\$ 1,013,235



The City's Government-wide Net Position as of June 30, 2016, comprised the following:

- Cash and investments comprised of \$203.2 million in the city treasury and \$4.9 million of restricted cash held by fiscal agents. This represents a decrease of \$4.5 million in restricted cash and investments. The decrease is primarily attributable to capital projects activity.
- Governmental receivables were comprised of \$21.2 million of current receivables and \$32.7 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 \$916.8 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$145.4 million, is restricted for capital projects (\$104.4 million), low-moderate income housing projects (\$16.5 million), debt service (\$10.0 million), and \$14.5 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position totals \$34.0 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 \$5.3 million in Governmental Activities and the decrease in the restricted balance of Business-type Activities reflects the prior year implementation of GASB Statement No. 68 and the related Net Pension Liability of \$56.8 million.

The Change in Net Position expressed as the change in revenues and expenses through June 30, 2016 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	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 12,821	\$ 11,136	\$ 52,982	\$ 51,037	\$ 65,803	\$ 62,173
Operating Contributions and Grants	12,811	13,097	2,041	1,608	14,852	14,705
Capital Grants and Contributions	37,084	40,451	3,302	8,652	40,385	49,103
Total Program Revenues	62,716	64,684	58,325	61,297	121,041	125,981
General Revenues:						
Property Taxes	19,638	17,709			19,638	17,709
Other Taxes	29,709	29,312			29,708	29,312
Other General Revenues and Transfers	(610)	1,957	5,717	626	5,108	2,583
Special Item	3,162				3,162	
Total General Revenues and Special Item	51,899	48,978	5,717	626	54,454	49,603
Total Revenues	114,615	113,662	64,042	61,923	175,495	175,584
<b>Expenses</b>						
General Government	13,629	7,907			13,629	7,907
Police	21,922	21,556			21,922	21,556
Fire	15,936	16,005			15,936	16,005
Development & Engineering	8,794	7,667			8,794	7,667
Public Works	23,081	19,905			23,081	19,905
Parks & Community Services	3,134	3,289			3,134	3,289
Interest on Long-term Debt	1,345	1,337			1,345	1,337
Unallocated Depreciation					-	-
Water			22,659	23,610	22,659	23,610
Wastewater			16,522	17,040	16,522	17,040
Solid Waste			20,899	19,477	20,899	19,477
Storm Drainage			3,485	3,436	3,485	3,436
Airport			775	703	775	703
Transit			3,169	2,967	3,169	2,967
Total Expenses	87,841	77,666	67,509	67,233	155,350	144,899
Change in Net Position	26,774	35,996	(3,467)	(5,310)	23,307	30,685
Net Position, Beginning	667,176	631,180	346,059	351,369	1,013,235	982,550
Net Position, Ending	\$ 693,951	\$667,176	\$ 342,592	\$ 346,059	\$ 1,036,543	\$ 1,013,235

Revenues

Total governmental activity revenues increased by \$953 thousand. This increase is primarily attributable to increased property taxes and other revenue.

Expenses

Expenses for the City totaled \$155.3 million and \$144.9 million for the years ended June 30, 2016 and 2015, respectively. Governmental activities incurred \$87.8 million of expenses while business-type activities incurred \$67.5 million. Of the Governmental Activities, the largest expenses were in Public Safety (\$37.9 million), Public Works (\$23.1 million), and General Government (\$13.6 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, 2016**  
(in thousands of dollars)

Program	Net Revenue/(Expense) From Services	
	2016	2015
General Government	(\$10,530)	(\$ 4,057)
Public Safety	(29,266)	(27,923)
Public ways and facilities/transportation	17,770	22,132
Culture and Leisure	(1,754)	(1,796)
Interest and Fiscal Charges	(1,345)	(1,337)
<b>Total Net Revenue/(Expense)</b>	<b>(\$ 25,125)</b>	<b>(\$ 12,981)</b>

Net revenues/expenses to General Government increased by \$6.5 million, largely due to increased non departmental expenses of \$4.0 million due to the remittance of \$4.5 million to the Successor Agency to satisfy the demand of the State Controller's Office related to the Non-Housing Due Diligence Review as discussed in Note 16A.

## Business-Type Activities

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

	Business-type Activities	
	2016	2015
<b>Net Revenue (Expense) from Business-type Activities</b>		
Water	(\$ 8,858)	(\$ 5,951)
Wastewater	(2,672)	(2,508)
Airport	1,846	3,357
Solid Waste	4,257	2,878
Transit	(958)	(937)
Drainage	(2,799)	(2,776)
<b>Total Business-type Activities</b>	<b>(\$ 9,184)</b>	<b>(\$ 5,937)</b>

Net revenues of Business-type Activities decreased \$3.2 million as a result of decreased revenues related to Charges for combined with an increase in operating expenses of \$.6 million.

### 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, 2016, the City's governmental funds reported combined fund balances of \$152.0 million, which is a decrease of \$11.5 million compared with the prior year. This decrease is largely attributable to the \$14.1 million net change in fund balance in the General Projects and Tracy Infrastructure Master Plans Fund. Governmental fund revenues were \$110.4 million this year. The General Fund accounted for 55% of this total. Expenditures were \$120.0 million this year. Of this total, \$55.7 million was in the General Fund.

### **General Fund**

At June 30, 2016, the General Fund balance was comprised of \$5.9 million in non-spendable balances, \$4 million of assigned balances and \$34.4 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, 2016, the fund balance of the Housing Successor Special Revenue Fund was comprised of \$9 million in cash and investments and \$2.8 million in loans to the Successor Agency.

### **TEA Grant Fund**

The TEA Grant Fund had revenues of \$7.9 million and expenses of \$10.3 million, all for capital projects. The fund balance was (\$2.9) million and decreased over prior year balance of (\$6) million.

### **South County Fire Authority Fund**

The South County Fire Authority Fund had revenues of \$6.5 million and expenses of \$5.9 million. The fund balance of \$1.8 million was an increase of \$.7 million over the prior year.

### **Community Development Fees Special Revenue Fund**

The Community Development Fees Special Revenue Fund had revenues of \$6.8 million and expenses of \$9.1 million. The activities in this fund were reported in the General Fund prior to July 1, 2015.

### **2008 Lease revenue Bonds Fund**

The fund balance of the 2008 Lease Revenue Bond Fund remained essentially unchanged at \$.7 million over the prior year.

### **General Projects Fund**

The General Projects Fund had revenues of \$3.3 million and expenses of \$14.1 million. The fund balance of \$6.7 million was a decrease of \$8.4 million over the prior year.

### **Tracy Infrastructure Master Plan Fund**

The Tracy Infrastructure Master Plan Fund had revenues of \$.9 million and expenses of \$7.5 million. The fund balance of \$14.3 million was a decrease of \$5.7 million over the prior year.

## **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 \$342.6 million at June 30, 2016. Proprietary operating revenues were \$53.0 million and operating expenses were \$66.0 million in fiscal 2016.

### ***Water Fund***

The net position of the Water Fund is \$145.5 million. Approximately (\$.3) million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$145.8 million. Activities for the year were comprised of \$13.1 million in operating revenues for the current year and \$22.5 million in operating expenses. The decrease in revenues is a direct result of mandatory conservation efforts to meet current State mandates.

### ***Wastewater Fund***

The net position of the Wastewater Fund is \$117.5 million for the current year. Operating revenues for fiscal year 2016 were \$13.6 million, an increase of 3.8% from fiscal year 2015. Operating expenditures decreased by \$0.5 million or 3.2% from fiscal year 2015. A total of \$89.3 million of the fund's net position is invested in capital assets, with \$27.9 million unrestricted.

### ***Solid Waste Fund***

Operating revenues for fiscal year 2016 totaled \$25.1 million. Operating expenses were \$20.9 million. The unrestricted net position was \$14.7 million at year-end.

### ***Drainage Fund***

The net position of the Drainage Fund is \$46.2 million for the current year. Operating revenues for fiscal year 2016 were \$.6 million, with no significant change from fiscal year 2015. A total of \$46.0 million of the fund's net position is invested in capital assets, with \$.2 million unrestricted.

### ***Airport Fund***

Operating revenues for the Airport Fund were \$.4 million. A total of \$8.7 million of the fund's net position is invested in capital assets, with (\$3.5) million unrestricted.

### ***Transit Fund***

The operating revenue for this fund totaled \$.1 million as of June 30, 2016. Operating expenses were \$3.2 million, an increase of \$.2 million over the prior year. The result was a loss of \$1.0 million before contributions and transfers. A total of \$13.0 million of the fund's net position is invested in capital assets, with \$.3 million unrestricted.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget for the General Fund totaled \$59.2 million. The difference in appropriations between the original budget and the final amended budget was \$5.3 million, largely due to increased appropriations for the non departmental expenses of \$4.0 million related to the remittance of \$4.5 million to the Successor Agency to satisfy the demand of the State Controller's Office related to the Non-Housing Due Diligence Review as discussed in Note 16A.

As the economy continues to recover, General Fund revenues exceeded their budgeted forecasts by \$4.9 million. As previously noted, Tax Revenue collected for the City surpassed projections by \$2.4 million.

At the end of the fiscal year, the total actual expenses of the General Fund were \$3.5 million under the total amended budget. \$.9 million of this variance was attributable to lower public safety expenses, primarily related to delays in hiring new personnel. An additional \$1.0 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 2016 the City had \$916.8 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	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets						
Land	\$ 175,610	\$ 171,938	\$ 11,871	\$ 11,841	\$ 187,481	\$ 183,779
Streets and Roads	227,666	222,927			227,666	222,927
Construction in-Progress	38,666	20,650	17,013	13,624	55,679	34,274
Total	441,942	415,515	28,884	25,465	470,826	440,980
Depreciable assets						
Buildings and Improvements	87,087	85,453	135,265	135,266	222,352	220,719
Improvements Grading, Curbs & Gutters Sidewalks & Driveway	88,695	82,853	91,093	90,205	179,788	173,058
Approaches	27,583	27,582			27,583	27,582
Traffic Signals	20,877	18,548			20,877	18,548
Equipment	30,910	29,839	44,791	44,617	75,701	74,456
Infrastructure	13,557	13,356	251,760	248,375	265,317	261,731
Intangible Assets	1,053	972	76,745	76,745	77,978	77,717
Less: accumulated depreciation	(135,239)	(124,854)	(288,164)	(267,015)	(423,403)	(391,869)
Net depreciable assets	134,523	133,749	311,490	328,193	446,013	461,943
Total Capital Assets	\$ 576,465	\$ 549,264	\$ 340,374	\$ 353,658	\$ 916,839	\$ 902,922

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 2016, the City expended \$2,186,853 to preserve its roads, and the condition index level was 71. The City estimates that it will be required to expend approximately \$5,057,022 in fiscal year 2017 to maintain its roads and return them to a condition level of 73.

## 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 \$22.6 million in debt associated with Governmental Activities and \$37.8 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	
	2016	2015	2016	2015	2016	2015
2008 Lease Revenue Bonds	\$ 18,650	\$ 18,845	\$ 0	\$ 0	\$ 18,650	\$ 18,845
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,080	1,190			1,080	1,190
Capital Leases		826				826
PG&E LED Street Light Program	132	195			132	195
2004 Wastewater Revenue Bonds			25,215	25,935	25,215	25,935
State of California-Department of Transportation Loan				12		12
State of California-Department of Health Services Loan			12,619	13,565	12,618	13,565
<b>Total Long Term Liabilities</b>	<b>\$ 22,552</b>	<b>\$ 23,746</b>	<b>\$ 37,834</b>	<b>\$ 39,512</b>	<b>\$ 60,386</b>	<b>\$ 63,258</b>

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

As reflected in this fiscal report, the City is experiencing the positive effects in an improved economic climate. Property values have continued to increase and sales tax is strong and has surpassed the highs established in 2007. These positive changes have enabled the City to replenish its reserves for the third consecutive year. However, the City must continue its path of fiscal prudence as it prepares for future increases to CalPERS pension costs. 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, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$159,110,851	\$44,127,512	\$203,238,363
Restricted cash and investments (Note 3)	61,671		61,671
Cash and investments with fiscal agents (Note 3)	4,496,776	347,627	4,844,403
Accounts receivable	21,177,231	10,401,828	31,579,059
Inventory		570,994	570,994
Interest receivable	338,464	241,001	579,465
Prepaid items	1,929	163,275	165,204
Internal balances (Note 4)	4,613,057	(4,613,057)	
Deposits (Note 5I)	1,000,000		1,000,000
Loans receivable (Note 5)	29,882,972		29,882,972
Advances to CDA successor agency (Note 5)	2,803,520		2,803,520
Capital assets, not being depreciated (Note 6)	441,942,634	28,883,636	470,826,270
Capital assets, being depreciated, net of accumulated depreciation (Note 6)	134,522,714	311,490,251	446,012,965
Total Assets	<u>799,951,819</u>	<u>391,613,067</u>	<u>1,191,564,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>7,222,746</u>	<u>754,572</u>	<u>7,977,318</u>
<b>LIABILITIES</b>			
Accounts payable	7,757,010	2,323,525	10,080,535
Accrued interest payable	312,291	97,060	409,351
Deposits payable	15,026,913	1,631,131	16,658,044
Unearned revenue	1,693,006	57,489	1,750,495
Compensated absences (Note 1G):			
Due within one year	986,921	181,678	1,168,599
Due in more than one year	2,049,958	429,445	2,479,403
Claims liabilities (Note 13):			
Due in more than one year	112,494		112,494
Long-term debt (Note 7):			
Due within one year	398,279	1,713,269	2,111,548
Due in more than one year	22,153,552	36,120,638	58,274,190
Net pension liability (Note 10)	50,700,669	6,178,935	56,879,604
Net OPEB obligation (Note 11)	2,184,114		2,184,114
Total Liabilities	<u>103,375,207</u>	<u>48,733,170</u>	<u>152,108,377</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>9,848,591</u>	<u>1,041,986</u>	<u>10,890,577</u>
<b>NET POSITION (Note 9)</b>			
Net investment in capital assets	<u>553,913,517</u>	<u>302,887,607</u>	<u>856,801,124</u>
Restricted for:			
Debt service	9,948,918	347,627	10,296,545
Public safety	3,258,374		3,258,374
Streets and roads	4,328,172		4,328,172
Community development	1,550,113		1,550,113
Special districts	5,350,908		5,350,908
Projects	104,414,809		104,414,809
Housing	16,529,284		16,529,284
Total Restricted Net Position	<u>145,380,578</u>	<u>347,627</u>	<u>145,728,205</u>
Unrestricted	<u>(5,343,328)</u>	<u>39,357,249</u>	<u>34,013,921</u>
Total Net Position	<u>\$693,950,767</u>	<u>\$342,592,483</u>	<u>\$1,036,543,250</u>

See accompanying notes to basic financial statements

CITY OF TRACY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government				
Economic development	\$983,583	\$125	\$681,279	\$1,427,295
General government	4,004,676	360,046		
Finance	3,327,664			
Non-departmental	5,312,871	495,102		135,120
Public safety				
Police	21,921,980	731,021	1,274,616	46,892
Fire	15,935,860	278,654	6,260,744	
Public ways and facilities/transportation				
Development and engineering	8,793,791	6,816,305		392,427
Public works	23,080,744	3,093,302	4,594,569	34,748,739
Culture and leisure				
Cultural arts	1,336,176	300,305		
Parks and community services	1,798,155	746,246		333,054
Interest and fiscal charges	1,345,075			
<b>Total Governmental Activities</b>	<b>87,840,575</b>	<b>12,821,106</b>	<b>12,811,208</b>	<b>37,083,527</b>
<b>Business-type Activities:</b>				
Water	22,658,739	13,101,168		699,534
Wastewater	16,521,797	13,615,963		233,474
Airport	775,469	402,962		2,219,107
Solid waste	20,898,944	25,156,194		
Transit	3,168,500	96,471	2,041,184	72,477
Drainage	3,485,476	608,929		77,743
<b>Total Business-type Activities</b>	<b>67,508,925</b>	<b>52,981,687</b>	<b>2,041,184</b>	<b>3,302,335</b>
<b>Total</b>	<b>\$155,349,500</b>	<b>\$65,802,793</b>	<b>\$14,852,392</b>	<b>\$40,385,862</b>
<b>General revenues:</b>				
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				
Transfers (Note 4)				
Special Item:				
Transfer of capital assets from Successor Agency (Note 6A)				
<b>Total general revenues, transfers and special item</b>				
Change in Net Position				
Net Position-Beginning				
Net Position-Ending				

See accompanying notes to basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$1,125,116		\$1,125,116
(3,644,630)		(3,644,630)
(3,327,664)		(3,327,664)
(4,682,649)		(4,682,649)
(19,869,451)		(19,869,451)
(9,396,462)		(9,396,462)
(1,585,059)		(1,585,059)
19,355,866		19,355,866
(1,035,871)		(1,035,871)
(718,855)		(718,855)
(1,345,075)		(1,345,075)
<u>(25,124,734)</u>		<u>(25,124,734)</u>
	(\$8,858,037)	(8,858,037)
	(2,672,360)	(2,672,360)
	1,846,600	1,846,600
	4,257,250	4,257,250
	(958,368)	(958,368)
	<u>(2,798,804)</u>	<u>(2,798,804)</u>
	<u>(9,183,719)</u>	<u>(9,183,719)</u>
<u>(25,124,734)</u>	<u>(9,183,719)</u>	<u>(34,308,453)</u>
19,638,061		19,638,061
2,775,984		2,775,984
24,371,002		24,371,002
1,378,802		1,378,802
814,210		814,210
368,922		368,922
34,416		34,416
829,326	9,879	839,205
2,667,973	15,301	2,683,274
999,506	550,862	1,550,368
(5,140,999)	5,140,999	
<u>3,162,017</u>		<u>3,162,017</u>
<u>51,899,220</u>	<u>5,717,041</u>	<u>57,616,261</u>
26,774,486	(3,466,678)	23,307,808
<u>667,176,281</u>	<u>346,059,161</u>	<u>1,013,235,442</u>
<u>\$693,950,767</u>	<u>\$342,592,483</u>	<u>\$1,036,543,250</u>



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<b>FUND FINANCIAL STATEMENTS</b>
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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the City in fiscal 2016. 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.

***COMMUNITY DEVELOPMENT FEES***

This fund was established to account for revenues and expenditures of the Building, Engineering and Planning Divisions. These funds were added in FY15-16 to better account for these specific activities and restricted revenue sources. Prior to FY15-16, these activities were in the General Fund.

***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, 2016

	General	Housing Successor	TEA Grant	South County Fire Authority	Community Development Fees
<b>ASSETS</b>					
Cash and investments (Note 3)	\$29,021,461	\$847,400	\$10,516	\$1,527,108	\$9,181,264
Restricted cash and investments (Note 3)		51,671			
Cash and investments with fiscal agents (Note 3)					
Accounts receivable	6,413,188		5,946,803	1,262,108	1,132,499
Interest receivable	41,153	2,510		3,771	
Due from other funds (Note 4)	1,966,600				
Prepaid items	774				330
Deposits (Note 5I)					
Loans receivable (Note 5)	524,443	12,824,183		5,122,537	
Advances to CDA successor agency (Note 5)		2,803,520			
Advances to other funds (Note 4)	5,366,594				
<b>Total Assets</b>	<b><u>\$43,334,213</u></b>	<b><u>\$16,529,284</u></b>	<b><u>\$5,957,319</u></b>	<b><u>\$7,915,524</u></b>	<b><u>\$10,314,093</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$1,601,937		\$95,073	\$60,866	\$1,124,103
Due to other funds (Note 4)			5,150,000		
Deposits payable	754,686			18,838	9,316,260
Advances from other funds (Note 4)				5,122,537	
Unearned revenue	302,723				1,359,794
<b>Total Liabilities</b>	<b><u>2,659,346</u></b>		<b><u>5,245,073</u></b>	<b><u>5,202,241</u></b>	<b><u>11,800,157</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - accounts receivable			3,655,333	902,774	
Unavailable revenue - loans	19,270	\$12,824,183			
<b>Total Deferred Inflows of Resources</b>	<b><u>19,270</u></b>	<b><u>12,824,183</u></b>	<b><u>3,655,333</u></b>	<b><u>902,774</u></b>	
<b>FUND BALANCES</b>					
Fund balance (Note 9):					
Nonspendable					
Prepaid items	774				330
Advances	5,366,594				
Loans receivable	505,173				
Restricted		3,705,101		1,810,509	
Assigned	358,441				
Unassigned	34,424,615		(2,943,087)		(1,486,394)
<b>Total Fund Balances</b>	<b><u>40,655,597</u></b>	<b><u>3,705,101</u></b>	<b><u>(2,943,087)</u></b>	<b><u>1,810,509</u></b>	<b><u>(1,486,064)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$43,334,213</u></b>	<b><u>\$16,529,284</u></b>	<b><u>\$5,957,319</u></b>	<b><u>\$7,915,524</u></b>	<b><u>\$10,314,093</u></b>

See accompanying notes to basic financial statements

2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
\$665,767	\$1,483,894	\$14,291,731	\$87,329,117	\$144,358,258
			10,000	61,671
	1,150,235		3,346,541	4,496,776
	278,533		6,143,381	21,176,512
1,865		35,531	251,612	336,442
	7,570,000			9,536,600
			825	1,929
			1,000,000	1,000,000
9,200,000			2,211,809	29,882,972
				2,803,520
			1,747,454	7,114,048
<u>\$9,867,632</u>	<u>\$10,482,662</u>	<u>\$14,327,262</u>	<u>\$102,040,739</u>	<u>\$220,768,728</u>
	\$1,744,516		\$2,816,523	\$7,443,018
			17,600	5,167,600
	2,000,000		2,937,129	15,026,913
			1,747,454	6,869,991
			30,489	1,693,006
	<u>3,744,516</u>		<u>7,549,195</u>	<u>36,200,528</u>
			3,750,000	8,308,107
<u>\$9,200,000</u>			<u>2,211,809</u>	<u>24,255,262</u>
<u>9,200,000</u>			<u>5,961,809</u>	<u>32,563,369</u>
			825	1,929
				5,366,594
				505,173
667,632	1,150,235	\$14,327,262	88,530,091	110,190,830
	5,587,911			5,946,352
			(1,181)	29,993,953
<u>667,632</u>	<u>6,738,146</u>	<u>14,327,262</u>	<u>88,529,735</u>	<u>152,004,831</u>
<u>\$9,867,632</u>	<u>\$10,482,662</u>	<u>\$14,327,262</u>	<u>\$102,040,739</u>	<u>\$220,768,728</u>

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CITY OF TRACY  
 Reconciliation of the  
 GOVERNMENTAL FUNDS-- BALANCE SHEET  
 to the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

Fund balances of Governmental Funds \$152,004,831

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. 569,223,531

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	14,752,593
Accounts receivable	719
Prepaid	2,022
Capital assets (net of accumulated depreciation)	7,241,817
Accounts payable	(313,992)
Compensated absences	(217,827)
Claims and judgments payable	(112,494)
Net pension liability and pension-related deferred outflows/inflows of resources	(1,793,540)

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. 32,563,369

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	(22,551,831)
Interest payable	(312,291)
Compensated absences	(2,819,052)
Net pension liability and pension-related deferred outflows/inflows of resources	(51,532,974)
Net OPEB obligation	(2,184,114)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$693,950,767

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, 2016

	General	Housing Successor	TEA Grant	South County Fire Authority	Community Development Fees
<b>REVENUES</b>					
Taxes	\$46,316,573				
Licenses, permits and fees	2,940,002				\$1,971,228
Fines and penalties	237,437				
Use of money and property	1,141,217	\$525,117		\$9,883	
Intergovernmental	1,827,138		\$7,927,342	6,208,237	
Charges for current services	4,833,574			313,524	4,841,037
Special assessments	392,427				
Contributions	135,120				
Other revenue	3,494,326				4,040
<b>Total Revenues</b>	<b>61,317,814</b>	<b>525,117</b>	<b>7,927,342</b>	<b>6,531,644</b>	<b>6,816,305</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General government</b>					
Economic development	581,642				
General government	3,670,685			184,630	
Finance	3,429,302				
Non-departmental	5,558,520				713,770
<b>Public safety</b>					
Police	23,107,214				
Fire	11,019,160			5,672,596	
<b>Public ways and facilities/transportation</b>					
Development and engineering	621,012				8,416,366
Public works	4,275,144				
<b>Culture and leisure</b>					
Cultural arts	1,451,658				
Parks and community services	1,658,607				
Capital outlay	252,077		10,261,488	16,036	
<b>Debt service:</b>					
Principal	63,278				
Interest and fiscal charges					
<b>Total Expenditures</b>	<b>55,688,299</b>		<b>10,261,488</b>	<b>5,873,262</b>	<b>9,130,136</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,629,515</b>	<b>525,117</b>	<b>(2,334,146)</b>	<b>658,382</b>	<b>(2,313,831)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
<b>Proceeds from sale of property</b>					
Transfers in (Note 4)	1,250,000				827,767
Transfers (Note 4)	(3,877,351)				
<b>Total Other Financing Sources (Uses)</b>	<b>(2,627,351)</b>				<b>827,767</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,002,164</b>	<b>525,117</b>	<b>(2,334,146)</b>	<b>658,382</b>	<b>(1,486,064)</b>
<b>FUND BALANCES, JULY 1, 2015</b>	<b>37,653,433</b>	<b>3,179,984</b>	<b>(608,941)</b>	<b>1,152,127</b>	
<b>FUND BALANCES, JUNE 30, 2016</b>	<b>\$40,655,597</b>	<b>\$3,705,101</b>	<b>(\$2,943,087)</b>	<b>\$1,810,509</b>	<b>(\$1,486,064)</b>

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>
			\$2,801,821	\$49,118,394
			325,263	5,236,493
			435,397	672,834
\$8,125	\$483	\$178,636	1,072,780	2,936,241
400,000	1,857,929		2,191,968	20,412,614
			9,188	9,997,323
	1,471,451	714,307	12,398,535	14,976,720
			3,438,806	3,573,926
			2,908	3,501,274
<u>408,125</u>	<u>3,329,863</u>	<u>892,943</u>	<u>22,676,666</u>	<u>110,425,819</u>
			401,941	983,583
			142,910	3,998,225
				3,429,302
			217,072	6,489,362
			610,076	23,717,290
				16,691,756
			4,316	9,041,694
			5,097,238	9,372,382
				1,451,658
				1,658,607
	14,105,489	7,511,831	9,309,462	41,456,383
195,000			110,000	368,278
<u>1,147,469</u>			<u>174,280</u>	<u>1,321,749</u>
<u>1,342,469</u>	<u>14,105,489</u>	<u>7,511,831</u>	<u>16,067,295</u>	<u>119,980,269</u>
<u>(934,344)</u>	<u>(10,775,626)</u>	<u>(6,618,888)</u>	<u>6,609,371</u>	<u>(9,554,450)</u>
	545,001		284,325	829,326
942,320	1,827,564	881,637	279,700	6,008,988
			(4,872,337)	(8,749,688)
<u>942,320</u>	<u>2,372,565</u>	<u>881,637</u>	<u>(4,308,312)</u>	<u>(1,911,374)</u>
7,976	(8,403,061)	(5,737,251)	2,301,059	(11,465,824)
<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>\$667,632</u>	<u>\$6,738,146</u>	<u>\$14,327,262</u>	<u>\$88,529,735</u>	<u>\$152,004,831</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, 2016

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 (\$11,465,824)

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	32,863,380
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,381,099 which has already been allocated to serviced funds)	(9,404,190)
Assets transferred from the Successor Agency are added to fund balance	3,162,017

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	368,278
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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	(270,757)
Interest payable	2,805
Net pension liability and pension-related deferred outflows/inflows of resources	3,226,807
Unavailable revenue	6,592,891
Compensated absences	(75,326)

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	1,774,405
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$26,774,486
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See accompanying notes to basic financial statements

<b>MAJOR PROPRIETARY FUNDS</b>
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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 2016, 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, 2016

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and investments (Note 3)	\$1,129,759	\$28,660,972	\$183,745	\$12,752,948	\$475,956
Cash and investments with fiscal agents (Note 3)		347,627			
Accounts receivable	2,399,011	2,324,043	82,206	3,413,651	2,143,343
Inventory	570,994				
Interest receivable	32,728	128,955	1,761	69,906	2,583
Prepaid expenses			40,000	555	
<b>Total current assets</b>	<b>4,132,492</b>	<b>31,461,597</b>	<b>307,712</b>	<b>16,237,060</b>	<b>2,621,882</b>
<b>Non-current assets</b>					
Advances to other funds (Note 4)	822,223				
Capital assets, not being depreciated (Note 6)	2,688,492	12,775,905	7,464,461		1,427,226
Capital assets, being depreciated (Note 6)	155,767,039	101,387,389	1,286,432		11,558,331
<b>Total non-current assets</b>	<b>159,277,754</b>	<b>114,163,294</b>	<b>8,750,893</b>		<b>12,985,557</b>
<b>Total Assets</b>	<b>163,410,246</b>	<b>145,624,891</b>	<b>9,058,605</b>	<b>16,237,060</b>	<b>15,607,439</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	406,335	272,290	12,600	14,699	27,999
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	577,396	244,698	104,800	1,360,893	16,885
Accrued interest payable		97,060			
Deposit payable	867,549	4,500	51,447		
Due to other funds (Note 4)			2,419,000		1,950,000
Unearned revenue					57,489
Current portion- compensated absences	93,030	70,180	4,057	423	7,519
Current portion- long-term debt (Note 7)	968,269	745,000			
<b>Total current liabilities</b>	<b>2,506,244</b>	<b>1,161,438</b>	<b>2,579,304</b>	<b>1,361,316</b>	<b>2,031,893</b>
<b>Noncurrent liabilities</b>					
Advances from other funds (Note 4)			1,066,280		
Loans payable (Note 7)	11,650,638				
Compensated absences	249,417	149,678	6,781	2,035	11,702
Claims payable					
Certificates of participation payable (Note 7)		24,470,000			
Net pension liability (Note 10)	3,327,339	2,229,690	103,173	120,369	229,274
<b>Total noncurrent liabilities</b>	<b>15,227,394</b>	<b>26,849,368</b>	<b>1,176,234</b>	<b>122,404</b>	<b>240,976</b>
<b>Total Liabilities</b>	<b>17,733,638</b>	<b>28,010,806</b>	<b>3,755,538</b>	<b>1,483,720</b>	<b>2,272,869</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions (Note 10)	561,107	376,004	17,399	20,298	38,664
<b>NET POSITION (Note 9)</b>					
Net investment in capital assets	145,836,624	89,295,921	8,750,893		12,985,557
Restricted for debt services		347,627			
Unrestricted	(314,788)	27,866,823	(3,452,625)	14,747,741	338,348
<b>Total Net Position</b>	<b>\$145,521,836</b>	<b>\$117,510,371</b>	<b>\$5,298,268</b>	<b>\$14,747,741</b>	<b>\$13,323,905</b>

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Drainage</u>	<u>Totals</u>	
\$924,132	\$44,127,512	\$14,752,593
	347,627	
39,574	10,401,828	719
	570,994	
5,068	241,001	
122,720	163,275	2,022
<u>1,091,494</u>	<u>55,852,237</u>	<u>14,755,334</u>
	822,223	
4,527,552	28,883,636	
41,491,060	311,490,251	7,241,817
<u>46,018,612</u>	<u>341,196,110</u>	<u>7,241,817</u>
<u>47,110,106</u>	<u>397,048,347</u>	<u>21,997,151</u>
<u>20,649</u>	<u>754,572</u>	<u>209,293</u>
18,853	2,323,525	313,992
	97,060	
707,635	1,631,131	
	4,369,000	
	57,489	
6,469	181,678	63,323
	1,713,269	
<u>732,957</u>	<u>10,373,152</u>	<u>377,315</u>
	1,066,280	
	11,650,638	
9,832	429,445	154,504
		112,494
	24,470,000	
<u>169,090</u>	<u>6,178,935</u>	<u>1,713,822</u>
<u>178,922</u>	<u>43,795,298</u>	<u>1,980,820</u>
<u>911,879</u>	<u>54,168,450</u>	<u>2,358,135</u>
<u>28,514</u>	<u>1,041,986</u>	<u>289,011</u>
46,018,612	302,887,607	7,241,817
	347,627	
171,750	39,357,249	12,317,481
<u>\$46,190,362</u>	<u>\$342,592,483</u>	<u>\$19,559,298</u>

CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
<b>OPERATING REVENUES</b>					
Sales and charges for services	\$13,101,168	\$13,615,963	\$402,962	\$25,156,194	\$96,471
Other operating revenue	5,358	9,868		75	
<b>Total Operating Revenues</b>	<b>13,106,526</b>	<b>13,625,831</b>	<b>402,962</b>	<b>25,156,269</b>	<b>96,471</b>
<b>OPERATING EXPENSES</b>					
Purchase of water	3,587,825				
Maintenance and operation	9,226,712	6,998,461	463,163	20,834,002	2,043,894
Administration	565,580	451,243	88,858	64,942	69,447
Insurance costs and claims					
Depreciation	9,091,701	7,891,554	182,678		1,038,053
<b>Total Operating Expenses</b>	<b>22,471,818</b>	<b>15,341,258</b>	<b>734,699</b>	<b>20,898,944</b>	<b>3,151,394</b>
<b>Operating Income (Loss)</b>	<b>(9,365,292)</b>	<b>(1,715,427)</b>	<b>(331,737)</b>	<b>4,257,325</b>	<b>(3,054,923)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Operating grants					2,041,184
Interest income	83,813	203,439	1,761	190,927	64,933
Interest (expense)	(186,921)	(1,180,330)	(40,770)		
Gain/loss on disposal of capital assets		(209)			(17,106)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(103,108)</b>	<b>(977,100)</b>	<b>(39,009)</b>	<b>190,927</b>	<b>2,089,011</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>(9,468,400)</b>	<b>(2,692,527)</b>	<b>(370,746)</b>	<b>4,448,252</b>	<b>(965,912)</b>
Capital contributions and grants	2,248,433	263,032	2,219,107		72,477
Transfers in (Note 4)	670,700	2,004,000			
<b>Net Contributions and Transfers</b>	<b>2,919,133</b>	<b>2,267,032</b>	<b>2,219,107</b>		<b>72,477</b>
<b>Change in net position</b>	<b>(6,549,267)</b>	<b>(425,495)</b>	<b>1,848,361</b>	<b>4,448,252</b>	<b>(893,435)</b>
<b>NET POSITION, JULY 1, 2015</b>	<b>152,071,103</b>	<b>117,935,866</b>	<b>3,449,907</b>	<b>10,299,489</b>	<b>14,217,340</b>
<b>NET POSITION, JUNE 30, 2016</b>	<b>\$145,521,836</b>	<b>\$117,510,371</b>	<b>\$5,298,268</b>	<b>\$14,747,741</b>	<b>\$13,323,905</b>

See accompanying notes to basic financial statements

Enterprise Funds		Governmental Activities- Internal Service Funds
Drainage	Totals	
\$608,929	\$52,981,687	\$9,833,002
	15,301	788,801
<u>608,929</u>	<u>52,996,988</u>	<u>10,621,803</u>
	3,587,825	
446,290	40,012,522	4,872,414
37,905	1,277,975	99,308
		3,220,280
<u>3,001,281</u>	<u>21,205,267</u>	<u>1,381,099</u>
<u>3,485,476</u>	<u>66,083,589</u>	<u>9,573,101</u>
<u>(2,876,547)</u>	<u>(13,086,601)</u>	<u>1,048,702</u>
	2,041,184	
5,989	550,862	
	(1,408,021)	(26,131)
<u>9,879</u>	<u>(7,436)</u>	<u>(18,182)</u>
<u>15,868</u>	<u>1,176,589</u>	<u>(44,313)</u>
<u>(2,860,679)</u>	<u>(11,910,012)</u>	<u>1,004,389</u>
965,585	5,768,634	704,016
	2,674,700	66,000
<u>965,585</u>	<u>8,443,334</u>	<u>770,016</u>
(1,895,094)	(3,466,678)	1,774,405
<u>48,085,456</u>	<u>346,059,161</u>	<u>17,784,893</u>
<u>\$46,190,362</u>	<u>\$342,592,483</u>	<u>\$19,559,298</u>

CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$12,764,331	\$13,309,767	\$3,853,660	\$24,698,406	(\$321,494)
Receipt from interfund charges					
Payments to suppliers	(13,337,388)	(7,216,078)	(3,288,575)	(20,377,176)	(2,210,654)
Payments to employees	(890,219)	(640,554)	(93,516)	(78,845)	(88,919)
Net cash provided (used) by Operating Activities	<u>(1,463,276)</u>	<u>5,453,135</u>	<u>471,569</u>	<u>4,242,385</u>	<u>(2,621,067)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipts from grantors					2,041,184
Due to/due from other funds					492,000
Advances to/from other funds	(349,496)	349,003	493		
Transfers in	670,700	2,004,000			
Net cash provided (used) by Noncapital Financing Activities	<u>321,204</u>	<u>2,353,003</u>	<u>493</u>		<u>2,533,184</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments- long-term debt	(946,002)	(720,000)	(11,955)		
Interest paid	(186,921)	(1,182,670)	(41,167)		
Capital contributions and grants received	2,248,433	263,032	2,219,107		72,477
Acquisition of capital assets	(3,211,321)	(1,137,883)	(2,456,179)		(53,386)
Proceeds from sale of capital assets		236			10,897
Net cash provided (used) by Capital and and Related Financing Activities	<u>(2,095,811)</u>	<u>(2,777,285)</u>	<u>(290,194)</u>		<u>29,988</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	76,812	126,602		144,437	63,665
Net cash provided (used) by Investing Activities	<u>76,812</u>	<u>126,602</u>		<u>144,437</u>	<u>63,665</u>
Net increase (decrease) in cash and cash equivalents	(3,161,071)	5,155,455	181,868	4,386,822	5,770
Cash and cash equivalents, July 1, 2015, as restated (Note 4 C)	4,290,830	23,853,144	1,877	8,366,126	470,186
Cash and cash equivalents, June 30, 2016	<u>\$1,129,759</u>	<u>\$29,008,599</u>	<u>\$183,745</u>	<u>\$12,752,948</u>	<u>\$475,956</u>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>					
Cash and investments	\$1,129,759	\$28,660,972	\$183,745	\$12,752,948	\$475,956
Cash and investments with fiscal agents		347,627			
Total cash and investments	<u>\$1,129,759</u>	<u>\$29,008,599</u>	<u>\$183,745</u>	<u>\$12,752,948</u>	<u>\$475,956</u>
<b>Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	(\$9,365,292)	(\$1,715,427)	(\$331,737)	\$4,257,325	(\$3,054,923)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>					
Depreciation	9,091,701	7,891,554	182,678		1,038,053
<b>Change in assets and liabilities:</b>					
Accounts receivable	(360,627)	(316,064)	3,448,867	(457,863)	(417,965)
Prepaid items		300			
Accounts payable	(522,851)	(217,917)	(2,825,412)	456,826	(166,760)
Compensated absences	(21,565)	14,004	3,818	(2,591)	1,912
Deposits payable	18,432		1,831		
Unearned revenue					
Net pension liability and deferred outflows/inflows	(303,074)	(203,315)	(8,476)	(11,312)	(21,384)
Net cash provided (used) by Operating Activities	<u>(\$1,463,276)</u>	<u>\$5,453,135</u>	<u>\$471,569</u>	<u>\$4,242,385</u>	<u>(\$2,621,067)</u>
<b>NONCASH TRANSACTIONS:</b>					
Retirement of capital assets		(\$445)			(\$28,003)

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Drainage</u>	<u>Totals</u>	
\$610,404	\$54,915,074	\$10,622,403
(409,293)	(46,839,164)	(8,511,729)
(56,511)	(1,848,564)	(216,815)
<u>144,600</u>	<u>6,227,346</u>	<u>1,893,859</u>
	2,041,184	
	492,000	
	<u>2,674,700</u>	<u>66,000</u>
	<u>5,207,884</u>	<u>66,000</u>
	(1,677,957)	(825,999)
	(1,410,758)	(35,492)
965,585	5,768,634	704,016
(1,090,998)	(7,949,767)	(2,027,724)
9,879	21,012	48,533
<u>(115,534)</u>	<u>(5,248,836)</u>	<u>(2,136,666)</u>
3,414	414,930	
3,414	414,930	
32,480	6,601,324	(176,807)
891,652	37,873,815	14,929,400
<u>\$924,132</u>	<u>\$44,475,139</u>	<u>\$14,752,593</u>
\$924,132	\$44,127,512	\$14,752,593
	347,627	
<u>\$924,132</u>	<u>\$44,475,139</u>	<u>\$14,752,593</u>
(\$2,876,547)	(\$13,086,601)	\$1,048,702
3,001,281	21,205,267	1,381,099
1,475	1,897,823	600
27,280	27,580	1,627
9,717	(3,266,397)	(398,704)
(2,491)	(6,913)	14,359
	20,263	
<u>(16,115)</u>	<u>(563,676)</u>	<u>(153,824)</u>
<u>\$144,600</u>	<u>\$6,227,346</u>	<u>\$1,893,859</u>
	<u>(\$28,448)</u>	<u>(\$66,715)</u>



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<b>FIDUCIARY FUNDS</b>
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***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, 2016

	Successor Agency Private-Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments (Note 3)	\$4,853,957	\$11,646,648
Cash and investments with fiscal agents (Note 3)	67,609	16,239,724
Accounts receivable	275,155	23,034
Interest receivable	24,683	20,666
Total Assets	5,221,404	27,930,072
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on debt refunding	2,615,570	
Total Deferred Outflows of Resources	2,615,570	
<b>LIABILITIES</b>		
Accounts payable	831	659,969
Accrued interest payable	607,594	
Deposits payable		3,969,423
Due to assessment district bondholders		23,300,680
Noncurrent liabilities (Note 16C):		
Due within one year	780,000	
Due in more than one year	50,427,862	
Total Liabilities	51,816,287	\$27,930,072
<b>NET POSITION (DEFICIT) (Note 9)</b>		
Unrestricted	(43,979,313)	
Total Net Position	(\$43,979,313)	

See accompanying notes to basic financial statements

CITY OF TRACY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Successor Agency  Private-Purpose  Trust  Fund</u>
<b>ADDITIONS</b>	
Taxes and assessments	\$5,591,917
Intergovernmental revenue	4,462,751
Investment revenue	94,678
Gain from sale of capital assets	<u>274,325</u>
Total additions	<u>10,423,671</u>
<b>DEDUCTIONS</b>	
Administration	449,511
Payment to County (Note 16A)	4,231,398
Interest expenses	<u>1,745,765</u>
Total deductions	<u>6,426,674</u>
Net change in net position before special item	3,996,997
<b>SPECIAL ITEM (Note 16B)</b>	
Assets transferred to the City	<u>(3,162,017)</u>
<b>CHANGE IN NET POSITION</b>	
Net Position July 1, 2015	<u>(44,814,293)</u>
Net Position June 30, 2016	<u><u>(\$43,979,313)</u></u>

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, 2016**

**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, 2016 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, 2016**

**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, 2016**

**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.

**COMMUNITY DEVELOPMENT FEES FUND** - This fund was established to account for revenues and expenditures of the Building, Engineering and Planning Divisions. These funds were added in FY15-16 to better account for these specific activities and restricted revenue sources. Prior to FY15-16, these activities were in the General Fund.

**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.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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.

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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.

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

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

**G. 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	\$2,947,194	\$618,036	\$3,565,230
Additions	4,243,943	681,399	4,925,342
Payments	(4,154,258)	(688,312)	(4,842,570)
Ending Balance	<u>\$3,036,879</u>	<u>\$611,123</u>	<u>\$3,648,002</u>
Current Portion	<u>\$986,921</u>	<u>\$181,678</u>	<u>\$1,168,599</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, 2016**

**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. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. 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. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**K. Long-Term Developer Receivable**

The City entered into an agreement with a developer under which the developer will provide community benefit payments totaling \$5 million over 4 years, beginning in fiscal year 2016. The first installment was received in fiscal year 2016, and the outstanding balance of \$3,750,000 is recorded as accounts receivable in the Capital Projects Deposit Capital Projects Fund as of June 30, 2016.

**L. 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.

**M. New Funds**

The Community Development Fees Special Revenue Fund was established to account for revenues and expenditures of the Building, Engineering and Planning Divisions. These funds were added in FY15-16 to better account for these specific activities and restricted revenue sources. Prior to FY15-16, these activities were in the General Fund.

The Ellis Area Capital Projects Fund was established to account for projects to support development in a specific area of the City financed by capital development fees and/ or assessments.

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

**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 following funds had departmental expenditures in excess of appropriations as follows:

Fund/ Department	Excess of Expenditures Over Appropriations
<b>General Fund</b>	
Non-departmental	\$43,000
Fire	1,076,806
Debt Service	63,278
<b>South County Fire Authority Fund</b>	
Non-departmental	28,220
<b>Community Development Fees Fund</b>	
Non-departmental	713,770
Public Works	786,114
<b>2008 Lease Revenue bonds Fund</b>	
Debt Service	149
<b>Non-Major Funds:</b>	
<b>Special Revenue Funds</b>	
Business Improvement District	
Economic Development	9,887
State Gas Tax Street	
Public Works	33,860
Landscaping District	
Non-departmental	8,072
Community Access CTV	
General government	37,520
<b>Debt Service Fund</b>	
2007 Lease Revenue Bonds	
Debt Service	4,580

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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, 2016 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	\$203,238,363
Cash and investments with fiscal agents	4,844,403
Restricted cash and investments	<u>61,671</u>
Total City cash and investments of primary government	208,144,437
Cash and investments in Fiduciary Funds	<u>32,807,938</u>
Total cash and investments	<u><u>\$240,952,375</u></u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$7,453
Deposits with financial institutions	27,191,457
Investments	<u>213,753,465</u>
Total cash and investments	<u><u>\$240,952,375</u></u>

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, 2016**

**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	\$65 million	\$65 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
Supranational Securities	5 years	None	30%	10%

During Fiscal Year 2016, the City purchased 14 negotiable certificates of deposit that had maturity dates of more than 18 months at the time of purchase, which is not in compliance with the City's Investment Policy. As of June 30, 2016, those 14 negotiable certificates of deposit with a fair value of \$3,098,613 had maturity dates that were less than four years, which is compliance with California Government Code Section 53601, but not the City's Investment Policy. These certificates of deposit were sold in August 2016.

During Fiscal Year 2016, the City purchased corporate notes with a fair value of \$2,511,284 as of June 30, 2016, which were not in compliance with the City's Investment Policy or the California Government Code Section 53601. The City is reviewing these investments to determine the best way to meet the compliance requirements.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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
<b><i>Held by City:</i></b>					
U.S. Treasury Notes	\$5,209,758	\$9,986,649	\$3,146,130	\$5,655,019	\$23,997,556
Federal Agency Obligations	20,213,215	26,728,456	7,523,114	15,959,290	70,424,075
Municipal Securities	597,975	731,067	126,360		1,455,402
Commercial Paper	5,924,596				5,924,596
Negotiable Certificates of Deposit	225,000	879,197	1,969,214	501,310	3,574,721
California Local Agency Investment Fund	25,511,349				25,511,349
Corporate Notes	8,586,795	33,794,192	14,753,519	4,074,347	61,208,853
Money Market Funds	1,067,384				1,067,384
<b><i>Held by Trustees:</i></b>					
U.S. Treasury Notes	1,215,795	788,754			2,004,549
Federal Agency Obligations	1,381,121	968,884			2,350,005
Money Market Funds	16,234,975				16,234,975
Total Investments	<u>\$86,167,963</u>	<u>\$73,877,199</u>	<u>\$27,518,337</u>	<u>\$26,189,966</u>	<u>\$213,753,465</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, 2016, these investments have an average maturity of 167 days.

Money market funds are available for withdrawal on demand and at June 30, 2016, and have an average maturity of 28 to 40 days.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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, 2016 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	AA+/ AA/AA-	A+/A/A-	AAA/AAAm	Total
<b><i>Held by City:</i></b>				
Federal Agency Obligations				
Callable	\$1,500,810			\$1,500,810
Non-Callable	68,923,265			68,923,265
Commercial Paper			\$5,924,596	5,924,596
Corporate Notes				
Callable	3,755,004	\$9,278,931		13,033,935
Non-Callable	17,183,199	29,459,456	746,719	47,389,374
<b><i>Held by Trustee:</i></b>				
Federal Agency Obligations	2,350,005			2,350,005
Money Market Funds			16,234,975	16,234,975
<b>Total Rated Investments</b>	<b><u>\$93,712,283</u></b>	<b><u>\$38,738,387</u></b>	<b><u>\$22,906,290</u></b>	<b>155,356,960</b>
<b><i>Not rated:</i></b>				
Municipal Securities				1,455,402
Negotiable Certificates of Deposit				3,574,721
California Local Agency Investment Fund				25,511,349
Corporate Notes - Callable				785,544
Money Market Funds				1,067,384
<b><i>Exempt from credit rating disclosure:</i></b>				
U.S. Treasury Notes				<u>26,002,105</u>
<b>Total Investments</b>				<b><u>\$213,753,465</u></b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**G. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value:</b>			
Held by City:			
U.S. Treasury Notes		\$23,997,556	\$23,997,556
Federal Agency Obligations		70,424,075	70,424,075
Municipal Securities		1,455,402	1,455,402
Commercial Paper		5,924,596	5,924,596
Negotiable Certificate of Deposits		3,574,721	3,574,721
California Local Agency Investment Fund		25,511,349	25,511,349
Corporate Notes		61,208,853	61,208,853
Money Market Funds	\$1,067,384		1,067,384
Held by Trustee:			
U.S. Treasury Notes		2,004,549	2,004,549
Federal Agency Obligations		2,350,005	2,350,005
<b>Subtotal</b>	<u>\$1,067,384</u>	<u>\$196,451,106</u>	197,518,490
<b>Investments Measured at Amortized Cost:</b>			
Held by Trustee:			
Money Market Funds			<u>16,234,975</u>
<b>Total Investments</b>			<u>\$213,753,465</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. All investments classified in Level 2 of the fair value hierarchy, with the exception of the California Local Agency Fund, are valued using various pricing techniques maintained by Interactive Data Pricing, including benchmark curves, sector groupings and matrix pricing. These prices are obtained by our investment manager. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

**H. 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, 2016, the book value of the City's cash with banks and petty cash was \$27,191,457, and the associated bank balances were \$30,396,489. As of June 30, 2016, \$312,248 of the City's bank balances of \$30,396,489 was exposed to custodial credit risk, because it was uncollateralized beyond the FDIC insurance of \$250,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**I. 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
<b>Entity Wide:</b>	Federal National Mortgage Association	Federal Agency Obligations	\$21,811,530
	Federal Home Loan Bank	Federal Agency Obligations	23,649,795
	Federal Home Loan Mortgage Corporation	Federal Agency Obligations	19,913,204

**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 move resources to 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, 2016 the transfers were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Community Development Fees Special Revenue Fund	\$827,767 (A)
General Fund	2008 Lease Revenue Bonds Debt Service Fund	942,320 (B)
General Fund	General Projects Capital Projects Fund	1,827,564 (C)
General Fund	2007 Lease Revenue Bonds Debt Service Fund	279,700 (B)
Asset Forfeiture Special Revenue Fund	Equipment Acquisition Internal Service Fund	66,000 (D)
North East Industrial Plan Area #1 Capital Projects Fund	Water Utility Enterprise Fund	670,700 (E)
North East Industrial Plan Area #1 Capital Projects Fund	Wastewater Utility Enterprise Fund	500,000 (E)
I-205 Area Improvements Capital Projects Fund	Wastewater Utility Enterprise Fund	1,504,000 (E)
Capital Projects Deposits Capital Projects Fund	General Fund	1,250,000 (F)
Urban Management Plan Capital Projects Fund	Tracy Infrastructure Master Plans Capital Projects Fund	881,637 (E)
		<u>\$8,749,688</u>

- (A) To establish new fund.
- (B) To fund debt service.
- (C) To use unrestricted revenues collected in the General Fund to help finance capital projects.
- (D) To make annual loan payment to the City's Equipment Replacement Fund.
- (E) To fund capital projects.
- (F) To transfer developer community benefit funds.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**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, 2016 were as follows:

Due From Funds	Due To Funds	Amount
General Fund	Community Development Block Grant Special Revenue Fund	\$16,600
	Municipal Transit Enterprise Fund	1,950,000
General Projects Capital Projects Fund	TEA Grant Special Revenue Fund	5,150,000
	Community Development Block Grant Special Revenue Fund	1,000
	Municipal Airport Enterprise Fund	2,419,000
	<b>Total Current Interfund Balances</b>	<b>\$9,536,600</b>

**C. Long-Term Interfund Advances**

At June 30, 2016 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	\$5,122,537
	Municipal Airport Enterprise Fund	244,057
Water Utility Enterprise Fund	Municipal Airport Enterprise Fund	822,223
North East Industrial Plan Area #2 Capital Projects Fund	North East Industrial Plan Area #1 Capital Projects Fund	1,747,454
	<b>Total Advances</b>	<b>\$7,936,271</b>

**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 is being 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. In January 2012, the Municipal Airport consolidated four advances from the Water Utility Enterprise Fund totaling \$862,500, which is to be repaid over 33 years at 2.42% interest. The first three years of the loan were interest-only payments, followed by annual payments of \$40,770 for remaining 30 years beginning February 2016. The land of the airport serves as security for the advance. The funds were used for projects at the airport.

**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.

**Water Utility** advance from the Wastewater Utility Fund in August 2013 to fund the purchase of additional capacity and water supply. The advance bore interest of 2.5% and was due in August 2015. The advance was to be repaid from developer collections, however during fiscal year 2016 the City discovered that collections prior to July 1, 2015 had not been applied to the balance of the advance. As a result, the beginning balance of the advance and cash have been restated in the amount of \$4,900,997, and the final payment on the advance was made during the year ended June 30, 2016.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**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.

At June 30, 2016, these loans totaled:

Housing Successor Loans:	
Commercial Rehabilitation Program	\$254,730
Mountain View Townhomes	946,995
Eden Housing Inc.	2,483,130
Habitat for Humanity	52,146
Down Payment Assistance Program	1,865,604
Tracy Place Associates	4,740,843
DHI Tracy Garden Associates, LP	2,480,735
Development Loan	59,270
Housing Loan	465,173
Successor Agency Reimbursement Agreement	9,200,000
Tracy Mall Partners, LP	2,211,809
Tracy Rural Fire District	5,122,537
	<hr/>
Total Loans Receivable	<u>\$29,882,972</u>
	<hr/>
CDA Successor Agency SERAF Loan	<u>\$2,803,520</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)**

**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 \$254,730 at June 30, 2016.

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%. The loan was amended December 2015 to include a residual receipts provision. Commencing no later than 120 days following the end of the 2017 calendar year and for each calendar year thereafter until the maturity date, the Association shall make repayments on the loan for the prior calendar year based on the available amount of residual receipts as defined in the amendment. As of June 30, 2016, principal and accrued interest totaled \$946,995.

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, 2016, principal and accrued interest totaled \$2,483,130.

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, 2016 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, 2016, principal and accrued interest totaled \$1,865,604.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)**

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, 2016, the developer owes \$4,740,843 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, 2016 is \$2,480,735.

**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, 2016, including principal and accrued interest, is \$59,270.

**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, 2016 is \$465,173.

**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. The balance of the loan as of June 30, 2016 is \$9,200,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 - REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE (Continued)**

**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 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 2016 did not exceed the threshold, therefore only \$138,721 of the annual repayment was forgiven and as of June 30, 2016. The cumulative shortage of sales tax collections was \$100,323 as of June 30, 2016 and the balance of the loan is \$2,211,809 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 is amortizing the receivable over 94 months beginning July 1, 2015, and the balance is \$5,122,537 as of June 30, 2016.

**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 Department of Finance has approved a repayment schedule and the Successor Agency will begin making payments to the Housing Successor Fund, as discussed in Note 16C(4).

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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, 2016, there were two loans outstanding in the amount of \$557,684, 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, 2016 was \$133,387 and the unused balance of the capitalization contribution was \$866,613.

**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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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.

**A. Capital Asset Additions and Retirements**

Capital assets activities for the year ended June 30, 2016 were as follows:

*Governmental Activities*

	Balance at June 30, 2015	Additions	Retirements	Transfers	Transfers from the Successor Agency	Balance at June 30, 2016
Capital assets not being depreciated:						
Land	\$171,938,212	\$1,090,545			\$2,581,457	\$175,610,214
Roads accounted for using the modified approach	222,926,731	4,739,552				227,666,283
Construction in progress	20,649,652	18,466,059		(\$449,574)		38,666,137
Total capital assets not being depreciated	<u>415,514,595</u>	<u>24,296,156</u>		<u>(449,574)</u>	<u>2,581,457</u>	<u>441,942,634</u>
Capital assets being depreciated:						
Buildings and improvements	85,453,104	1,291,889		342,084		87,087,077
Improvements	82,852,895	4,391,354			1,450,790	88,695,039
Grading, curb & gutter, sidewalk and driveway approaches	27,582,648					27,582,648
Traffic signals and street lights	18,548,200	2,235,567		93,760		20,877,527
Equipment	29,839,229	2,393,435	(\$1,322,712)			30,909,952
Infrastructure and drainage	13,355,442	201,516				13,556,958
Intangibles	971,688	81,187				1,052,875
Total capital assets being depreciated	<u>258,603,206</u>	<u>10,594,948</u>	<u>(1,322,712)</u>	<u>435,844</u>	<u>1,450,790</u>	<u>269,762,076</u>
Less accumulated depreciation for:						
Buildings and improvements	(28,307,170)	(2,923,221)		1,030		(31,229,361)
Improvements	(49,260,129)	(4,411,140)			(870,230)	(54,541,499)
Grading, curb & gutter, sidewalk and driveway approaches	(12,590,769)	(672,207)				(13,262,976)
Traffic signals and street lights	(11,776,506)	(697,766)				(12,474,272)
Equipment	(20,998,945)	(1,668,799)	1,268,697			(21,399,047)
Infrastructure and drainage	(1,048,883)	(352,319)				(1,401,202)
Intangibles	(871,168)	(59,837)				(931,005)
Total accumulated depreciation	<u>(124,853,570)</u>	<u>(10,785,289)</u>	<u>1,268,697</u>	<u>1,030</u>	<u>(870,230)</u>	<u>(135,239,362)</u>
Net capital assets being depreciated	<u>133,749,636</u>	<u>(190,341)</u>	<u>(54,015)</u>	<u>436,874</u>	<u>580,560</u>	<u>134,522,714</u>
Governmental activities capital assets, net	<u>\$549,264,231</u>	<u>\$24,105,815</u>	<u>(\$54,015)</u>	<u>(\$12,700)</u>	<u>\$3,162,017</u>	<u>\$576,465,348</u>

As discussed in Note 16, pursuant to the terms of the Long-Range Property Management Plan, the Successor Agency transferred assets with a book value of \$3,162,017 to the City during fiscal year 2016.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued)**

<i>Business-type activities</i>	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	\$11,841,043	\$29,558			\$11,870,601
Construction in progress	13,624,063	3,780,711		(\$391,739)	17,013,035
Total capital assets not being depreciated	<u>25,465,106</u>	<u>3,810,269</u>		<u>(391,739)</u>	<u>28,883,636</u>
Capital assets being depreciated:					
Infrastructure	248,375,094	2,993,440		391,739	251,760,273
Buildings	135,265,750	41,353	(\$56,008)	13,730	135,264,825
Improvements	90,204,975	887,842			91,092,817
Equipment	44,616,283	204,163	(29,169)		44,791,277
Intangibles	76,745,166				76,745,166
Total capital assets being depreciated	<u>595,207,268</u>	<u>4,126,798</u>	<u>(85,177)</u>	<u>405,469</u>	<u>599,654,358</u>
Less accumulated depreciation for:					
Infrastructure	(89,327,034)	(5,083,736)			(94,410,770)
Buildings	(60,200,532)	(4,132,962)	28,004	(1,030)	(64,306,520)
Improvements	(61,548,125)	(5,076,095)			(66,624,220)
Equipment	(33,118,576)	(4,095,507)	28,725		(37,185,358)
Intangibles	(22,820,272)	(2,816,967)			(25,637,239)
Total accumulated depreciation	<u>(267,014,539)</u>	<u>(21,205,267)</u>	<u>56,729</u>	<u>(1,030)</u>	<u>(288,164,107)</u>
Net capital assets being depreciated	<u>328,192,729</u>	<u>(17,078,469)</u>	<u>(28,448)</u>	<u>404,439</u>	<u>311,490,251</u>
Total Business-type activities capital assets, net	<u>\$353,657,835</u>	<u>(\$13,268,200)</u>	<u>(\$28,448)</u>	<u>\$12,700</u>	<u>\$340,373,887</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, 2016**

**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:

<b>Governmental Activities</b>	
General government	\$196,987
Police	487,102
Fire	450,298
Development and engineering	3,144
Public works	8,115,399
Parks and community services	151,260
Internal service funds	<u>1,381,099</u>
<b>Total Governmental Activities</b>	<u><u>\$10,785,289</u></u>
<b>Business-Type Activities</b>	
Water utility	\$9,091,701
Wastewater utility	7,891,554
Municipal airport	182,678
Municipal transit	1,038,053
Drainage	<u>3,001,281</u>
<b>Total Business-Type Activities</b>	<u><u>\$21,205,267</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 2016, the City expended \$2,186,853 to preserve its roads. The City estimates that it will be required to expend approximately \$5,057,022 in the fiscal year 2017 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, 2016**

**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, 2015	Retirements	Balance June 30, 2016	Current Portion
<b>Governmental Activity Debt:</b>					
<b>Lease Revenue Bonds</b>					
2007 Lease Revenue Bonds - Series A, 4.375% - 4.5%	\$2,690,000	\$2,690,000		\$2,690,000	
2007 Lease Revenue Bonds - Series B, 4% - 4.25%	1,980,000	1,190,000	\$110,000	1,080,000	\$115,000
2008 Lease Revenue Bonds, 3% - 6.375%	19,765,000	18,845,000	195,000	18,650,000	220,000
<b>Capital Lease</b>					
HI-TECH Emergency Vehicle Service, 3.4%	948,743	825,999	825,999		
<b>Loan Payable</b>					
PG&E On-Bill Loan, 0%	247,841	195,109	63,278	131,831	63,279
<b>Total Governmental Activity Debt</b>		<u>\$23,746,108</u>	<u>\$1,194,277</u>	<u>\$22,551,831</u>	<u>\$398,279</u>
<b>Business-type Activity Debt:</b>					
<b>Certificates of Participation</b>					
2004 Wastewater Certificates of Participation, 2% - 4.75%	\$30,955,000	\$25,935,000	\$720,000	\$25,215,000	\$745,000
<b>Loans Payable</b>					
State of California Department of Transportation, Division of Aeronautics, 4.987%	250,000	11,955	11,955		
State of California Department of Public Health, 2.34%	20,000,000	13,564,909	946,002	12,618,907	968,269
<b>Total Business-type Activity Debt</b>		<u>\$39,511,864</u>	<u>\$1,677,957</u>	<u>\$37,833,907</u>	<u>\$1,713,269</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, 2016**

**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 does 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, 2016, the outstanding balance of the loan was \$131,831.

**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 2016 net revenues amounted to \$6,601,525 which represented coverage of 348% over the \$1,898,756 of debt service. The pledge of net revenues ends upon repayment of the City's repayment of the remaining balance of \$41,681,992, which is scheduled to occur in 2037.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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<sup>th</sup>. The loan was fully repaid during the fiscal year ended June 30, 2016.

**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
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	410,273	1,265,755	1,819,385	1,329,769
2020	440,000	1,245,955	1,878,261	1,271,139
2021	485,000	1,223,761	1,937,698	1,210,040
2022-2026	3,180,000	5,668,944	9,620,664	5,042,467
2027-2031	4,850,000	4,555,612	7,868,572	3,701,546
2032-2036	7,160,000	2,805,898		2,667,130
2037-2039	5,200,000	500,152	11,230,000	266,713
Total	<u>\$22,551,831</u>	<u>\$19,848,401</u>	<u>\$37,833,907</u>	<u>\$18,314,160</u>

**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, 2016**

**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, 2016, is as follows:

Description	Fiscal Year		Underlying Assessment District Bonds	Outstanding June 30, 2016
	Issue Year	Maturity Year		
1996A Tax Bonds (93-1 Community Facilities District - I-205 Parcel GL-17)	1997	2027		\$830,000
2002 Special Tax Bonds (93-1 Community Facilities District - 1-205 Parcel GL-17)	2003	2033		1,785,000
Avenue)	2003	2029		655,000
2005A TOP JPA Revenue Bonds (Senior Lien) (98-1 Plan C)	2006	2029		49,470,000
2005B TOP JPA Revenue Bonds (Junior Lien) (98-3 Plan C)	2006	2036		2,205,000
2005C TOP JPA Revenue Bonds	2006	2036		12,120,000
Phase II)	2007	2037		10,210,000
2011A TOP JPA Revenue Bonds:				
98-4 Morrison Homes and 2000-02 Heartland Three	2011	2026	\$1,625,000	
2011-1 Reassessment Bonds	2011	2027	450,000	
99-2 South MacArthur Plan Area (2000 and 2002)	2011	2028	<u>8,935,000</u>	
Total 2011A TOP JPA Revenue Bonds				11,010,000
2014A Tracy Public Financing Authority Revenue Bonds:				
89-1 Community Facilities District	2014	2021	\$4,395,000	
99-1 Community Facilities District - Northeast Industrial Area	2014	2025	4,710,000	
2014-1 Reassessment Bonds	2014	2023	<u>4,745,000</u>	
Total 2014A Tracy Public Financing Authority Revenue Bonds				13,850,000
Total				<u>\$102,135,000</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, 2016**

**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, 2016, are below:

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 – NET POSITION AND FUND BALANCES (Continued)**

Fund Balance Classifications	General Fund	Special Revenue			
		Housing Successor Fund	TEA Grant	South County Fire Authority	Community Development Fees
<b>Nonspendable:</b>					
Items not in spendable form:					
Prepaid items	\$774				\$330
Advances	5,366,594				
Loans receivable	505,173				
<b>Total Nonspendable Fund Balances</b>	<b>5,872,541</b>				<b>330</b>
<b>Restricted for:</b>					
Housing		\$3,705,101			
Special area projects					
Debt service					
Community development					
Asset forfeiture					
Streets and roads					
Landscaping district					
Fire authority				\$1,810,509	
Cable TV					
Tracy GROW					
<b>Total Restricted Fund Balances</b>		<b>3,705,101</b>		<b>1,810,509</b>	
<b>Assigned to:</b>					
General	336,249				
Animal Control Trust	22,192				
Capital Projects					
<b>Total Assigned Fund Balances</b>	<b>358,441</b>				
<b>Unassigned:</b>					
Contingency/Emergency	10,100,000				
Economic/Budget Stability	5,000,000				
Measure E Mitigation	7,000,000				
Unassigned	12,324,615		(\$2,943,087)		(1,486,394)
<b>Total Unassigned Fund Balances</b>	<b>34,424,615</b>		<b>(2,943,087)</b>		<b>(1,486,394)</b>
<b>Total Fund Balances</b>	<b>\$40,655,597</b>	<b>\$3,705,101</b>	<b>(\$2,943,087)</b>	<b>\$1,810,509</b>	<b>(\$1,486,064)</b>

(Continued)

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 – NET POSITION AND FUND BALANCES (Continued)**

Fund Balance Classifications	Debt Service	Capital Projects		Other Governmental Funds	Total
	2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans		
<b>Nonspendable:</b>					
Items not in spendable form:					
Prepaid items				\$825	\$1,929
Advances					5,366,594
Loans receivable					505,173
<b>Total Nonspendable Fund Balances</b>				825	5,873,696
<b>Restricted for:</b>					
Housing					3,705,101
Special area projects		\$1,150,235	\$14,327,262	74,873,087	90,350,584
Debt service	\$667,632			81,286	748,918
Community development				2,715,060	2,715,060
Asset forfeiture				544,266	544,266
Streets and roads				3,615,926	3,615,926
Landscaping district				5,350,908	5,350,908
Fire authority					1,810,509
Cable TV				349,558	349,558
Tracy GROW				1,000,000	1,000,000
<b>Total Restricted Fund Balances</b>	667,632	1,150,235	14,327,262	88,530,091	110,190,830
<b>Assigned to:</b>					
General					336,249
Animal Control Trust					22,192
Capital Projects		5,587,911			5,587,911
<b>Total Assigned Fund Balances</b>		5,587,911			5,946,352
<b>Unassigned:</b>					
Contingency/Emergency					10,100,000
Economic/Budget Stability					5,000,000
Measure E Mitigation					7,000,000
Unassigned				(1,181)	7,893,953
<b>Total Unassigned Fund Balances</b>				(1,181)	29,993,953
<b>Total Fund Balances</b>	\$667,632	\$6,738,146	\$14,327,262	\$88,529,735	\$152,004,831

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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 \$10,100,000 at June 30, 2016, 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, 2016**

**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 \$5,000,000 at June 30, 2016, 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, 2016, 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, 2016, the TEA Grant, Community Development Fees, Business Improvement District and Community Development Block Grant Special Revenue Funds had deficit fund balances of \$2,943,087, \$1,486,064, \$182, and \$999, respectively, which are expected to be eliminated by future grant revenues and charges for services. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had a deficit net position of \$43,979,313, which will be eliminated by future revenues. The Central Services and Building Maintenance Internal Service Funds had deficit net position of \$169,881 and \$248,976, respectively, which will be eliminated by future revenues.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>		
	Classic Tier I	Classic Tier II	PEPRA
	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	18.002%	18.002%	18.002%
	<b>Safety - Police</b>		
	Classic Tier I	Classic Tier II	PEPRA
	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	28.767%	28.767%	28.767%



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

	<b>Safety - Fire</b>	
	<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	28.767%	28.767%

**Employees Covered** – At the June 30, 2014 actuarial 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	248	133
Inactive employees entitled to but not yet receiving benefits	240	49
Active employees	257	153
Total	<u>745</u>	<u>335</u>

**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 Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

**Actuarial Assumptions** – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
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.

All other actuarial assumptions used in the June 30, 2014 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.

**Change of Assumptions** – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is 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.

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

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.

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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

**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)
<b>Balance at June 30, 2014</b>	\$124,858,834	\$96,098,344	\$28,760,490
<b>Changes in the year:</b>			
Service cost	2,892,504		2,892,504
Interest on the total pension liability	9,030,774		9,030,774
Differences between actual and expected experience	(3,592,113)		(3,592,113)
Changes in assumptions	(2,261,183)		(2,261,183)
Changes in benefit terms			0
Plan to Plan resource movement		8,501	(8,501)
Contribution - employer		2,793,345	(2,793,345)
Contribution - employee		1,346,337	(1,346,337)
Net investment income		2,132,844	(2,132,844)
Administrative expenses		(109,805)	109,805
Benefit payments, including refunds of employee contributions	(4,804,924)	(4,804,924)	0
<b>Net changes</b>	<u>1,265,058</u>	<u>1,366,298</u>	<u>(101,240)</u>
<b>Balance at June 30, 2015</b>	<u>\$126,123,892</u>	<u>\$97,464,642</u>	<u>\$28,659,250</u>

*Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2014</b>	\$141,226,776	\$113,488,456	\$27,738,320
<b>Changes in the year:</b>			
Service cost	4,491,843		4,491,843
Interest on the total pension liability	10,281,540		10,281,540
Differences between actual and expected experience	(3,530,865)		(3,530,865)
Changes in assumptions	(2,807,525)		(2,807,525)
Changes in benefit terms			0
Contribution - employer		4,171,390	(4,171,390)
Contribution - employee		1,380,651	(1,380,651)
Net investment income		2,531,449	(2,531,449)
Administrative expenses		(130,531)	130,531
Benefit payments, including refunds of employee contributions	(5,470,177)	(5,470,177)	0
<b>Net changes</b>	<u>2,964,816</u>	<u>2,482,782</u>	<u>482,034</u>
<b>Balance at June 30, 2015</b>	<u>\$144,191,592</u>	<u>\$115,971,238</u>	<u>\$28,220,354</u>
<b>Total Balance at June 30, 2015</b> <b>(Miscellaneous and Safety Plans)</b>	<u>\$270,315,484</u>	<u>\$213,435,880</u>	<u>\$56,879,604</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

*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	6.65%	6.65%	6.65%
Net Pension Liability	\$46,031,860	\$50,160,673	\$96,192,533
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$28,659,250	\$28,220,354	\$56,879,604
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$14,304,322	\$10,417,859	\$24,722,181

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$4,033,011. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Miscellaneous Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$3,499,868	
Differences between actual and expected experience		(\$2,503,594)
Changes in assumptions		(1,575,976)
Net differences between projected and actual earnings on plan investments		(753,390)
Total	<u>\$3,499,868</u>	<u>(\$4,832,960)</u>

**Safety Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,477,450	
Differences between actual and expected experience		(\$2,888,890)
Changes in assumptions		(2,297,066)
Net differences between projected and actual earnings on plan investments		(871,661)
Total	<u>\$4,477,450</u>	<u>(\$6,057,617)</u>
<b>Total Miscellaneous and Safety Plans</b>	<u>\$7,977,318</u>	<u>(\$10,890,577)</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 - PENSION PLANS (Continued)**

\$7,977,318 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, 2017. 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 June 30	Annual Amortization		
	Miscellaneous	Safety	Total
2017	(\$2,369,572)	(\$1,851,642)	(\$4,221,214)
2018	(2,369,572)	(1,851,642)	(4,221,214)
2019	(1,127,964)	(1,851,640)	(2,979,604)
2020	1,034,148	73,527	1,107,675
2021	0	(576,220)	(576,220)
Thereafter	0	0	0
Total	<u>(\$4,832,960)</u>	<u>(\$6,057,617)</u>	<u>(\$10,890,577)</u>

**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, 2016, those costs for 83 retirees totaled \$562,411, and the total liability amount in the medical leave bank is \$3,119,435.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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.

**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 July 1, 2015 actuarial valuation is in process, therefore the actuary used the 2013 valuation assumptions to roll forward the annual required contribution for fiscal year 2016. The actuarial assumptions in the 2013 valuation 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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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)	76,534
Adjustment to annual required contribution	<u>(110,650)</u>
Annual OPEB cost	412,152
Contributions made	<u>(141,395)</u>
(Decrease) increase in net OPEB obligations	270,757
Net OPEB obligation (asset) June 30, 2015	<u>1,913,357</u>
<b>Net OPEB obligation (asset) June 30, 2016</b>	<b><u><u>\$2,184,114</u></u></b>

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, 2014	\$421,113	\$142,715	34%	\$1,689,216
June 30, 2015	388,019	163,878	42%	1,913,357
June 30, 2016	412,152	141,395	34%	2,184,114

**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%



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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.

**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 (\$5,000 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 (\$2,000)	1,000,000,000

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, 2016, the City contributed \$3,220,280 for current year coverage.

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 13 - RISK MANAGEMENT (Continued)**

**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.

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, 2016 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
2014	\$112,494	\$0	\$0	\$112,494
2015	112,494	0	0	112,494
2016	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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

**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, 2016 were as follows:

	Amount
General Fund	\$336,249
TEA Grant Special Revenue Fund	24,905,495
South County Fire Authority Special Revenue Fund	44,549
Community Development Fees Special Revenue Fund	508,822
General Projects Capital Projects Fund	1,109,753
Tracy Infrastructure Master Plans Capital Projects Fund	2,000
Non-Major Governmental Funds	6,523,823
	\$33,430,691

**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, 2016 was \$6,425,447. 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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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.

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, 2016, the outstanding balance of former District employees' compensated balances was \$1,402,774, 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 \$1,002,734 as of June 30, 2016, 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.

Total costs of the Authority for fiscal year 2016 were \$17,007,568 which was shared as follows: District \$5,159,851, Mountain House Community Services District (MHCS), \$494,090, grant funding \$231,240 and City \$11,122,387. Although MHCS received the Authority's services during part of fiscal year 2016, MHCS terminated its contract with the Authority effective September 2015 by previously providing a two year notice of the change.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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.

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 was to return the remaining cash in the amount of \$4,462,995 to the Successor Agency. City management disputed 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 and the Successor Agency remitted payment to the County in December 2015. The City and Successor Agency continued to contest the order of the Department of Finance and were engaged in litigation on the matter. The Third District ordered \$911,495 to be returned to the City of Tracy as an enforceable obligation on the Successor Agency's fiscal year 2017 Recognized Obligations Payment Schedule. Furthermore, the State and the City Council have decided not to appeal to the State Supreme Court.

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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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.

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. The Successor Agency and City were allowed to retain \$387,000 for prior administrative allowances withheld by the County, and the Successor Agency remitted \$4,231,398 to the County in November 2015. 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 had been working with the California Department of Finance (DOF) on the Agency's Long Range Property Management Plan (LRPMP). Initial conversations with the DOF indicated that certain capital assets identified in the asset transfer review would be identified as City-owned land upon final approval of the LRPMP. The DOF approved the LRPMP in December 2015 and certain assets were approved for transfer to the City as discussed in Note 16B.

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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, 2016 comprise:

	Balance at June 30, 2015	Transfers to the City	Balance at June 30, 2016
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	(870,230)	870,230	
Net capital assets being depreciated	580,560	(580,560)	
Governmental activity capital assets, net	\$3,162,017	(\$3,162,017)	

Pursuant to the terms of the LRPMP, the Successor Agency transferred assets with a book value of \$3,162,017 to the City during fiscal year 2016.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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, 2016 consisted of the following:

	Original Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
2003 Tax Allocation Bonds, Series A & B, 2% - 6.15%	\$55,720,000	\$43,615,000		\$43,615,000		
2016 Refunding Tax Allocation Bonds, 2% - 5%	33,720,000		\$33,720,000		\$33,720,000	\$380,000
Add: Unamortized bond premium			5,484,342		5,484,342	
Reimbursement Agreement, 0%	12,200,000	9,600,000		400,000	9,200,000	400,000
Loan from Housing Successor, 0%	2,803,520	2,803,520			2,803,520	
<b>Total</b>		<u>\$56,018,520</u>	<u>\$39,204,342</u>	<u>\$44,015,000</u>	<u>\$51,207,862</u>	<u>\$780,000</u>

**2. Community Development Agency Tax Allocation Bonds**

**2003 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. The Bonds were defeased during fiscal year 2016 with the issuance of the 2016 Lease Revenue Refunding Bonds as discussed below.

**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 were used to advance refund and defease the outstanding balance of the 2003 Tax Allocation Bonds Series A and B. The Bonds bear interest ranging from 2% to 5%. Interest is payable semi-annually each August 1 and February 1 and principal is due annually on each August 1, through 2033. The defeased bonds were called on February 22, 2016.

The refunding bonds were issued to reduce the total debt service payments by \$13,720,228 over the next 18 years, with an estimated Net Present Value (NPV) savings of \$11,274,187, or 33% of the outstanding bonds.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**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 7D 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.

**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).

The Successor Agency did not receive its finding of completion until December 8, 2015, therefore, no payments were made on the loan during fiscal year 2016, but payments are expected to begin in fiscal year 2017.

**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 \$58,640,363 on the Bonds and Reimbursement Agreement above, which is scheduled to occur in 2039.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

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 2016 calculated by the County Auditor-Controller was \$6,869,686 and the total received by the Successor Agency for fiscal year 2016 debt service was \$5,591,917, which the Agency used to pay the \$1,546,231 of fiscal year debt service.

**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
2017	\$780,000	\$1,488,338
2018	1,750,000	1,498,200
2019	1,785,000	1,450,250
2020	1,845,000	1,386,425
2021	1,910,000	1,312,550
2022-2026	10,710,000	5,326,250
2027-2031	13,020,000	2,870,750
2032-2036	9,920,000	387,600
2037-2039	1,200,000	0
Total	42,920,000	\$15,720,363
Plus Loan from Housing Successor	2,803,520	
Plus Unamortized Bond Premium	5,484,342	
Gross Long-Term Debt	\$51,207,862	

**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 EVENT**

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

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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).

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**Modified Approach to Reporting Street Pavement Costs (Continued)**

The City's preservation costs are budgeted to be \$5,057,022 in fiscal year 2017. The Pavement Condition Index (PCI) for the City's street pavement for the latest years is as follows:

<u>Year</u>	<u>PCI</u>	<u>Maintenance Budget</u>	<u>Actual Maintenance</u>
2002	76	\$ 1,505,620	\$ 1,389,043
2003	77	1,621,170	1,642,556
2004	77	2,043,580	14,441,690
2005	81	2,303,227	13,943,191
2006	78	2,653,860	14,874,752
2007	76	4,244,964	8,647,067
2008	74	13,605,000	19,466,614
2009	72	1,667,146	19,115,824
2010	73	4,457,510	3,333,185
2011	82	4,355,038	3,096,185
2012	82	1,775,290	1,347,061
2013	77	2,973,800	1,387,484
2014	77	3,183,569	3,350,927
2015	74	3,387,213	2,244,902
2016	71	3,648,840	2,186,853
2017	73	5,057,022	

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 \$2,186,853 for street preservation for fiscal year 2016 and the PCI was only 71. The City expects to expend sufficient maintenance funds in fiscal year 2017 to return the PCI to 73.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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*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	June 30, 2015
<b>Total Pension Liability</b>		
Service Cost	\$3,019,742	\$2,892,504
Interest	8,760,895	9,030,774
Differences between expected and actual experience	-	(3,592,113)
Changes in assumptions	-	(2,261,183)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)
<b>Net change in total pension liability</b>	7,332,910	1,265,058
<b>Total pension liability - beginning</b>	117,525,924	124,858,834
<b>Total pension liability - ending (a)</b>	\$124,858,834	\$126,123,892
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$2,699,952	\$2,793,345
Contributions - employee	1,374,066	1,346,337
Net investment income (1)	14,281,310	2,132,844
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)
Plan to Plan Resource Movement		8,501
Administrative Expense		(109,805)
<b>Net change in plan fiduciary net position</b>	13,907,601	1,366,298
<b>Plan fiduciary net position - beginning</b>	82,190,743	96,098,344
<b>Plan fiduciary net position - ending (b)</b>	\$96,098,344	\$97,464,642
 Net pension liability - ending (a)-(b)	\$28,760,490	\$28,659,250
 Plan fiduciary net position as a percentage of the total pension liability	76.97%	77.28%
 Covered payroll	\$19,129,759	\$19,031,601
 Net pension liability as percentage of covered payroll	150.34%	150.59%

**Notes to Schedule:**

(1) Net of administrative expenses in 2014.

**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.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

\* Fiscal year 2015 was the 1st year of implementation.

**Source:** CalPERS Accounting Valuation

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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*Pensions (Continued)*

**SCHEDULE OF CONTRIBUTIONS**

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

<b>Fiscal Year Ended June 30</b>	<b>2015</b>	<b>2016</b>
Actuarially determined contribution	\$3,460,280	\$3,499,868
Contributions in relation to the actuarially determined contributions	(3,460,280)	(3,499,868)
Contribution deficiency (excess)	\$0	\$0
 Covered payroll	 \$19,031,601	 \$19,352,925
 Contributions as a percentage of covered payroll	 18.18%	 18.08%

**Notes to Schedule:**

Valuation date:	6/30/2012	6/30/2013
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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.

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

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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*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	June 30, 2015
<b>Total Pension Liability</b>		
Service Cost	\$4,767,092	\$4,491,843
Interest	9,861,726	10,281,540
Differences between expected and actual experience	-	(3,530,865)
Changes in assumptions	-	(2,807,525)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)
<b>Net change in total pension liability</b>	9,612,475	2,964,816
<b>Total pension liability - beginning</b>	131,614,301	141,226,776
<b>Total pension liability - ending (a)</b>	\$141,226,776	\$144,191,592
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$4,341,816	\$4,171,390
Contributions - employee	1,458,951	1,380,651
Net investment income (1)	16,826,945	2,531,449
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)
Plan to Plan resource movement	-	-
Administrative Expenses	-	(130,531)
<b>Net change in plan fiduciary net position</b>	17,611,369	2,482,782
<b>Plan fiduciary net position - beginning</b>	95,877,087	113,488,456
<b>Plan fiduciary net position - ending (b)</b>	\$113,488,456	\$115,971,238
 Net pension liability - ending (a)-(b)	\$27,738,320	\$28,220,354
 Plan fiduciary net position as a percentage of the total pension liability	80.36%	80.43%
 Covered payroll	\$15,506,642	\$15,225,341
 Net pension liability as percentage of covered payroll	178.88%	185.35%

**Notes to Schedule:**

(1) Net of administrative expenses in 2014.

**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.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

\* Fiscal year 2015 was the 1st year of implementation.

**Source:** CalPERS Accounting Valuation



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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*Pensions (Continued)*

**SCHEDULE OF CONTRIBUTIONS**

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

Fiscal Year Ended June 30	2015	2016
Actuarially determined contribution	\$3,522,006	\$4,477,450
Contributions in relation to the actuarially determined contributions	(3,522,006)	(4,477,450)
Contribution deficiency (excess)	\$0	\$0
 Covered payroll	 \$15,225,341	 \$15,414,995
 Contributions as a percentage of covered payroll	 23.13%	 29.05%
 <b>Notes to Schedule</b>		
Valuation date:	6/30/2012	6/30/2013

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.

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

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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***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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$43,907,150	\$43,907,150	\$46,316,573	\$2,409,423
Licenses, permits and fees	2,835,600	2,835,600	2,940,002	104,402
Fines and forfeitures	178,000	178,000	237,437	59,437
Use of money and property	859,800	859,800	1,141,217	281,417
Intergovernmental	1,235,920	1,246,637	1,827,138	580,501
Charges for current services	4,425,360	4,751,140	4,833,574	82,434
Special assessments	385,000	385,000	392,427	7,427
Contributions	130,000	130,000	135,120	5,120
Other revenue	2,096,650	2,116,650	3,494,326	1,377,676
<b>Total Revenues</b>	<u>56,053,480</u>	<u>56,409,977</u>	<u>61,317,814</u>	<u>4,907,837</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development	688,890	703,890	581,642	122,248
General government	3,758,280	4,031,699	3,670,685	361,014
Finance	3,448,330	3,646,319	3,429,302	217,017
Non-departmental	430,000	5,515,520	5,558,520	(43,000)
Public safety				
Police	24,582,990	25,038,782	23,107,214	1,931,568
Fire	10,759,520	9,942,354	11,019,160	(1,076,806)
Public works				
Development and engineering	976,400	1,077,823	621,012	456,811
Public works	5,358,580	4,810,613	4,275,144	535,469
Culture and leisure				
Cultural arts	1,548,620	1,645,256	1,451,658	193,598
Parks and community services	2,200,290	2,159,014	1,658,607	500,407
Capital outlay	147,500	613,292	252,077	361,215
Debt service:				
Principal			63,278	(63,278)
<b>Total Expenditures</b>	<u>53,899,400</u>	<u>59,184,562</u>	<u>55,688,299</u>	<u>3,496,263</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,154,080</u>	<u>(2,774,585)</u>	<u>5,629,515</u>	<u>8,404,100</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	2,000	2,000		(2,000)
Transfers in	1,102,000	1,250,000	1,250,000	
Transfers (out)		(4,043,713)	(3,877,351)	166,362
<b>Total Other Financing Sources (Uses)</b>	<u>1,104,000</u>	<u>(2,791,713)</u>	<u>(2,627,351)</u>	<u>164,362</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$3,258,080</u>	<u>(\$5,566,298)</u>	<u>3,002,164</u>	<u>\$8,568,462</u>
<b>BEGINNING FUND BALANCE</b>			<u>37,653,433</u>	
<b>ENDING FUND BALANCE</b>			<u>\$40,655,597</u>	

CITY OF TRACY  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
HOUSING SUCCESSOR  
FOR THE YEAR ENDED JUNE 30, 2016

	<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	<u>\$67,000</u>	<u>\$67,000</u>	<u>\$525,117</u>	<u>\$458,117</u>
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>525,117</u>	<u>458,117</u>
NET CHANGE IN FUND BALANCE	<u>\$67,000</u>	<u>\$67,000</u>	525,117	<u>\$458,117</u>
BEGINNING FUND BALANCE			<u>3,179,984</u>	
ENDING FUND BALANCE			<u>\$3,705,101</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, 2016

	<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				
Intergovernmental	<u>\$966,000</u>	<u>\$44,510,964</u>	<u>\$7,927,342</u>	<u>(\$36,583,622)</u>
Total Revenues	<u>966,000</u>	<u>44,510,964</u>	<u>7,927,342</u>	<u>(36,583,622)</u>
EXPENDITURES:				
Capital outlay	<u>966,000</u>	<u>43,772,167</u>	<u>10,261,488</u>	<u>33,510,679</u>
Total Expenditures	<u>966,000</u>	<u>43,772,167</u>	<u>10,261,488</u>	<u>33,510,679</u>
NET CHANGE IN FUND BALANCE		<u><u>\$738,797</u></u>	<u>(2,334,146)</u>	<u><u>(\$3,072,943)</u></u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(608,941)</u>	
ENDING FUND BALANCE (DEFICIT)			<u><u>(\$2,943,087)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property			\$9,883	\$9,883
Intergovernmental	\$6,075,600	\$6,028,200	6,208,237	180,037
Charges for current services	223,550	223,550	313,524	89,974
<b>Total Revenues</b>	<u>6,299,150</u>	<u>6,251,750</u>	<u>6,531,644</u>	<u>279,894</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Non-departmental	156,410	156,410	184,630	(28,220)
Public safety				
Fire	6,059,550	6,220,417	5,672,596	547,821
Capital outlay	19,460	19,460	16,036	3,424
<b>Total Expenditures</b>	<u>6,235,420</u>	<u>6,396,287</u>	<u>5,873,262</u>	<u>523,025</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$63,730</u>	<u>(\$144,537)</u>	658,382	<u>\$802,919</u>
<b>BEGINNING FUND BALANCE</b>			<u>1,152,127</u>	
<b>ENDING FUND BALANCE</b>			<u>\$1,810,509</u>	

CITY OF TRACY  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT FEES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses, permits and fees	\$1,724,900	\$1,724,900	\$1,971,228	\$246,328
Charges for current services	5,574,000	5,574,000	4,841,037	(732,963)
Other revenue			4,040	4,040
Total Revenues	<u>7,298,900</u>	<u>7,298,900</u>	<u>6,816,305</u>	<u>(482,595)</u>
EXPENDITURES:				
Current:				
General government			713,770	(713,770)
Non-departmental				
Development and engineering	7,898,910	7,630,252	8,416,366	(786,114)
Total Expenditures	<u>7,898,910</u>	<u>7,630,252</u>	<u>9,130,136</u>	<u>(1,499,884)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(600,010)	(331,352)	(2,313,831)	(1,982,479)
OTHER FINANCING SOURCES (USES)				
Transfers in	699,130	699,130	827,767	128,637
NET CHANGE IN FUND BALANCE	<u>\$99,120</u>	<u>\$367,778</u>	(1,486,064)	<u>(\$1,853,842)</u>
BEGINNING FUND BALANCE				
ENDING FUND BALANCE			<u>(\$1,486,064)</u>	

**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.



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**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.

**SUPPLEMENTARY INFORMATION**

**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, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Use of money and property		\$8,125	\$8,125
Intergovernmental	\$400,000	400,000	
<b>Total Revenues</b>	<u>400,000</u>	<u>408,125</u>	<u>8,125</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal	195,000	195,000	
Interest and fiscal charges	1,147,320	1,147,469	(149)
<b>Total Expenditures</b>	<u>1,342,320</u>	<u>1,342,469</u>	<u>(149)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(942,320)</u>	<u>(934,344)</u>	<u>7,976</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	942,320	942,320	
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>                    </u></u>	<u>7,976</u>	<u><u>\$7,976</u></u>
<b>BEGINNING FUND BALANCE</b>		<u>659,656</u>	
<b>ENDING FUND BALANCE</b>		<u><u>\$667,632</u></u>	

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**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 FUND:****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.

**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.

**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.

**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

**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.

**ELLIS AREA FUND**

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



CITY OF TRACY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
<b>ASSETS</b>				
Cash and investments	\$1,812	\$550,779	\$19,926	\$65,708
Restricted cash and investments		10,000		
Cash and investments with fiscal agents				
Accounts receivables				1,525,598
Interest receivable		1,538	56	175
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		825		
Total Assets	\$1,812	\$563,142	\$19,982	\$1,591,481
<b>LIABILITIES</b>				
Accounts payable		\$18,051	\$19,651	
Due to other funds				
Advances from other funds				
Deposits payable	\$1,994			
Unearned revenue				
Total Liabilities	1,994	18,051	19,651	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - accounts receivable				
Unavailable revenue - loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Nonspendable				
Prepaid items		825		
Restricted		544,266	331	\$1,591,481
Unassigned	(182)			
Total Fund Balances (Deficit)	(182)	545,091	331	1,591,481
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,812	\$563,142	\$19,982	\$1,591,481

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
\$535,232	\$1,994,929	\$99	\$5,484,154	\$199,997	\$300,161
307,267 1,491	8,237	46,991	3,201 15,316	558	76,751 838
<u>\$843,990</u>	<u>\$2,003,166</u>	<u>\$47,090</u>	<u>\$5,502,671</u>	<u>\$200,555</u>	<u>\$377,750</u>
\$734,643	\$88,399	\$17,600	\$151,763		\$28,192
		30,489			
<u>734,643</u>	<u>88,399</u>	<u>48,089</u>	<u>151,763</u>		<u>28,192</u>
109,347	1,914,767	(999)	5,350,908	\$200,555	349,558
<u>109,347</u>	<u>1,914,767</u>	<u>(999)</u>	<u>5,350,908</u>	<u>200,555</u>	<u>349,558</u>
<u>\$843,990</u>	<u>\$2,003,166</u>	<u>\$47,090</u>	<u>\$5,502,671</u>	<u>\$200,555</u>	<u>\$377,750</u>

(Continued)

CITY OF TRACY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
	Grow Tracy	2007 Lease Revenue Bonds	North East Industrial Plan Area # 1	North East Industrial Plan Area # 2
<b>ASSETS</b>				
Cash and investments		\$81,060	\$2,520,014	\$5,874,160
Restricted cash and investments				
Cash and investments with fiscal agents				3,091,444
Accounts receivables				
Interest receivable		226	7,020	16,434
Deposits	\$1,000,000			
Advances to other funds				1,747,454
Loans receivable				
Prepaid items				
Total Assets	<u>\$1,000,000</u>	<u>\$81,286</u>	<u>\$2,527,034</u>	<u>\$10,729,492</u>
<b>LIABILITIES</b>				
Accounts payable			\$52	\$321,138
Due to other funds				
Advances from other funds			1,747,454	
Deposits payable				35,844
Unearned revenue				
Total Liabilities			<u>1,747,506</u>	<u>356,982</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Nonspendable				
Prepaid items				
Restricted	\$1,000,000	\$81,286	779,528	10,372,510
Unassigned				
Total Fund Balances (Deficit)	<u>1,000,000</u>	<u>81,286</u>	<u>779,528</u>	<u>10,372,510</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,000,000</u>	<u>\$81,286</u>	<u>\$2,527,034</u>	<u>\$10,729,492</u>

CAPITAL PROJECTS FUNDS

Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South
\$3,214,370	\$4,072,698	\$3,318,507	\$6,669,432	\$11,369,292	\$3,141,002
				250,063	
4,048	284,327	142,520	3,750,000		
8,971	11,349	14,390	18,616	31,731	8,771
<u>\$3,227,389</u>	<u>\$4,368,374</u>	<u>\$3,475,417</u>	<u>\$10,438,048</u>	<u>\$11,651,086</u>	<u>\$3,149,773</u>
\$11,668		\$1,421,081	\$2,925	\$3,720	\$2,076
	\$810,573	394,778	832,265	33,675	
<u>11,668</u>	<u>810,573</u>	<u>1,815,859</u>	<u>835,190</u>	<u>37,395</u>	<u>2,076</u>
			3,750,000		
			3,750,000		
3,215,721	3,557,801	1,659,558	5,852,858	11,613,691	3,147,697
<u>3,215,721</u>	<u>3,557,801</u>	<u>1,659,558</u>	<u>5,852,858</u>	<u>11,613,691</u>	<u>3,147,697</u>
<u>\$3,227,389</u>	<u>\$4,368,374</u>	<u>\$3,475,417</u>	<u>\$10,438,048</u>	<u>\$11,651,086</u>	<u>\$3,149,773</u>

(Continued)

CITY OF TRACY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	CAPITAL PROJECTS FUNDS			
	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area	Plan "C"
<b>ASSETS</b>				
Cash and investments	\$6,083,592	\$280,439	\$3,064,142	\$22,849,877
Restricted cash and investments				
Cash and investments with fiscal agents	5,034			
Accounts receivables				
Interest receivable	16,984	783	8,554	63,806
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items				
Total Assets	\$6,105,610	\$281,222	\$3,072,696	\$22,913,683
<b>LIABILITIES</b>				
Accounts payable	\$1,542		\$3,343	\$8,162
Due to other funds				
Advances from other funds				
Deposits payable	825,000	\$3,000		
Unearned revenue				
Total Liabilities	826,542	3,000	3,343	8,162
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - accounts receivable				
Unavailable revenue - loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Nonspendable				
Prepaid items				
Restricted	5,279,068	278,222	3,069,353	22,905,521
Unassigned				
Total Fund Balances (Deficit)	5,279,068	278,222	3,069,353	22,905,521
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$6,105,610	\$281,222	\$3,072,696	\$22,913,683

CAPITAL PROJECTS FUNDS

<u>Residential Specific Plan Project</u>	<u>Ellis Area</u>	<u>Total Nonmajor Governmental Funds</u>
\$3,130,260	\$2,507,475	\$87,329,117
		10,000
		3,346,541
2,678		6,143,381
8,738	7,030	251,612
		1,000,000
		1,747,454
2,211,809		2,211,809
		825
<u>\$5,353,485</u>	<u>\$2,514,505</u>	<u>\$102,040,739</u>
\$117		\$2,816,523
		17,600
		1,747,454
		2,937,129
		30,489
<u>117</u>		<u>7,549,195</u>
		3,750,000
<u>2,211,809</u>		<u>2,211,809</u>
<u>2,211,809</u>		<u>5,961,809</u>
		825
<u>3,141,559</u>	<u>\$2,514,505</u>	<u>88,530,091</u>
		(1,181)
<u>3,141,559</u>	<u>2,514,505</u>	<u>88,529,735</u>
<u>\$5,353,485</u>	<u>\$2,514,505</u>	<u>\$102,040,739</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, 2016

	SPECIAL REVENUE FUNDS			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
REVENUES				
Taxes				\$1,525,596
Licenses, permits and fees	\$123,705			
Fines and penalties		\$435,397		
Use of money and property	8	8,999	\$242	5,453
Intergovernmental				
Charges for current services				
Special assessments				
Contributions				
Other revenue				
Total Revenues	<u>123,713</u>	<u>444,396</u>	<u>242</u>	<u>1,531,049</u>
EXPENDITURES				
Current:				
General government				
Economic development	123,887			
General government				
Non-departmental				36,205
Public safety				
Police		610,076		
Public ways and facilities/transportation				
Development and engineering				4,316
Public works				1,190,640
Capital outlay				2,852
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>123,887</u>	<u>610,076</u>	<u>242</u>	<u>1,234,013</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(174)</u>	<u>(165,680)</u>	<u>242</u>	<u>297,036</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers in				
Transfers (out)		(66,000)		
Total Other Financing Sources (Uses)		<u>(66,000)</u>		
NET CHANGE IN FUND BALANCES	(174)	(231,680)	242	297,036
BEGINNING FUND BALANCES (DEFICITS)	<u>(8)</u>	<u>776,771</u>	<u>89</u>	<u>1,294,445</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>(\$182)</u></u>	<u><u>\$545,091</u></u>	<u><u>\$331</u></u>	<u><u>\$1,591,481</u></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
\$1,276,225					\$201,558
9,621	\$35,026 1,831,404	\$53 360,564	\$63,873  9,000 2,664,266	\$2,419	3,604  188
<u>1,285,846</u>	<u>1,866,430</u>	<u>360,617</u>	<u>2,737,304</u>	<u>2,419</u>	<u>205,350</u>
		278,054			142,910 47,940
3,086,072	1,649,420 1,038,566	82,562	2,257,178		
<u>3,086,072</u>	<u>2,722,491</u>	<u>360,616</u>	<u>2,355,600</u>		<u>190,850</u>
<u>(1,800,226)</u>	<u>(856,061)</u>	<u>1</u>	<u>381,704</u>	<u>2,419</u>	<u>14,500</u>
(1,800,226)	(856,061)	1	381,704	2,419	14,500
1,909,573	2,770,828	(1,000)	4,969,204	198,136	335,058
<u>\$109,347</u>	<u>\$1,914,767</u>	<u>(\$999)</u>	<u>\$5,350,908</u>	<u>\$200,555</u>	<u>\$349,558</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, 2016

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
	Grow Tracy	2007 Lease Revenue Bonds	North East Industrial Plan Area #1	North East Industrial Plan Area # 2
<b>REVENUES</b>				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property		\$1,132	\$37,516	\$54,911
Intergovernmental				
Charges for current services				
Special assessments			7,397	3,035,916
Contributions				
Other revenue				
Total Revenues		1,132	44,913	3,090,827
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay			7,668	200,389
Debt service:				
Principal payments		110,000		
Interest and fiscal charges		174,280		
Total Expenditures		284,280	7,668	200,389
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		(283,148)	37,245	2,890,438
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property				
Transfers in		279,700		
Transfers (out)			(1,170,700)	
Total Other Financing Sources (Uses)		279,700	(1,170,700)	
<b>NET CHANGE IN FUND BALANCES</b>		(3,448)	(1,133,455)	2,890,438
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	\$1,000,000	84,734	1,912,983	7,482,072
<b>ENDING FUND BALANCES (DEFICITS)</b>	\$1,000,000	\$81,286	\$779,528	\$10,372,510

CAPITAL PROJECTS FUNDS

Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South
\$38,397	\$58,523	\$56,214	\$81,021	\$140,213	\$36,957
433,202	376,519	497,420 1,677,151 2,743	1,761,655	986,959	715,015
<u>471,599</u>	<u>435,042</u>	<u>2,233,528</u>	<u>1,842,676</u>	<u>1,127,172</u>	<u>751,972</u>
384,722	350,063	2,532,925	9,608	732,934	541,335
<u>384,722</u>	<u>350,063</u>	<u>2,532,925</u>	<u>9,608</u>	<u>732,934</u>	<u>541,335</u>
86,877	84,979	(299,397)	1,833,068	394,238	210,637
	284,325				
	(1,504,000)	(881,637)	(1,250,000)		
	(1,219,675)	(881,637)	(1,250,000)		
86,877	(1,134,696)	(1,181,034)	583,068	394,238	210,637
3,128,844	4,692,497	2,840,592	5,269,790	11,219,453	2,937,060
<u>\$3,215,721</u>	<u>\$3,557,801</u>	<u>\$1,659,558</u>	<u>\$5,852,858</u>	<u>\$11,613,691</u>	<u>\$3,147,697</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, 2016

	CAPITAL PROJECTS FUNDS			
	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area	Plan "C"
<b>REVENUES</b>				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property	\$73,611	\$3,393	\$37,228	\$269,823
Intergovernmental				
Charges for current services				
Special assessments				1,179,358
Contributions				
Other revenue				
Total Revenues	<u>73,611</u>	<u>3,393</u>	<u>37,228</u>	<u>1,449,181</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay	4,652		29,524	257,047
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>4,652</u>	<u></u>	<u>29,524</u>	<u>257,047</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>68,959</u>	<u>3,393</u>	<u>7,704</u>	<u>1,192,134</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>
<b>NET CHANGE IN FUND BALANCES</b>	68,959	3,393	7,704	1,192,134
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<u>5,210,109</u>	<u>274,829</u>	<u>3,061,649</u>	<u>21,713,387</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u>\$5,279,068</u>	<u>\$278,222</u>	<u>\$3,069,353</u>	<u>\$22,905,521</u>

CAPITAL PROJECTS FUNDS

<u>Residential Specific Plan Project</u>	<u>Ellis Area</u>	<u>Total Nonmajor Governmental Funds</u>
		\$2,801,821
		325,263
		435,397
\$38,100	\$16,443	1,072,780
		2,191,968
		9,188
	2,502,483	12,398,535
		3,438,806
		2,908
<u>38,100</u>	<u>2,518,926</u>	<u>22,676,666</u>
		401,941
		142,910
		217,072
		610,076
		4,316
44,122	4,421	5,097,238
		9,309,462
		110,000
		174,280
<u>44,122</u>	<u>4,421</u>	<u>16,067,295</u>
<u>(6,022)</u>	<u>2,514,505</u>	<u>6,609,371</u>
		284,325
		279,700
		(4,872,337)
		(4,308,312)
(6,022)	2,514,505	2,301,059
<u>3,147,581</u>		<u>86,228,676</u>
<u>\$3,141,559</u>	<u>\$2,514,505</u>	<u>\$88,529,735</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, 2016

	BUSINESS IMPROVEMENT DISTRICT			ASSET FORFEITURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees	\$114,000	\$123,705	(\$9,705)			
Fines and penalties				\$129,541	\$435,397	\$305,856
Use of money and property		8	(8)		8,999	8,999
Intergovernmental						
Charges for current services						
Special assessments						
Other revenue						
Total Revenues	<u>114,000</u>	<u>123,713</u>	<u>(9,713)</u>	<u>129,541</u>	<u>444,396</u>	<u>314,855</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Economic development	114,000	123,887	(9,887)			
General government						
Non-departmental						
Public safety						
Police				690,098	610,076	80,022
Public works						
Development and engineering						
Public works						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>114,000</u>	<u>123,887</u>	<u>(9,887)</u>	<u>690,098</u>	<u>610,076</u>	<u>80,022</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<u>(174)</u>	<u>(174)</u>	<u>(560,557)</u>	<u>(165,680)</u>	<u>394,877</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(66,000)	(66,000)	
Total Other Financing Sources (Uses)				<u>(66,000)</u>	<u>(66,000)</u>	
<b>NET CHANGE IN FUND BALANCES</b>		<u>(174)</u>	<u>(\$174)</u>	<u>(\$626,557)</u>	<u>(231,680)</u>	<u>\$394,877</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>(8)</u>			<u>776,771</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>(\$182)</u>			<u>\$545,091</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	\$1,525,596	(\$94,404)	\$1,240,000	\$1,276,225	\$36,225			
	5,453	5,453		9,621	9,621	\$1,800,320	\$35,026 1,831,404	\$35,026 31,084
<u>1,620,000</u>	<u>1,531,049</u>	<u>(88,951)</u>	<u>1,240,000</u>	<u>1,285,846</u>	<u>45,846</u>	<u>1,800,320</u>	<u>1,866,430</u>	<u>66,110</u>
36,220	36,205	15				34,520	34,505	15
14,360	4,316	10,044						
1,390,080	1,190,640	199,440				1,615,560	1,649,420	(33,860)
1,378,157	2,852	1,375,305	3,585,134	3,086,072	499,062	2,249,967	1,038,566	1,211,401
<u>2,818,817</u>	<u>1,234,013</u>	<u>1,584,804</u>	<u>3,585,134</u>	<u>3,086,072</u>	<u>499,062</u>	<u>3,900,047</u>	<u>2,722,491</u>	<u>1,177,556</u>
<u>(1,198,817)</u>	<u>297,036</u>	<u>1,495,853</u>	<u>(2,345,134)</u>	<u>(1,800,226)</u>	<u>544,908</u>	<u>(2,099,727)</u>	<u>(856,061)</u>	<u>1,243,666</u>
<u>(\$1,198,817)</u>	297,036	<u>\$1,495,853</u>	<u>(\$2,345,134)</u>	(1,800,226)	<u>\$544,908</u>	<u>(\$2,099,727)</u>	(856,061)	<u>\$1,243,666</u>
	<u>1,294,445</u>			<u>1,909,573</u>			<u>2,770,828</u>	
	<u>\$1,591,481</u>			<u>\$109,347</u>			<u>\$1,914,767</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, 2016

	COMMUNITY DEVELOPMENT BLOCK GRANT			LANDSCAPING DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and penalties						
Use of money and property		\$53	\$53	\$40,000	\$63,873	\$23,873
Intergovernmental	\$859,430	360,564	(498,866)			
Special assessments					9,000	9,000
Other revenue				2,790,000	2,664,266	(125,734)
Charges for current services					165	165
<b>Total Revenues</b>	<u>859,430</u>	<u>360,617</u>	<u>(498,813)</u>	<u>2,830,000</u>	<u>2,737,304</u>	<u>(92,696)</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Economic development	354,130	278,054	76,076			
General government						
Non-departmental				90,350	98,422	(8,072)
Public safety						
Police						
Public works						
Development and engineering						
Public works				2,618,770	2,257,178	361,592
Capital outlay	426,990	82,562	344,428	988,227		988,227
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>781,120</u>	<u>360,616</u>	<u>420,504</u>	<u>3,697,347</u>	<u>2,355,600</u>	<u>1,341,747</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>78,310</u>	<u>1</u>	<u>(78,309)</u>	<u>(867,347)</u>	<u>381,704</u>	<u>1,249,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$78,310</u>	<u>1</u>	<u>(\$78,309)</u>	<u>(\$867,347)</u>	<u>381,704</u>	<u>\$1,249,051</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>(1,000)</u>			<u>4,969,204</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>(\$999)</u>			<u>\$5,350,908</u>	

COMMUNITY ACCESS CTV			2007 LEASE REVENUE BONDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$200,000	\$201,558	\$1,558			
	3,604	3,604		\$1,132	\$1,132
500	188	(312)			
<u>200,500</u>	<u>205,350</u>	<u>4,850</u>		<u>1,132</u>	<u>1,132</u>
105,390	142,910	(37,520)			
52,900	47,940	4,960			
			\$110,000	110,000	
			<u>169,700</u>	<u>174,280</u>	<u>(4,580)</u>
<u>158,290</u>	<u>190,850</u>	<u>(32,560)</u>	<u>279,700</u>	<u>284,280</u>	<u>(4,580)</u>
<u>42,210</u>	<u>14,500</u>	<u>(27,710)</u>	<u>(279,700)</u>	<u>(283,148)</u>	<u>(3,448)</u>
			279,700	279,700	
			<u>279,700</u>	<u>279,700</u>	
<u>\$42,210</u>	14,500	<u>(\$27,710)</u>		(3,448)	<u>(\$3,448)</u>
	<u>335,058</u>			<u>84,734</u>	
	<u>\$349,558</u>			<u>\$81,286</u>	



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## **INTERNAL SERVICE FUNDS**

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

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, 2016

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
<b>ASSETS</b>						
Current Assets:						
Cash and investments	\$853,798	\$692,165	\$9,857,431	\$211,204	\$3,137,995	\$14,752,593
Accounts receivable-net					719	719
Prepaid expense		2,022				2,022
Total Current Assets	<u>853,798</u>	<u>694,187</u>	<u>9,857,431</u>	<u>211,204</u>	<u>3,138,714</u>	<u>14,755,334</u>
Capital assets (net of accumulated depreciation)	10,402		7,222,116	9,299		7,241,817
Total capital assets	<u>10,402</u>		<u>7,222,116</u>	<u>9,299</u>		<u>7,241,817</u>
Total Assets	<u>864,200</u>	<u>694,187</u>	<u>17,079,547</u>	<u>220,503</u>	<u>3,138,714</u>	<u>21,997,151</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	35,349	91,697		46,198	36,049	209,293
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	38,517	14,842	197,775	19,749	43,109	313,992
Compensated absences	12,307	23,134		13,694	14,188	63,323
Total Current Liabilities	<u>50,824</u>	<u>37,976</u>	<u>197,775</u>	<u>33,443</u>	<u>57,297</u>	<u>377,315</u>
Long-term Liabilities:						
Compensated absences	26,761	40,293		40,137	47,313	154,504
Claims and judgment payable					112,494	112,494
Net pension liabilities	289,458	750,872		378,302	295,190	1,713,822
Total Long-Term Liabilities	<u>316,219</u>	<u>791,165</u>		<u>418,439</u>	<u>454,997</u>	<u>1,980,820</u>
Total Liabilities	<u>367,043</u>	<u>829,141</u>	<u>197,775</u>	<u>451,882</u>	<u>512,294</u>	<u>2,358,135</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	48,813	126,624		63,795	49,779	289,011
<b>NET POSITION</b>						
Net investment in capital assets	10,402		7,222,116	9,299		7,241,817
Unrestricted	473,291	(169,881)	9,659,656	(258,275)	2,612,690	12,317,481
Total Net Position	<u>\$483,693</u>	<u>(\$169,881)</u>	<u>\$16,881,772</u>	<u>(\$248,976)</u>	<u>\$2,612,690</u>	<u>\$19,559,298</u>

CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
<b>REVENUES</b>						
Charges for services	\$1,471,030	\$1,981,432	\$2,130,212	\$760,867	\$3,489,461	\$9,833,002
Other revenues					788,801	788,801
<b>Total Operating Revenues</b>	<u>1,471,030</u>	<u>1,981,432</u>	<u>2,130,212</u>	<u>760,867</u>	<u>4,278,262</u>	<u>10,621,803</u>
<b>EXPENSES</b>						
Maintenance and operation	1,441,677	1,641,488	109,018	899,776	780,455	4,872,414
Administration	36,335			45,852	17,121	99,308
Insurance costs and claims					3,220,280	3,220,280
Depreciation	2		1,379,315	1,782		1,381,099
<b>Total Expenses</b>	<u>1,478,014</u>	<u>1,641,488</u>	<u>1,488,333</u>	<u>947,410</u>	<u>4,017,856</u>	<u>9,573,101</u>
<b>Operating Income (Loss)</b>	(6,984)	339,944	641,879	(186,543)	260,406	1,048,702
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest expense			(26,131)			(26,131)
Gain/loss on disposal		9,672	(27,854)			(18,182)
<b>Total Nonoperating Revenues (Expenses)</b>		<u>9,672</u>	<u>(53,985)</u>			<u>(44,313)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(6,984)	349,616	587,894	(186,543)	260,406	1,004,389
Capital Contributions			704,016			704,016
Transfers in			66,000			66,000
<b>Change in Net Position</b>	(6,984)	349,616	1,357,910	(186,543)	260,406	1,774,405
<b>BEGINNING NET POSITION</b>	<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>
<b>ENDING NET POSITION</b>	<u>\$483,693</u>	<u>(\$169,881)</u>	<u>\$16,881,772</u>	<u>(\$248,976)</u>	<u>\$2,612,690</u>	<u>\$19,559,298</u>

CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/interfund charges	\$1,471,030	\$1,981,432	\$2,130,212	\$760,867	\$4,278,862	\$10,622,403
Payments to suppliers and users	(1,428,369)	(1,675,626)	(539,784)	(883,403)	(3,984,547)	(8,511,729)
Payments to employees	(50,200)	(62,132)		(61,946)	(42,537)	(216,815)
Net cash provided (used by) Operating Activities	<u>(7,539)</u>	<u>243,674</u>	<u>1,590,428</u>	<u>(184,482)</u>	<u>251,778</u>	<u>1,893,859</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in			66,000			66,000
Net cash provided (used by) Noncapital Financing Activities			<u>66,000</u>			<u>66,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal payments- long-term debt			(825,999)			(825,999)
Interest paid			(35,492)			(35,492)
Capital contributions			704,016			704,016
Acquisition of capital assets	(2)		(2,027,722)			(2,027,724)
Proceeds from sale of capital assets		9,672	26,161		12,700	48,533
Net cash used by Capital and Related Financing Activities	<u>(2)</u>	<u>9,672</u>	<u>(2,159,036)</u>		<u>12,700</u>	<u>(2,136,666)</u>
Net increase (decrease) in cash and cash equivalents	(7,541)	253,346	(502,608)	(184,482)	264,478	(176,807)
Cash and cash equivalents, July 1, 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>
Cash and cash equivalents, June 30, 2016	<u>\$853,798</u>	<u>\$692,165</u>	<u>\$9,857,431</u>	<u>\$211,204</u>	<u>\$3,137,995</u>	<u>\$14,752,593</u>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>						
Cash and investments	<u>\$853,798</u>	<u>\$692,165</u>	<u>\$9,857,431</u>	<u>\$211,204</u>	<u>\$3,137,995</u>	<u>\$14,752,593</u>
Total cash and investments	<u>\$853,798</u>	<u>\$692,165</u>	<u>\$9,857,431</u>	<u>\$211,204</u>	<u>\$3,137,995</u>	<u>\$14,752,593</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	(\$6,984)	\$339,944	\$641,879	(\$186,543)	\$260,406	\$1,048,702
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>						
Depreciation	2		1,379,315	1,782		1,381,099
<b>Change in assets, deferred inflows, liabilities and deferred outflows:</b>						
Accounts receivable					600	600
Prepaid expenses		1,627				1,627
Accounts payable	13,308	(35,765)	(430,766)	16,373	38,146	(398,704)
Compensated absences	12,527	5,576		18,214	(21,958)	14,359
Net pension liability and deferred outflows/inflows	<u>(26,392)</u>	<u>(67,708)</u>		<u>(34,308)</u>	<u>(25,416)</u>	<u>(153,824)</u>
Net cash provided (used) by Operating Activities	<u>(\$7,539)</u>	<u>\$243,674</u>	<u>\$1,590,428</u>	<u>(\$184,482)</u>	<u>\$251,778</u>	<u>\$1,893,859</u>
<b>NONCASH TRANSACTIONS:</b>						
Retirement of capital assets			<u>(\$54,015)</u>		<u>(\$12,700)</u>	<u>(\$66,715)</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:

### **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.

### **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.

<b>AGENCY FUNDS</b>
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**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.

**POST EMPLOYMENT 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, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<b>89-1 Community Facilities District</b>				
<b>Assets</b>				
Cash and investments	\$2,620,358	\$25,231	\$2,268	\$2,643,321
Cash and investments with fiscal agents	1,524,084	14,172		1,538,256
Interest receivable	6,337	7,378	6,337	7,378
<b>Total Assets</b>	<b>\$4,150,779</b>	<b>\$46,781</b>	<b>\$8,605</b>	<b>\$4,188,955</b>
<b>Liabilities</b>				
Accounts payable	\$1,500	\$31	\$1,500	\$31
Due to assessment district bond holders	4,149,279	46,750	7,105	4,188,924
<b>Total Liabilities</b>	<b>\$4,150,779</b>	<b>\$46,781</b>	<b>\$8,605</b>	<b>\$4,188,955</b>
<b>94-1 Assessment District</b>				
<b>Assets</b>				
Cash and investments	\$529,887	\$149,185	\$7,208	\$671,864
Interest receivable	1,287	1,877	1,287	1,877
<b>Total Assets</b>	<b>\$531,174</b>	<b>\$151,062</b>	<b>\$8,495</b>	<b>\$673,741</b>
<b>Liabilities</b>				
Accounts payable	\$2,000		\$2,000	
Due to assessment district bondholders	529,174	\$151,062	6,495	\$673,741
<b>Total Liabilities</b>	<b>\$531,174</b>	<b>\$151,062</b>	<b>\$8,495</b>	<b>\$673,741</b>
<b>93-1 Community Facilities District</b>				
<b>Assets</b>				
Cash and investments	\$3,294,027	\$289,841	\$260,802	\$3,323,066
Cash and investments with fiscal agents	602,697	112,945		715,642
Interest receivable	7,968	9,276	7,968	9,276
<b>Total Assets</b>	<b>\$3,904,692</b>	<b>\$412,062</b>	<b>\$268,770</b>	<b>\$4,047,984</b>
<b>Liabilities</b>				
Due to assessment district bond holders	\$3,904,692	\$412,062	\$268,770	\$4,047,984
<b>Total Liabilities</b>	<b>\$3,904,692</b>	<b>\$412,062</b>	<b>\$268,770</b>	<b>\$4,047,984</b>

(Continued)



CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>98-1 Community Facilities District</u></b>				
<b>Assets</b>				
Cash and investments	\$781,219	\$4,337,588	\$4,952,940	\$165,867
Cash and investments with fiscal agents	4,258,413	912,001		5,170,414
Interest receivable	1,896	449	1,896	449
<b>Total Assets</b>	<b><u>\$5,041,528</u></b>	<b><u>\$5,250,038</u></b>	<b><u>\$4,954,836</u></b>	<b><u>\$5,336,730</u></b>
<b>Liabilities</b>				
Accounts payable		\$1,678		\$1,678
Due to assessment district bondholders	\$5,041,528	5,248,360	\$4,954,836	5,335,052
<b>Total Liabilities</b>	<b><u>\$5,041,528</u></b>	<b><u>\$5,250,038</u></b>	<b><u>\$4,954,836</u></b>	<b><u>\$5,336,730</u></b>
<b><u>98-3 Community Facilities District</u></b>				
<b>Assets</b>				
Cash and investments	\$76,769	\$329,216	\$349,848	\$56,137
Cash and investments with fiscal agents	148,986		43,416	105,570
Interest receivable	186	156	186	156
<b>Total Assets</b>	<b><u>\$225,941</u></b>	<b><u>\$329,372</u></b>	<b><u>\$393,450</u></b>	<b><u>\$161,863</u></b>
<b>Liabilities</b>				
Accounts payable		\$159		\$159
Due to assessment district bond holders	\$225,941	329,213	\$393,450	161,704
<b>Total Liabilities</b>	<b><u>\$225,941</u></b>	<b><u>\$329,372</u></b>	<b><u>\$393,450</u></b>	<b><u>\$161,863</u></b>
<b><u>99-1 Community Facilities District</u></b>				
<b>Assets</b>				
Cash and investments	\$348,478	\$4,484	\$6,091	\$346,871
Cash and investments with fiscal agents	867,536	18,155		885,691
Interest receivable	843	967	843	967
<b>Total Assets</b>	<b><u>\$1,216,857</u></b>	<b><u>\$23,606</u></b>	<b><u>\$6,934</u></b>	<b><u>\$1,233,529</u></b>
<b>Liabilities</b>				
Accounts payable	\$1,500		\$1,500	
Due to assessment district bond holders	1,215,357	\$23,606	5,434	\$1,233,529
<b>Total Liabilities</b>	<b><u>\$1,216,857</u></b>	<b><u>\$23,606</u></b>	<b><u>\$6,934</u></b>	<b><u>\$1,233,529</u></b>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>2000-01 Assessment District</u></b>				
<b>Assets</b>				
Cash and investments	\$169,242	\$963,854	\$976,466	\$156,630
Cash and investments with fiscal agents	725,019	41,958		766,977
Interest receivable	411	435	411	435
<b>Total Assets</b>	<b><u>\$894,672</u></b>	<b><u>\$1,006,247</u></b>	<b><u>\$976,877</u></b>	<b><u>\$924,042</u></b>
<b>Liabilities</b>				
Accounts payable		\$332		\$332
Due to assessment district bond holders	\$894,672	1,005,915	\$976,877	923,710
<b>Total Liabilities</b>	<b><u>\$894,672</u></b>	<b><u>\$1,006,247</u></b>	<b><u>\$976,877</u></b>	<b><u>\$924,042</u></b>
<b><u>2006-01 NE Industrial # 2</u></b>				
<b>Assets</b>				
Cash and investments		\$703,970	\$703,924	\$46
Cash and investments with fiscal agents	\$2,594,054	43,150		2,637,204
<b>Total Assets</b>	<b><u>\$2,594,054</u></b>	<b><u>\$747,120</u></b>	<b><u>\$703,924</u></b>	<b><u>\$2,637,250</u></b>
<b>Liabilities</b>				
Accounts payable	\$2,807	\$12,400	\$2,807	\$12,400
Due to assessment district bond holders	2,591,247	734,720	701,117	2,624,850
<b>Total Liabilities</b>	<b><u>\$2,594,054</u></b>	<b><u>\$747,120</u></b>	<b><u>\$703,924</u></b>	<b><u>\$2,637,250</u></b>
<b><u>1999 I205 Residential Reassessment District</u></b>				
<b>Assets</b>				
Cash and investments	\$3,105	\$2,460,830	\$2,463,897	\$38
Cash and investments with fiscal agents	1,939,901	45,455		1,985,356
Accounts receivable		11		11
<b>Total Assets</b>	<b><u>\$1,943,006</u></b>	<b><u>\$2,506,296</u></b>	<b><u>\$2,463,897</u></b>	<b><u>\$1,985,405</u></b>
<b>Liabilities</b>				
Accounts payable	\$90,764	\$247,255	\$90,764	\$247,255
Due to assessment district bondholders	1,852,242	2,259,041	2,373,133	1,738,150
<b>Total Liabilities</b>	<b><u>\$1,943,006</u></b>	<b><u>\$2,506,296</u></b>	<b><u>\$2,463,897</u></b>	<b><u>\$1,985,405</u></b>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b>2000-03 Assessment District</b>				
<b>Assets</b>				
Cash and investments	\$16,465	\$194		\$16,659
Interest receivable	40	47	\$40	47
<b>Total Assets</b>	<u>\$16,505</u>	<u>\$241</u>	<u>\$40</u>	<u>\$16,706</u>
<b>Liabilities</b>				
Due to assessment district bond holders	\$16,505	\$241	\$40	\$16,706
<b>Total Liabilities</b>	<u>\$16,505</u>	<u>\$241</u>	<u>\$40</u>	<u>\$16,706</u>
<b>2003-01 Assessment District</b>				
<b>Assets</b>				
Cash and investments		\$69,375	\$69,314	\$61
Cash and investments with fiscal agents	\$147,545	4,080		151,625
<b>Total Assets</b>	<u>\$147,545</u>	<u>\$73,455</u>	<u>\$69,314</u>	<u>\$151,686</u>
<b>Liabilities</b>				
Accounts payable	\$5,861	\$12,181	\$5,861	\$12,181
Deposits payable	12,722			12,722
Due to assessment district bondholders	128,962	61,274	63,453	126,783
<b>Total Liabilities</b>	<u>\$147,545</u>	<u>\$73,455</u>	<u>\$69,314</u>	<u>\$151,686</u>
<b>Cultural Arts</b>				
<b>Assets</b>				
Cash and investments	\$1,156	\$19	\$1,171	\$4
<b>Total Assets</b>	<u>\$1,156</u>	<u>\$19</u>	<u>\$1,171</u>	<u>\$4</u>
<b>Liabilities</b>				
Deposits payable	\$1,156	\$19	\$1,171	\$4
<b>Total Liabilities</b>	<u>\$1,156</u>	<u>\$19</u>	<u>\$1,171</u>	<u>\$4</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>Regional Transportation Impact</u></b>				
<b>Assets</b>				
Cash and investments	\$4,644,300	\$884,522	\$1,829,072	\$3,699,750
<b>Total Assets</b>	<u>\$4,644,300</u>	<u>\$884,522</u>	<u>\$1,829,072</u>	<u>\$3,699,750</u>
<b>Liabilities</b>				
Accounts payable	\$59,271	\$280,258	\$59,271	\$280,258
Deposits payable	4,585,029	604,264	1,769,801	3,419,492
<b>Total Liabilities</b>	<u>\$4,644,300</u>	<u>\$884,522</u>	<u>\$1,829,072</u>	<u>\$3,699,750</u>
<b><u>Medical Leave Bank</u></b>				
<b>Assets</b>				
Cash and investments	\$678,600	\$20,314	\$161,709	\$537,205
<b>Total Assets</b>	<u>\$678,600</u>	<u>\$20,314</u>	<u>\$161,709</u>	<u>\$537,205</u>
<b>Liabilities</b>				
Deposits payable	\$678,600	\$20,314	\$161,709	\$537,205
<b>Total Liabilities</b>	<u>\$678,600</u>	<u>\$20,314</u>	<u>\$161,709</u>	<u>\$537,205</u>
<b><u>Post Employment Benefit Trust</u></b>				
<b>Assets</b>				
Cash and investments	\$40,788	\$736,464	\$777,191	\$61
Accounts receivable	21,270	23,023	21,270	23,023
<b>Total Assets</b>	<u>\$62,058</u>	<u>\$759,487</u>	<u>\$798,461</u>	<u>\$23,084</u>
<b>Liabilities</b>				
Due to City of Tracy				
Accounts payable	\$62,057	\$23,084	\$62,057	\$23,084
Deposits payable	1	736,403	736,404	
<b>Total Liabilities</b>	<u>\$62,058</u>	<u>\$759,487</u>	<u>\$798,461</u>	<u>\$23,084</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>2011 TOP JPA Revenue Bonds</b>				
<b>Assets</b>				
Cash and investments	\$5,015	\$1,155,400	\$1,160,368	\$47
Cash and investments with fiscal agents	2,189,193	93,796		2,282,989
Interest receivable	19		19	
<b>Total Assets</b>	<u>\$2,194,227</u>	<u>\$1,249,196</u>	<u>\$1,160,387</u>	<u>\$2,283,036</u>
<b>Liabilities</b>				
Accounts payable		\$49,703		\$49,703
Due to assessment district bondholders	\$2,194,227	1,199,493	\$1,160,387	2,233,333
<b>Total Liabilities</b>	<u>\$2,194,227</u>	<u>\$1,249,196</u>	<u>\$1,160,387</u>	<u>\$2,283,036</u>
<b>2011-01 CFD Tracy 580 Business Park</b>				
<b>Assets</b>				
Cash and investments	\$44,741	\$40,798	\$56,518	\$29,021
Interest receivable	109	81	109	81
<b>Total Assets</b>	<u>\$44,850</u>	<u>\$40,879</u>	<u>\$56,627</u>	<u>\$29,102</u>
<b>Liabilities</b>				
Accounts payable	\$32,832	\$32,888	\$32,832	\$32,888
Due to assessment district bondholders	12,018	7,991	23,795	(3,786)
<b>Total Liabilities</b>	<u>\$44,850</u>	<u>\$40,879</u>	<u>\$56,627</u>	<u>\$29,102</u>
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$13,254,150	\$12,171,285	\$13,778,787	\$11,646,648
Cash and investments with fiscal agents	14,997,428	1,285,712	43,416	16,239,724
Accounts receivable	21,270	23,034	21,270	23,034
Interest receivable	19,096	20,666	19,096	20,666
<b>Total Assets</b>	<u>\$28,291,944</u>	<u>\$13,500,697</u>	<u>\$13,862,569</u>	<u>\$27,930,072</u>
<b>Liabilities</b>				
Accounts payable	\$258,592	\$659,969	\$258,592	\$659,969
Deposits payable	5,277,508	1,361,000	2,669,085	3,969,423
Due to assessment district bondholders	22,755,844	11,479,728	10,934,892	23,300,680
<b>Total Liabilities</b>	<u>\$28,291,944</u>	<u>\$13,500,697</u>	<u>\$13,862,569</u>	<u>\$27,930,072</u>

# Statistical Section



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## 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)

### ***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  
(Accrual Basis of Accounting)  
(In thousands)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$ 553,914	\$ 526,467	\$ 518,181	\$ 512,728	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849	\$ 396,124
Restricted	145,381	152,380	100,403	111,131	105,425	118,367	120,961	157,162	134,092	135,593
Unrestricted	(5,343)	(11,671)	42,063	35,606	32,898	33,347	46,711	34,330	45,861	42,395
<b>Total governmental activities net assets</b>	<b>693,952</b>	<b>667,176</b>	<b>660,647</b>	<b>659,465</b>	<b>648,646</b>	<b>641,767</b>	<b>631,621</b>	<b>640,333</b>	<b>631,802</b>	<b>574,112</b>
<b>Business-type activities:</b>										
Net investment in capital assets	302,888	314,492	327,065	328,985	340,536	345,554	340,944	346,861	352,609	353,095
Restricted	348	346	247	237	232	227	222	183	244	555
Unrestricted	39,357	31,221	31,101	31,283	29,148	40,621	46,123	38,826	34,303	25,827
<b>Total business-type activities</b>	<b>342,593</b>	<b>346,059</b>	<b>358,413</b>	<b>360,505</b>	<b>369,916</b>	<b>386,402</b>	<b>387,289</b>	<b>385,870</b>	<b>387,156</b>	<b>379,477</b>
<b>Primary government:</b>										
Net investment in capital assets	856,802	840,959	845,246	841,713	850,859	835,607	804,893	795,702	804,458	749,219
Restricted	145,729	152,726	100,650	111,368	105,657	118,594	121,183	157,345	134,336	136,148
Unrestricted	34,014	19,550	73,164	66,889	62,046	73,968	92,834	73,156	80,164	68,222
<b>Total primary government</b>	<b>\$ 1,036,545</b>	<b>\$ 1,013,235</b>	<b>\$ 1,019,060</b>	<b>\$ 1,019,970</b>	<b>\$ 1,018,562</b>	<b>\$ 1,028,169</b>	<b>\$ 1,018,910</b>	<b>\$ 1,026,203</b>	<b>\$ 1,018,958</b>	<b>\$ 953,589</b>

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 13,629	\$ 7,907	\$ 6,412	\$ 6,572	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183	\$ 6,391
Public safety	37,858	37,562	37,974	37,248	37,602	35,509	36,567	36,663	35,074	30,178
Public works	31,874	27,572	32,358	25,954	52,418	24,371	21,855	29,492	24,661	29,391
Culture and leisure	3,134	3,288	4,668	4,709	5,097	5,143	12,202	9,159	7,502	3,929
Interest on long-term debt	1,345	1,337	1,342	1,399	1,925	4,121	4,063	4,201	3,548	4,084
Unallocated depreciation	0	0	586	520	566	617	631	295	820	649
<b>Total Governmental Activities Expenses</b>	<b>87,840</b>	<b>77,666</b>	<b>83,340</b>	<b>76,402</b>	<b>103,891</b>	<b>88,057</b>	<b>82,702</b>	<b>89,005</b>	<b>78,788</b>	<b>74,622</b>
<b>Business-type Activities:</b>										
Water	22,659	23,610	22,300	21,765	22,295	21,229	19,580	19,173	18,786	16,106
Wastewater	16,522	17,040	16,442	14,970	18,980	17,133	14,874	15,380	11,415	9,639
Airport	775	703	629	590	686	705	912	742	542	666
Solid waste	20,899	19,477	18,923	18,820	18,585	17,473	16,962	17,893	17,088	16,492
Transit	3,169	2,968	2,556	2,404	2,436	2,291	1,733	1,277	1,531	1,499
Drainage	3,485	3,436	3,404	3,232	3,351	3,402	2,618	2,646	3,486	3,247
<b>Total Business-Type Activities</b>	<b>67,509</b>	<b>67,234</b>	<b>64,254</b>	<b>61,781</b>	<b>66,333</b>	<b>62,233</b>	<b>56,679</b>	<b>57,111</b>	<b>52,848</b>	<b>47,649</b>
<b>Total Primary Government Expenses</b>	<b>\$ 155,349</b>	<b>\$ 144,900</b>	<b>\$ 147,594</b>	<b>\$ 138,183</b>	<b>\$ 170,224</b>	<b>\$ 150,290</b>	<b>\$ 139,381</b>	<b>\$ 146,116</b>	<b>\$ 131,636</b>	<b>\$ 122,271</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for Services:</b>										
Development fees	6,816	6,124	\$ 3,039	\$ 2,460	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289	\$ 4,700
Other public works	3,093	2,968	5,040	5,300	5,204	3,800	4,401	3,983	26,478	7,660
Parks and community services	1,047	940	838	878	789	757	1,208	1,065	1,206	1,480
Other activities	1,864	1,104	1,879	1,665	2,566	2,634	4,143	3,778	1,457	2,281
Operating grants and contributions	12,811	13,097	10,964	12,723	9,482	10,065	9,305	12,766	13,091	11,800
Capital grants and contributions	37,084	40,451	18,166	22,596	15,527	19,080	11,069	12,965	24,426	49,554
<b>Total Governmental Activities Program Revenues</b>	<b>62,715</b>	<b>64,684</b>	<b>39,926</b>	<b>45,622</b>	<b>35,185</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,475</b>
<b>Business-type Activities:</b>										
<b>Charges for Services:</b>										
Water	13,101	14,379	18,700	15,672	14,433	14,641	13,693	15,833	15,305	13,654
Wastewater	13,616	13,086	12,940	11,978	11,480	12,032	11,490	11,661	12,513	12,115
Airport	403	504	395	272	375	342	373	257	281	265
Solid waste	25,156	22,356	21,521	20,352	18,852	16,321	17,320	16,774	17,950	15,006
Transit	96	109	1,631	818	822	899	1,295	940	92	1,231
Drainage	609	603	546	564	564	553	556	541	563	545
Operating grants and contributions	2,041	1,608	-	-	-	-	-	20	1,774	865
Capital grants and contributions	3,302	8,652	6,337	2,528	2,801	3,678	6,132	9,161	10,992	13,119
<b>Total Business-Type Activities Program Revenues</b>	<b>58,324</b>	<b>61,297</b>	<b>62,070</b>	<b>52,184</b>	<b>49,327</b>	<b>48,466</b>	<b>50,859</b>	<b>55,187</b>	<b>59,470</b>	<b>56,800</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 121,039</b>	<b>\$ 125,981</b>	<b>\$ 101,996</b>	<b>\$ 97,806</b>	<b>\$ 84,512</b>	<b>\$ 86,607</b>	<b>\$ 87,910</b>	<b>\$ 98,584</b>	<b>\$ 131,417</b>	<b>\$ 134,275</b>

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (expense)/revenue										
Governmental activities	\$ (25,125)	\$ (12,982)	\$ (43,414)	\$ (30,780)	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)	\$ 2,853
Business-type activities	(9,185)	(5,937)	(2,184)	(9,597)	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149
Total primary government net (expense) revenue	<u>(34,310)</u>	<u>(18,919)</u>	<u>(45,598)</u>	<u>(40,377)</u>	<u>(85,712)</u>	<u>(63,683)</u>	<u>(51,471)</u>	<u>(47,532)</u>	<u>(219)</u>	<u>12,002</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	19,638	17,709	15,700	14,946	18,527	22,533	24,013	29,324	31,160	23,859
Franchise taxes	2,776	2,728	2,593	2,500	2,443	2,474	2,223	2,138	1,991	2,010
Sales and use taxes	24,371	24,280	22,722	20,553	18,422	11,408	9,225	10,964	12,407	13,053
Other taxes	2,562	2,304	1,952	1,839	1,702	1,621	1,604	1,886	4,321	2,373
Unrestricted motor vehicle in lieu	34	35	36	43	41	376	240	277	360	6,228
Investment earnings	1,000	610	1,129	165	801	1,280	4,840	9,023	12,016	10,406
Miscellaneous	3,497	1,311	1,634	1,595	1,760	1,663	449	527	2,275	1,098
Transfers	(5,141)			(42)		(384)	(5,563)			1
Gain on Transfer of assets					31,889					
Special item - Transfer of assets	3,162									
Total governmental activities	<u>51,899</u>	<u>48,977</u>	<u>45,766</u>	<u>41,599</u>	<u>75,585</u>	<u>40,971</u>	<u>37,031</u>	<u>54,139</u>	<u>64,530</u>	<u>59,028</u>
Business-type activities:										
Interest earnings	551	585	264	144	520	109	1,676	633	1,038	1,796
Miscellaneous	25	42					-	5	19	
Transfers	5,141			42		385	5,563			(1)
Total business-type activities	<u>5,717</u>	<u>627</u>	<u>264</u>	<u>186</u>	<u>520</u>	<u>494</u>	<u>7,239</u>	<u>638</u>	<u>1,057</u>	<u>1,795</u>
Total primary government	<u>57,616</u>	<u>49,604</u>	<u>46,030</u>	<u>41,785</u>	<u>76,105</u>	<u>41,465</u>	<u>44,270</u>	<u>54,777</u>	<u>65,587</u>	<u>60,823</u>
Change in net position										
Governmental activities	26,774	35,995	2,352	10,819	6,879	(8,945)	(8,620)	8,531	57,689	61,881
Business-type activities	(3,468)	(5,310)	(1,920)	(9,411)	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944
Total primary government	<u>\$ 23,306</u>	<u>\$ 30,685</u>	<u>\$ 432</u>	<u>\$ 1,408</u>	<u>\$ (9,607)</u>	<u>\$ (22,218)</u>	<u>\$ (7,201)</u>	<u>\$ 7,245</u>	<u>\$ 65,368</u>	<u>\$ 72,825</u>

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities:</b>										
General government	\$ 3,099	\$ 3,850	\$ 2,892	\$ 1,908	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924	\$ 1,722
Police	2,052	2,847	1,775	2,330	1,390	1,365	1,513	1,984	1,422	1,760
Fire	6,539	6,792	6,980	8,692	4,765	6,302	6,386	10,372	7,506	7,648
Development and engineering	7,209	6,505	3,410	2,871	1,974	2,148	16,700	14,287	5,477	5,945
Public works	42,437	43,198	23,621	28,367	23,224	17,397	5,817	11,460	53,382	55,183
Parks, recreation, and community services	1,380	1,492	1,248	1,454	1,150	1,058	2,009	1,114	2,645	4,662
Interest in long-term debt						-	591	590	591	592
<b>Subtotal governmental activities</b>	<b>62,716</b>	<b>64,684</b>	<b>39,926</b>	<b>45,622</b>	<b>35,185</b>	<b>38,141</b>	<b>37,051</b>	<b>43,397</b>	<b>71,947</b>	<b>77,512</b>
<b>Business-type activities:</b>										
Water	13,801	17,659	16,877	15,672	14,501	14,658	15,534	16,859	19,044	16,050
Wastewater	13,849	14,533	13,438	12,131	12,669	14,766	11,494	13,113	16,150	14,934
Airport	2,622	4,060	731	607	417	402	730	277	897	386
Solid waste	25,156	22,356	20,352	20,352	18,858	16,321	17,330	16,774	17,950	15,006
Transit	2,210	2,030	1,171	2,858	2,018	1,677	4,871	7,386	3,029	3,232
Drainage	686	659	3,424	564	864	640	900	777	2,400	7,190
<b>Subtotal business-type activities</b>	<b>58,324</b>	<b>61,297</b>	<b>55,993</b>	<b>52,184</b>	<b>49,327</b>	<b>48,464</b>	<b>50,859</b>	<b>55,186</b>	<b>59,470</b>	<b>56,798</b>
<b>Total primary government</b>	<b>\$ 121,040</b>	<b>\$ 125,981</b>	<b>\$ 95,919</b>	<b>\$ 97,806</b>	<b>\$ 84,512</b>	<b>\$ 86,605</b>	<b>\$ 87,910</b>	<b>\$ 98,583</b>	<b>\$ 131,417</b>	<b>\$ 134,310</b>

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,359	\$ 1,218	\$ 1,386	\$ 1,755
Unreserved							17,626	16,705	17,193	17,356
Nonspendable	5,873	6,640	782	781	791	820				
Restricted			346	333	445	613				
Committed										
Assigned	358	1,152	523	277	22	2,198				
Unassigned	34,425	29,861	33,420	27,503	25,676	23,356				
<b>Total general fund</b>	<b>\$ 40,656</b>	<b>\$ 37,653</b>	<b>\$ 35,071</b>	<b>\$ 28,894</b>	<b>\$ 26,934</b>	<b>\$ 26,987</b>	<b>\$ 18,985</b>	<b>\$ 17,923</b>	<b>\$ 18,579</b>	<b>\$ 19,111</b>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,708	\$ 38,366	\$ 33,226	\$ 42,960
Unreserved reported in:										
Special revenue funds							20,890	33,100	35,121	30,971
Capital projects funds							81,533	100,196	96,588	76,671
Nonspendable		4	57		4,646	2,948				
Restricted	110,191	113,064	97,402	108,381	90,507	99,794				
Committed						4,131				
Assigned	5,588	13,360			15,339	20,043				
Unassigned										
Special revenue funds	(4,431)	(610)	(1,278)	(159)	(1,071)	(2,099)				
Capital projects funds										
Debt service funds										
<b>Total all other governmental funds</b>	<b>\$ 111,348</b>	<b>\$ 125,818</b>	<b>\$ 96,181</b>	<b>\$ 108,222</b>	<b>\$ 109,421</b>	<b>\$ 124,817</b>	<b>\$ 147,131</b>	<b>\$ 171,662</b>	<b>\$ 164,935</b>	<b>\$ 150,602</b>

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Taxes	\$ 49,118	\$ 46,915	\$ 43,804	\$ 40,503	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048	\$ 48,343
Licenses, permits, and fees	5,236	4,706	4,008	3,564	3,174	3,092	3,040	3,112	2,839	3,501
Fines and forfeits	673	972	863	568	1,552	1,570	1,715	1,722	1,515	1,273
Use of money and property	2,936	1,277	1,699	700	1,459	2,792	4,197	9,046	11,992	9,900
Intergovernmental	20,413	16,235	12,928	16,038	11,992	17,758	15,282	12,899	13,578	18,130
Charges for services	9,997	9,165	8,894	9,147	8,388	10,110	8,525	8,438	5,186	4,913
Special assessments	14,977	29,899	7,181	13,406	4,095	4,933	4,699	5,583	4,843	8,845
Contributions from assessment districts	3,574	3,444	4,346	1,887	5,404	4,448	2,915	6,049	23,043	12,800
Other	3,501	1,410	1,767	1,124	1,294	1,148	1,656	4,595	2,058	1,810
<b>Total revenues</b>	<b>110,425</b>	<b>114,023</b>	<b>85,490</b>	<b>86,937</b>	<b>78,751</b>	<b>82,185</b>	<b>79,093</b>	<b>96,124</b>	<b>113,102</b>	<b>109,515</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	14,900	7,748	7,050	6,434	6,854	17,599	7,054	7,569	8,730	6,274
Police	23,717	22,012	21,592	21,488	21,902	20,943	21,836	21,574	20,161	17,607
Fire	16,692	16,033	15,869	15,305	15,205	14,027	14,664	15,387	14,602	13,594
Community development	9,042	7,793	6,467	6,449	6,273	6,066	7,790	12,360	10,114	7,241
Public works	9,372	9,093	8,471	8,091	7,530	7,285	7,327	8,369	8,082	8,203
Parks and recreation	3,110	3,019	3,113	3,330	3,599	3,509	3,320	4,507	3,146	3,117
Intergovernmental						2,691	6,281	3,288	3,177	2,931
<b>Debt Service:</b>										
Debt service-principal	368	328	245	220	195	1,315	1,490	11,300	3,620	1,430
Debt service-interest	1,322	1,334	1,345	1,352	2,623	3,945	3,994	3,799	3,390	3,934
Debt service-issue costs								1,163	237	
Capital Outlay	41,456	20,582	27,179	23,465	19,829	18,731	23,152	20,502	28,712	47,363
<b>Total expenditures</b>	<b>119,979</b>	<b>87,942</b>	<b>91,331</b>	<b>86,134</b>	<b>84,010</b>	<b>96,111</b>	<b>96,908</b>	<b>109,818</b>	<b>103,971</b>	<b>111,694</b>
<b>Excess of revenue over (under) expenditures</b>	<b>(9,554)</b>	<b>26,081</b>	<b>(5,841)</b>	<b>803</b>	<b>(5,259)</b>	<b>(13,926)</b>	<b>(17,815)</b>	<b>(13,694)</b>	<b>9,131</b>	<b>(2,179)</b>
<b>Other financing sources (uses):</b>										
Issuance of debt		248						19,765	4,670	
Transfers in	6,009	11,723	1,214	20,600	2,699	3,836	21,828	26,040	12,680	22,148
Transfers out	(8,750)	(11,745)	(1,236)	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)
Proceeds from sale of property	829	420								
<b>Total other financing sources (uses):</b>	<b>(1,912)</b>	<b>646</b>	<b>(22)</b>	<b>(42)</b>	<b>-</b>	<b>(385)</b>	<b>(5,563)</b>	<b>19,765</b>	<b>4,670</b>	<b>(2)</b>
<b>Net change in fund balances</b>	<b>\$ (11,466)</b>	<b>\$ 26,727</b>	<b>\$ (5,863)</b>	<b>\$ 761</b>	<b>\$ (5,259)</b>	<b>\$ (14,311)</b>	<b>\$ (23,378)</b>	<b>\$ 6,071</b>	<b>\$ 13,801</b>	<b>\$ (2,181)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>1.94%</b>	<b>2.34%</b>	<b>2.12%</b>	<b>2.33%</b>	<b>4.22%</b>	<b>6.25%</b>	<b>7.44%</b>	<b>16.91%</b>	<b>9.08%</b>	<b>7.35%</b>

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

Fiscal Year	Property Current	Property Transfer	Business License	Sales	Franchise	Transient	Transportation Tax and Other	Total
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
2016	19,638,061	368,922	814,210	24,371,002	2,775,984	1,378,802	2,801,821	52,148,802

Source: City of Tracy, Finance and Administrative Services Department



**CITY OF TRACY  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

Fiscal Year	City of Tracy					Redevelopment Agency / Successor Agency					Total Direct Tax Rate
	Residential Property	Commercial/Industrial Property	Agricultural Exemptions	Total	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2007	\$7,722,515,369	\$1,926,262,386	\$28,870,984	\$9,677,648,739	\$206,027,034	\$9,471,621,705	\$1,153,659,910	\$129,426,090	\$8,627,642	\$1,274,458,358	1.0000%
2008	7,100,460,195	1,802,322,555	29,831,945	8,932,614,695	210,456,479	8,722,158,216	1,064,845,371	119,462,219	8,442,153	1,175,865,437	1.0000%
2009	5,545,597,687	1,541,725,210	10,742,998	7,098,065,895	158,643,838	8,132,493,612	905,118,865	101,542,886	7,168,541	999,493,210	1.0000%
2010	4,992,382,327	1,113,010,224	197,778,028	6,303,170,579	120,292,254	6,182,878,325	1,099,272,042	159,835,031	101,875,950	1,157,231,123	1.0000%
2011	5,102,129,763	1,279,961,758	156,244,642	6,538,336,163	84,950,354	6,453,385,809	756,286,336	132,970,235	35,963,413	853,293,158	1.0000%
2012	4,576,276,289	1,132,426,026	181,181,654	5,889,883,969	119,824,162	5,770,059,807	1,009,329,631	139,116,864	91,037,853	1,057,408,642	1.0000%
2013	4,514,547,256	1,126,415,078	179,798,206	5,820,760,540	119,652,776	5,701,107,764	1,005,846,952	143,168,317	93,247,473	1,055,767,796	1.0000%
2014	5,010,295,280	1,136,022,186	215,287,460	6,361,604,926	117,977,641	6,243,627,285	1,053,197,694	140,059,801	96,074,732	1,097,182,763	1.0000%
2015	5,762,710,327	1,272,788,513	269,549,238	7,305,048,078	95,658,079	7,209,389,999	1,106,399,275	148,342,694	77,314,936	1,177,427,033	1.0000%
2016	6,176,651,051	1,421,947,826	239,064,864	7,837,663,741	120,326,228	7,717,337,513	1,165,846,923	156,304,455	98,139,053	1,224,012,325	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**

	<b>Fiscal Year</b>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b><u>Direct rates:</u></b>										
City of Tracy	0.1561%	0.1561%	0.1561%	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%	0.1703%	0.1729%
San Joaquin County	0.1865%	0.1865%	0.1865%	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%
ERAF	0.2686%	0.2686%	0.2686%	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%	0.2790%	0.2790%
All Others	<u>0.3889%</u>	<u>0.3889%</u>	<u>0.3889%</u>	<u>0.3889%</u>	<u>0.3889%</u>	<u>0.6336%</u>	<u>0.3613%</u>	<u>0.3546%</u>	<u>0.3545%</u>	<u>0.3519%</u>
<b>Total Direct Rate</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>
<b><u>Overlapping rates:</u></b>										
San Joaquin Delta College	0.0198%	0.0233%	0.0194%	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%
Tracy Unified School District (1,2,3)	0.0201%	0.0213%	0.0247%	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%
Tracy Unified School District (SFID 3)	<u>0.0701%</u>	<u>0.0212%</u>	<u>0.0228%</u>	<u>0.0093%</u>	<u>0.0088%</u>	<u>0.0000%</u>	<u>0.0185%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>
<b>Total Overlapping Rate</b>	<b>0.1100%</b>	<b>0.0658%</b>	<b>0.0669%</b>	<b>0.0557%</b>	<b>0.0554%</b>	<b>0.0411%</b>	<b>0.0596%</b>	<b>0.2101%</b>	<b>0.2101%</b>	<b>0.2103%</b>
<b>Total Tax Rate</b>	<b><u>1.1100%</u></b>	<b><u>1.0658%</u></b>	<b><u>1.0669%</u></b>	<b><u>1.0557%</u></b>	<b><u>1.0554%</u></b>	<b><u>1.0411%</u></b>	<b><u>1.0596%</u></b>	<b><u>1.2101%</u></b>	<b><u>1.2101%</u></b>	<b><u>1.2103%</u></b>

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Source: San Joaquin County Auditor data, MuniServices, LLC

1. Rates are not adjusted for ERAF
2. Prior published direct tax rate reports are noticeably different because prior year data included an estimate for RDA and ERAF as part of the cities direct rate.
3. Total direct tax rate is the voter approved taxes over and above the 1% Proposition 13 tax for TRA 004-000/004-008.

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

Taxpayer Name	2016			2007	
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Prologis LP	\$163,543,033	1	1.83%		
Tracy Mall Partners LP	102,600,242	2	1.15%		
Leprino Foods Company Corp	89,967,359	3	1.01%		
Amazoncom Distrib W H	74,328,923	4	0.83%	\$28,134,629	0.26%
Pac Corp Center Tracy	54,978,950	5	0.61%	47,749,175	0.44%
Central Valley Ltd. Liability	54,600,392	6	0.61%	17,029,313	0.16%
DCT Tracy Logistics Center LLC	48,960,000	7	0.55%	16,822,082	0.16%
Tracy Hills Project Owner LLC	44,341,917	8	0.50%		
Duke Realty Ltd. PTP	43,900,495	9	0.49%		
Inland Container Corp	36,162,119	10	0.40%		
Excel Tracy Pavilion LLC	32,756,782	11	0.37%	18,205,289	0.17%
Car Corral Hollow LLC	31,934,745	12	0.36%	18,804,685	0.17%
Red Maple Station LLC	31,823,376	13	0.36%	96,665,413	0.90%
Bixby Land Company	31,000,000	14	0.35%		
US Cold Storage Of Calif	26,650,362	15	0.30%		
Standard Pacific Corp	26,271,410	16	0.29%		
Mg Waterstone Apts LP	25,871,402	17	0.29%		
Yrc Inc.	23,805,358	18	0.27%	18,383,629	0.17%
Amb Property LP	22,318,790	19	0.25%	18,083,930	0.17%
Comcast Of Camaut Inc.	21,523,876	20	0.24%		
Kaiser Foundation Health Plan	21,380,457	21	0.24%		
Sycamore Village Invest	20,729,032	22	0.23%	98,647,832	0.92%
Wal Mart Real Est Business Tru	19,675,484	23	0.22%	27,554,868	0.26%
Taylor Farms Pacific Inc.	19,024,661	24	0.21%		
Costco Wholesale Corp	18,639,345	25	0.21%		
TCE Tracy Llc				29,478,000	0.27%
Osh Properties LLC				25,969,665	0.24%
O Brien, Mark T Etal				25,487,223	0.24%
Yellow Freight System Inc				23,715,424	0.22%
Miref Chabot Tracy LLC				19,297,720	0.18%
SaveMart Supermarket				17,219,111	0.16%
Queirolo, Shirlee M Tr				16,909,917	0.16%
Glenbrook Homes LLC				14,868,955	0.14%
Dow Chemical Company Corp				13,983,481	0.13%
Barbosa Investment Group Ltd P				13,917,000	0.13%
Second Horizon Group LTD				13,879,169	0.13%
Consolidated Container Co				13,416,930	0.12%
Bright, Calvin E Etal				12,974,430	0.12%
Mclane Foodservice Inc				12,567,086	0.12%
<b>Total Top 25 Taxpayers</b>	<b>\$1,086,788,510</b>		<b>12.15%</b>	<b>\$659,764,956</b>	<b>6.14%</b>
<b>Total Taxable Assessed Value</b>	<b>\$8,941,349,838</b>		<b>100.00%</b>	<b>\$10,746,080,063</b>	<b>100.00%</b>

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
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
2016	12,406,318	12,406,318	100.00%	0.00	12,406,318	100.00%	8,941,349,838

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
2007	1%		0.50%	0.25%	1%	5%	7.75%
2008	1%		0.50%	0.25%	1%	5%	7.75%
2009	1%		0.50%	0.25%	1%	6%	(1) 8.75%
2010	1%		0.50%	0.25%	1%	6%	8.75%
2011	1%	0.50%	0.50%	0.25%	1%	6%	(2) 8.75%
2012	1%	0.50%	0.50%	0.25%	1%	5%	8.25%
2013	1%	0.50%	0.50%	0.25%	1%	5.25%	(3) 8.50%
2014	1%	0.50%	0.50%	0.25%	1%	5.25%	(3) 8.50%
2015	1%	0.50%	0.50%	0.25%	1%	5.25%	(3) 8.50%
2016	1%	0.50%	0.50%	0.25%	1%	5.25%	(3) 8.50%

- (1) A 1% increase in Sales and Use Tax became effective as of April 1, 2009 to augment the State's budget. On May 19, 2009, the voters did not approve the proposed "Budget Stabilization" constitutional amendment and the expiration date of this 1% is on July 1, 2011.
- (2) Tracy voters approved Measure E, a half cent sales tax with a 5-year sunset effective April 1, 2011
- (3) Voters approved Proposition 30, a state-wide quarter cent sales tax with a 4-year sunset effective January 1, 2013

Source:

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

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

	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Apparel stores	\$ 40,152	\$ 40,690	\$ 44,353	\$ 44,201	\$ 43,308	\$ 44,139	\$ 44,168	\$ 48,789	\$ 50,454	\$ 50,949
General merchandise stores	192,657	187,434	181,099	175,484	162,641	153,615	190,638	198,898	202,332	191,555
Food and beverage stores	56,254	53,794	56,881	48,819	46,934	43,706	42,410	45,992	46,261	46,378
Eating and drinking places	128,827	116,414	106,888	102,047	96,823	96,801	96,548	96,331	91,427	86,254
Home furnishings and appliances	137,236	126,838	112,795	105,587	69,881	39,955	29,817	20,983	23,221	22,962
Building maintenance and garden supplies	71,129	68,049	60,879	53,955	48,572	46,012	52,559	77,317	114,574	127,316
Auto dealers and auto suppliers	299,869	277,155	215,269	171,430	152,558	143,481	173,715	221,318	257,991	275,477
Service stations	187,653	193,770	186,978	184,707	152,205	127,153	170,652	156,155	129,173	112,621
Other retail stores	75,167	75,202	65,452	57,598	56,267	58,002	82,675	110,264	104,627	107,887
All other outlets	198,209	200,048	168,710	112,575	99,552	126,061	143,815	157,627	156,712	143,499
<b>Total</b>	<b>\$ 1,387,153</b>	<b>\$ 1,339,394</b>	<b>\$ 1,199,306</b>	<b>\$ 1,056,404</b>	<b>\$ 928,740</b>	<b>\$ 878,925</b>	<b>\$ 1,026,995</b>	<b>\$ 1,133,674</b>	<b>\$ 1,176,772</b>	<b>\$ 1,164,898</b>
City Direct sales tax rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
City Measure E sales tax rate (a)	0.5%	0.5%	0.5%	0.5%	n/a	n/a	n/a	n/a	n/a	n/a

Note: Calendar year 2014 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**

2016		2007	
Taxpayer Name	Business Type	Taxpayer Name	Business Type
American Truck & Trlr Body	Auto Parts/Repair	Arco AM/PM Mini Marts	Service Stations
Arco AM/PM Mini Marts	Service Stations	Barbosa Cabinets	Bldg.Matls-Retail
Barbosa Cabinets	Bldg.Matls-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.Matls-Retail
Home Depot	Bldg.Matls-Retail	Independent Utility Supply	Bldg.Matls-Whsle
Independent Utility Supply	Bldg.Matls-Whsle	Kenko Utility Supply	Bldg.Matls-Whsle
Macy'sDepartment Store	Department Stores	Morri Automotive	Auto Sales - New
Nixon-Egli Equipment Company	Bldg.Matls-Whsle	Nixon-Egli Equipment Company	Bldg.Matls-Whsle
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

**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
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
2016	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 and Loans (b)	Water Revenue Bonds (b)	Water/Sewer Notes Payable (b)	Sewer Revenue Bonds (b)	Airport Notes Payable (b)			
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	1,021,108	-	13,564,909	25,935,000	11,955	171,868,972	2,015	85,296
2016		22,420,000	102,135,000	131,831	-	12,618,907	25,215,000	-	162,520,738	1,822	89,208

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			
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		22,725,000	-	22,725,000	0.34%	266
2016		22,420,000	-	22,420,000	0.33%	251

Source:

Finance and Administrative Services Department, City of Tracy

**CITY OF TRACY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2016**

2015-16 Assessed Valuation: \$ 9,030,005,251

	Total Debt 06/30/2016	% Applicable (1)	City's Share of Debt 06/30/2016
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
San Joaquin Delta Community College District	\$ 134,126,384	13.109 %	\$ 17,582,628
Tracy Unified School District	41,010,000	63.202	25,919,140
Tracy Unified School District School Facilities Improvement District No. 3	70,094,900	91.916	64,428,428
Banta School District	600,000	32.832	196,992
Jefferson School District	32,915,733	67.664	22,272,102
City of Tracy Community Facilities District No. 87-1	6,295,000	100	6,295,000
City of Tracy Community Facilities District No. 89-1	4,395,000	100	4,395,000
City of Tracy Community Facilities District No. 93-1	2,615,000	100	2,615,000
City of Tracy Community Facilities District No. 98-1	48,370,000	100	48,370,000
City of Tracy Community Facilities District No. 98-3	2,085,000	100	2,085,000
City of Tracy Community Facilities District No. 99-1	4,710,000	100	4,710,000
City of Tracy Community Facilities District No. 99-2	8,935,000	100	8,935,000
City of Tracy Community Facilities District No. 2000-1	11,780,000	100	11,780,000
City of Tracy Community Facilities District No. 2006-1	10,210,000	100	10,210,000
City of Tracy 1915 Act Bonds	7,025,000	100	7,025,000
California Statewide Community Development Authority 1915 Act Bonds	7,021,354	100	7,021,354
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<u><b>\$ 392,188,371</b></u>		<u><b>\$ 243,840,644</b></u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	\$ 134,405,000	14.343 %	\$ 19,277,709
Byron -Bethany Irrigation District General Fund Obligation	4,645,000	12.308	571,707
<b>City of Tracy General Fund Obligations</b>	<b>22,420,000</b>	<b>100</b>	<b>22,420,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<u><b>\$ 42,269,416</b></u>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>	<b>33,720,000</b>	<b>100. %</b>	<u><b>33,720,000</b></u>
<b>TOTAL DIRECT DEBT</b>			<u><b>22,420,000</b></u>
<b>TOTAL OVERLAPPING DEBT:</b>			<u><b>297,410,060</b></u>
<b>COMBINED TOTAL DEBT</b>			<u><b>\$ 319,830,060</b></u>

(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 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.70%
<b>Total Direct Debt (\$22,420,000).....</b>	<b>0.25%</b>
Combined Total Debt.....	3.54%

Ratios to redevelopment Incremental Valuation (\$954,559,891)

Total Overlapping Tax Increment Debt.....	3.53%
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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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Value	\$ 8,941	\$ 8,387	\$ 7,341	\$ 6,757	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,563	\$ 9,003
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,235	2,097	1,835	1,689	1,707	1,827	1,835	2,283	2,391	2,251
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	335	315	275	253	256	274	275	342	359	338
Total net debt applicable to limit	60	63	65	69	71	121	122	138	132	136
Legal debt margin	<u>\$ 275</u>	<u>\$ 252</u>	<u>\$ 210</u>	<u>\$ 184</u>	<u>\$ 185</u>	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 204</u>	<u>\$ 227</u>	<u>\$ 202</u>

Note:

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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Water revenue bonds/EDA note</b>										
Water revenue	\$ 15,438,772	\$ 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
Less: operating expenses	(13,380,117)	(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)
Net available revenue	<u>2,058,655</u>	<u>3,699,423</u>	<u>5,928,620</u>	<u>2,545,995</u>	<u>2,363,099</u>	<u>2,201,569</u>	<u>4,296,071</u>	<u>5,477,708</u>	<u>5,073,017</u>	<u>4,956,468</u>
Debt service:										
Principal	946,002	924,248	902,995	882,230	4,128,612	1,099,165	1,035,686	964,703	878,166	1,960,910
Interest	186,921	466,171	354,924	465,690	531,639	637,999	665,810	731,215	850,589	791,373
Total Debt Service	<u>1,132,923</u>	<u>1,390,419</u>	<u>1,257,919</u>	<u>1,347,920</u>	<u>4,660,251</u>	<u>1,737,164</u>	<u>1,701,496</u>	<u>1,695,918</u>	<u>1,728,755</u>	<u>2,752,283</u>
Coverage	1.82	2.66	4.71	1.89	0.51	1.27	2.52	3.23	2.93	1.80
<b>Wastewater revenue bonds:</b>										
Wastewater revenue	14,092,302	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
Less: operating expenses	(7,449,704)	(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)
Net available revenue	<u>6,642,598</u>	<u>6,735,223</u>	<u>5,819,664</u>	<u>5,646,859</u>	<u>4,096,110</u>	<u>4,254,235</u>	<u>5,445,255</u>	<u>5,214,253</u>	<u>8,127,883</u>	<u>8,230,253</u>
Debt service:										
Principal	720,000	695,000	1,015,000	985,000	950,000	993,010	911,535	885,000	910,000	290,000
Interest	1,182,670	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
Total Debt Service	<u>1,902,670</u>	<u>1,903,468</u>	<u>2,251,956</u>	<u>2,270,258</u>	<u>2,263,920</u>	<u>2,335,767</u>	<u>2,278,293</u>	<u>2,260,786</u>	<u>2,280,803</u>	<u>1,703,783</u>
Coverage	3.49	3.54	2.58	2.49	1.81	1.82	2.39	2.31	2.81	4.83
<b>Tax allocation bonds:</b>										
Tax increment	-	-	-	-	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405	9,459,352
Debt service:										
Principal	-	-	-	-	1,195,000	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000
Interest	-	-	-	-	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489	2,714,677
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,457,289</u>	<u>3,721,992</u>	<u>3,718,989</u>	<u>3,734,812</u>	<u>3,725,489</u>	<u>3,719,677</u>
Coverage	-	-	-	-	1.77	2.04	2.38	2.75	2.73	2.54

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		Census Ratios		Population (2)	Labor Force (1)	Employment (1)	Unemployment	
				Rate (1)	Number (1)	Employed (1)	Unemployed (1)				Rate (1)	Number (1)
2007	81,107	32,930	31,310	4.9%	1,620	N/A	N/A	667,886	289,200	265,800	7.7%	23,300
2008	81,548	34,100	32,000	6.2%	2,100	N/A	N/A	672,388	293,000	262,700	9.5%	30,300
2009	81,714	34,169	28,872	15.5%	5,297	N/A	N/A	674,860	298,200	252,600	14.8%	45,600
2010	81,519	32,800	29,600	9.7%	3,200	N/A	N/A	685,306	298,900	247,200	16.4%	51,800
2011	83,418	32,900	29,800	9.6%	3,100	0.116975	0.068724	682,660	295,300	244,000	16.7%	51,300
2012	83,900	32,900	29,800	9.5%	3,100	N/A	N/A	695,750	300,300	254,800	15.1%	45,500
2013	84,060	32,700	29,600	9.5%	3,100	0.116975	0.068724	692,997	298,500	253,200	15.2%	45,300
2014	85,146	33,100	30,500	8.0%	2,600	0.134925	0.112106	701,745	298,800	260,400	12.8%	38,400
2015	85,296	41,200	38,100	7.4%	3,050	0.134182	0.112256	719,511	309,800	282,600	8.80%	27,200
2016	89,208	42,000	38,800	7.5%	3,000	N/A	N/A	733,383	316,900	288,800	8.90%	28,100

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 NINE YEARS AGO**

Taxpayer Name	2016			2007		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
GOLDEN STATE FC LLC (AMAZON)	3,300	1	10.94%			
GOLDEN STATE FC LLC (AMAZON)	1,137	2	3.77%			
TAYLOR FARMS PACIFIC INC	691	3	2.29%			
SUTTER TRACY COMMUNITY HOSPITAL	486	4	1.61%			
FEDEX GROUND PACKAGE SYSTEM	416	5	1.38%			
RESTORATION HARDWARE	413	6	1.37%	50	25	0.35%
BARBOSA CABINETS INC	382	7	1.27%	370	1	2.62%
THE HOME DEPOT	329	8	1.09%			
LEPRINO FOODS	305	9	1.01%			
ORCHARD SUPPLY COMPANY	302	10	1.00%			
WAL-MART	293	11	0.97%	234	2	1.66%
PACIFIC MEDICAL INC	219	12	0.73%	120	8	0.85%
BEST BUY	201	13	0.67%			0.00%
MEDLINE INDUSTRIES INC	199	14	0.66%			
Y R C	193	15	0.64%	200	6	1.42%
TAYLOR FARMS PACIFIC INC	177	16	0.59%			
COSTCO WHOLESALE	172	17	0.57%	136	11	0.96%
RED ROBIN GOURMET BURGERS	160	18	0.53%			
BEST BUY STORES LP	156	19	0.52%			
INTERNATIONAL PAPER	150	20	0.50%	231	5	1.63%
EVERGREEN NEW HOPE	149	21	0.49%	105	20	0.74%
MC LANE FOODSERVICE INC	137	22	0.45%			
TEXAS ROADHOUSE	126	23	0.42%	92	14	0.65%
SMX LLC	122	24	0.40%			
GLASSFAB TEMPERING SERVICE INC	120	25	0.40%			
YELLOW TRANSPORTATION, IN	-	-		200	3	1.42%
BED BATH & BEYOND	-	-		159	4	1.13%
GEHRIG COMPONENT FRAMING	-	-		125	5	0.88%
SAFEWAY INC	-	-		125	6	0.88%
APL LOGISTICS	-	-		121	7	0.86%
SNELLING STAFFING SERVICE	-	-		120	9	0.85%
PRIMA PRODUCTS	-	-		100	10	0.71%
PERMANENTE	-	-		96	11	0.68%
SAVE MART	-	-		96	12	0.68%
L&P FINANCIAL SERVICES CO	-	-		93	13	0.66%
PACIFIC COAST INDUSTRIES	-	-		80	15	0.57%
WALGREENS #02434	-	-		73	16	0.52%
MCDONALD'S HAMBURGERS #1	-	-		72	17	0.51%
WESTAFF (USA), INC.	-	-		70	18	0.50%
TRACY HONDA	-	-		68	19	0.48%
MCDONALD'S HAMBURGERS #4147	-	-		65	20	0.46%
PHILLIPS DELIVERY	-	-		59	21	0.42%
LYNX INDUSTRIES INC.	-	-		59	22	0.42%
TRACY PRESS	-	-		54	23	0.38%
TRACY DISPOSAL SERVICE	-	-		51	24	0.36%
<b>Total Top 25 Employers</b>	<b>10,335</b>		<b>34.26%</b>	<b>1,886</b>		<b>13.34%</b>
<b>Total Citywide Employees</b>	<b>30,169</b>		<b>100.00%</b>	<b>14,133</b>		<b>100.00%</b>

Source: City of Tracy Finance Department

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	4	4	5	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	7	7	7	7	16	17	6
Human Resources	6	6	5	5	6	6	6	9	9	9
Finance & Information Systems	26	27	24	23	23	23	23	26	27	25
Police	133	136	135	135	134	133	135	154	155	141
Fire	80	79	78	80	82	78	78	85	84	81
Economic Development	3	3	2	2	4	8	6	6	5	
Development and Engineering	39	37	40	38	48	41	44	55	55	52
Public Works	61	46	46	46	59	59	66	71	74	80
Parks and Community Services	23	38	35	41	50	59	50	48	49	40
Water	35	39	39	39	40	40	41	44	44	40
Wastewater	26	26	27	26	28	28	29	29	29	25
Airport	2	2	2	2	1	2	2	2	2	1
Solid waste	1	1	1	1	2	1	1	1	1	1
Transit	3	2	2	2	2	2	2	2	2	2
Drainage	3	3	3	3	2	2	2	2	2	2
<b>Total</b>	<b>458</b>	<b>462</b>	<b>456</b>	<b>460</b>	<b>499</b>	<b>499</b>	<b>502</b>	<b>560</b>	<b>565</b>	<b>515</b>

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Source: City of Tracy, Finance and Administrative Services Department



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

	Fiscal Year										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Government</b>											
Building Permits Issued	2,736	2,852	1,924	1,435	1,293	915	844	898	774	790	1,136
Building Inspections requested	17,025	13,824	9,128	6,189	4,568	2,975	3,377	2,859	5,334	7,920	18,008
<b>Police:</b>											
Arrests	2,732	2,502	2,541	2,765	2,896	2,941	3,415	4,435	4,450	4,448	3,561
Parking citations issued	1,685	1,160	1,454	1,472	2,196	3,153	4,704	2,948	2,916	2,292	2,107
Traffic violations	6,341	5,450	3,798	3,519	5,281	6,668	7,347	7,007	6,867	8,059	6,132
<b>Fire:</b>											
Number of emergency calls	6,924	6,811	6,443	6,322	5,951	5,570	5,717	6,159	6,165	6,580	5,907
Inspections	5,164	4,071	3,333	3,114	3,416	2,383	1,614	3,776	3,814	3,586	2,316
<b>Water:</b>											
Water Mains (miles)	426	426	420	410	410	402	402	402	402	400	395
New connections	228	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	57
Average daily consumptions (gallons)											
(millions of gallons)	13	14	15	15	15	14.4	16	16	16	16	16
<b>Sewer:</b>											
Sanitary Sewer (miles)	421	421	415	410	410	400	400	400	400	400	395
New connections	227	74	45	22	14	20	22	25	40	40	600
Average daily treatment (gallons)											
(millions of gallons)	10	9.5	9.5	9.5	9	9	9	9	9	9	9
<b>Airport:</b>											
Hangar rentals	62	76	76	76	76	76	76	76	76	76	76
<b>Solid waste:</b>											
Refuse collected (tons per day)	252	221	211	205	198	194	227	339	342	339	325
Recyclables collected (tons per day)	76	69	66	65	64	66	49	26	28	27	27
<b>Transit:</b>											
Average daily passengers	505	519	444	418	357	325	334	323	329	325	318
Total fixed route miles	594,997	313,380	228,817	237,089	226,808	152,284	158,211	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	6	7	7	7	7	7	7	7	7	7
Public works:										
Number of street lights	6,110	6,004	5,430	5,430	5,430	5,430	4,781	4,770	4,763	4,752
Number of traffic signals	85	84	84	78	78					
Parks and recreation:										
Number of parks	77	76	76	76	76	76	76	76	76	74
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	426	426	420	410	410	395	395	395	395	395
Wastewater										
Sanitary sewers (miles)	421	421	415	410	410	395	395	395	395	395
Airport:										
Number of hangars	75	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	15	15	15	15	15	15	14	13	13	12

Source: City of Tracy, Finance and Administrative Services Department

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