



**CITY OF TRACY**  
California  
**Comprehensive Annual Financial Report**  
for the Fiscal Year Ended  
June 30, 2017



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COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

of the

**CITY OF TRACY, CALIFORNIA**

for the fiscal year ended

June 30, 2017

Prepared by the

Finance Department

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Finance Director

**MARTHA GARCIA**

Finance Manager

**THOMAS HEDEGARD**

Budget Officer

**ROBERT HARMON, CPA**

Senior Accountant

**MELISSA MUNOZ**

Senior Accountant

**FELICIA GALINDO**

Accountant

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# Introductory Section



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**CITY OF TRACY**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2017**

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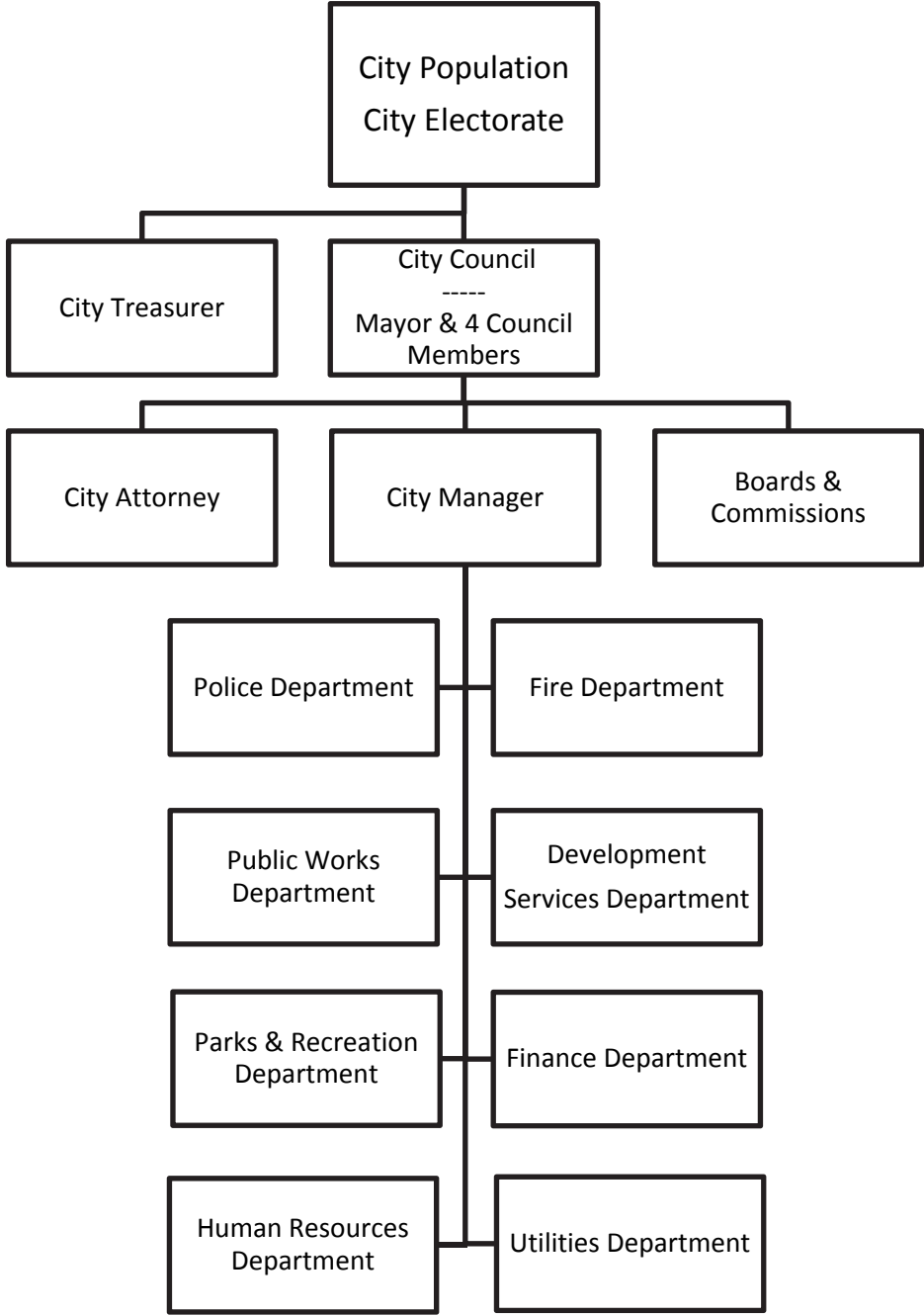
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City of Tracy  
ORGANIZATION CHART



**CITY OF TRACY, CALIFORNIA**

**COUNCIL – MANAGER FORM OF GOVERNMENT**

June 30, 2017

**CITY COUNCIL**

**ROBERT RICKMAN**

*Mayor*

**VERONICA VARGAS**

*Mayor Pro Tem*

**NANCY YOUNG**

*Council Member*

**RHODESIA RANSOM**

*Council Member*

**JUANA DEMENT**

*Council Member*

**OTHER ELECTED OFFICIALS**

**RAYMOND McCRAY**

*City Treasurer*

**CITY OF TRACY, CALIFORNIA**

OTHER CITY OFFICIALS

**RANDALL BRADLEY**

*City Manager*

**Kul Sharma**

*Interim Assistant City Manager*

**Thomas Watson**

*City Attorney*

**Karin Schnaider**

*Finance Director*

OTHER DEPARTMENT HEADS

**Larry Esquivel**

*Police Chief*

**David Bramell**

*Interim Fire Chief*

**Andrew Malik**

*Development Services Director*

**Don Scholl**

*Public Works Director*

**Ripon Bhatia**

*Interim Utilities Director*

**Brian McDonald**

*Parks & Recreation Director*



Government Finance Officers Association

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Achievement  
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**City of Tracy  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



Think Inside the Triangle™

## CITY OF TRACY

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

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

May 17, 2018

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, 2017.

**Internal Controls:** City management is responsible for establishing and maintaining an internal control structure designed to ensure government assets are protected from loss, theft or misuse and to ensure adequate accounting data are compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

**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. 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 90,890 and 29.1 square miles in 2017. The San Joaquin Council of Governments (SJCOG) forecasts that Tracy's population is anticipated grow to 127,933 by 2040. The SJCOG population projections are based on the growth projections developed by the Eberhardt School of Business at University of the Pacific (UOP) in collaboration with SJCOG.

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.

**Auditors:** 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, 2017. 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:** Tracy's financial condition continues to improve as the economy remains in the midst of a steady recovery. Since the Great Recession, the City has executed various business recruitment and retention strategies. Growing the City's tax base is one such tactic. Working with our local and regional partners, we actively promote the City as an ideal place for investment. The City's economic development efforts continued to bear fruit with the expansion of several businesses and construction of new distribution facilities. Historically, Tracy has been an agricultural-based community, however, the continuing vibrant outward growth of the San Francisco Bay Area has pushed industrial, warehousing, and logistics growth into the Northern San Joaquin Valley. This is benefiting Tracy due to its strategic location at the gateway to the Tri Valley Area of the East Bay; residents tend to work in the Livermore Valley, East Bay, and San Jose, where the economy is not significantly influenced by seasonal agriculture production.

The strengthening of the regional economy in the past few years, paired with the growth of the housing market and a declining unemployment rate led to the increase in consumer confidence and spending. As consumer confidence grows, consumer spending continues to grow, resulting in sales tax revenue exceeding peaks last seen prior to the great recession. Housing prices continued to appreciate at a steady pace with median home prices in most parts of the Bay Area hitting an all-time high. The pace of commercial development, which has been slower to respond to the strengthening economy in the past year, accelerated as more previously vacant commercial space in Tracy have become occupied. The City's sales tax revenues endured the recession and, over the past several years, have continued to experience annual increases. The City's sales tax revenues are expected to show modest annual increases as population and consumer activity continue to rise and businesses continue to view Tracy as a "smart money" investment.

New housing units being added to the assessor's roll, coupled with commercial developments in the community, restoration of Proposition 8 temporary reductions granted by the County Assessor's Office during the Great Recession, and higher property values, have led to a steady increase in local property tax revenues. Developments in the community, coupled with increased consumer confidence and a strong labor market, have all contributed to the strengthening of the General Fund.



The significant drought in California has produced fiscal trials for the City's Water Enterprise Fund. State mandated reductions in water consumption have reduced revenues, while at the same time the City has incurred new drought related conservation program costs. Although the City recently completed a rate study to account for this new level of water conservation, the long-term fiscal impacts of the drought are still materializing.

**Budgetary Controls:** 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.

**Long-term Planning:** FY 16/17 has been the fifth consecutive year that revenues exceeded expenditures. At the beginning of 2008 economic downturn, the City had \$38,733,794 million in total reserves (combination of the General Fund Reserve for Contingencies and the Reserve for Economic Uncertainty Fund). On June 30, 2017, the City had \$40,770,837 in reserves. 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 implemented the half-cent Measure V sales tax in April of 2017. Measure V is expected to generate approximately \$8 million annually for the City of Tracy, General Fund. The City Council has committed the use of Measure V resources to amenitizing the community with a tournament quality sports complex, Legacy Fields, a new aquatic center, and a new Multi-Generational Community and Gymnasium Center. During the five year forecast, the City expects to benefit from the housing and commercial growth occurring throughout the City. The Council remains committed to maintaining fiscal sustainability while providing high quality public safety, public works, and community development to meet the needs of the existing and expanding population.

### **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.

- 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 2018.
- Tracy Community Center upgrades - It is a 9,030 sq ft facility located in the Civic Center Plaza. It's a community asset that serves the recreation, rental and public gathering needs of our residents through daily operations and staffing.

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

The City's fiscal strategy includes the creation of a financial forecast to evaluate current and future fiscal conditions and is to guide policy and programmatic decisions. Once created, the financial forecast will be used as a fiscal management tool that will present estimated information based on past, current, and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, funding obligations or community services. The forecast is anticipated to be an integral part of the annual budget process. An effective forecast allows for improved decision-making in maintaining fiscal discipline and delivering essential community services.

## **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 utility billing software with an integrated Enterprise Resource Planning system. The financial and payroll modules are now in operation with additional phases in progress. When completed in 2019, a total of fifteen different systems will have been replaced with a single, comprehensive ERP system.

## **Implementation of Governance Strategy**

The City Council adopted a governance strategy in 2016 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 two-year plan includes fifteen specific action items addressing Public Safety, Quality of Life, Economic Development and Governance.

**Economic Activity:** 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 economy is recovering in both housing prices that bolster Property Tax and diversification in commercial and retail that grows and strengthens our Sales Tax revenues. However, the economy has natural growth and contraction ebbs and flows that are outside of the City's control. The financial plan and long-term forecasting cannot predict all future outcomes. The City has built healthy financial reserves, written strong fiscal policies, and passed important revenue measures to support the City services. The City has positioned itself well to manage its fiscal responsibilities.

The continued development of the International Park of Commerce (IPC) is exceeding growth projections. Both the 1,000,000 sq. ft. Medline and the 651,000 FedEx facilities began operations in FY2016-17. Smuckers is also under construction in the IPC with a 403,000 sq. ft. facility and a tenant has been identified for the 1,000,000 sq. ft. spec building. These facilities will add hundreds of jobs to the City as well as enhance property taxes from the IPC.

In the commercial space, there is growth in hospitality, restaurant, and retail markets. The retail markets are showing a growth both in the consumer sales and in business-to-business sales activity that improves the overall diversification of Sales Tax revenues and reliance on one focused market demographic. The development applications of two new hotels and interest from other companies looking in Tracy for potential site locations promises to increase future Transient Occupancy Tax revenues.

Tracy also has several residential developments (such as the Ellis project and Tracy Hills) underway which demonstrates continuance of a healthy real estate recovery. The housing market remains active with a number of projects in the pipeline which will add more residents in the City. The age-restricted Ponderosa project at the corner of Valpico and Lammers Rd. will add 600 single family homes at full build out. Adding to the City's diverse housing stock are the Aspire II, Grantline and Valpico apartment projects. Once completed, this will improve the property tax base of the City.

**Restatement of Capital Assets:** The City has chosen to restate its capital assets City-wide based on GFOA best practices including;

- Potentially capitalizable items should be capitalized only if they have an estimated useful life of at least two years following the date of acquisition;
- Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district);
- In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item;
- In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (i.e., currently \$5,000) for purposes of federal reimbursement; and
- Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold.

**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 \$11.7 million in the Contingency/Emergency Reserve, \$5.9 million in the Budget Stabilization Reserve, \$1.6 million in additional carryovers, nonspendable fund balance of \$5.1 million and unassigned fund balance of \$16.4 million. Please refer to Note # 9 for more information.

**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.

**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.

**Gann Limit vs. Appropriations Subject to Limit:** Proposition 4, the "Gann Initiative," was passed by California voters in 1978, and is intended to limit government appropriations. The appropriations limit is calculated each year based upon fiscal year 1978-79 appropriations, which is modified by the composite consumer price index and population changes that have occurred in subsequent years. The City's appropriations limit and the estimated appropriations subject to the limit for the FY 2016-17 amounted to \$58,368,700 and \$41,198,228 respectively. City appropriations subject to the limit have consistently remained far below the appropriation limits and are not expected to deviate from this trend in the foreseeable future.

**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, 2016. This was the 29th 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 Finance Department staff. Each member of the Department has my appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Randall Bradley  
Interim City Manager



Karin Schnaider  
Finance Director

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# 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 9E, the City restated the net position of governmental activities and business-type activities related to capital assets and accumulated depreciation, as well as other various account balances. The emphasis of this matter does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 17, 2018 2018, 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.

*Mane & Associates*

Pleasant Hill, California  
May 17, 2018

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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, 2017. 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 2016-17 fiscal year by \$1,136 million Net Position. Of this amount, \$40.4 million Unrestricted Net Position, is designated to be used to meet ongoing obligations to citizens and creditors.
- The City's total net position increased by \$99 million, with \$42 million attributable to governmental activities and \$57 attributable to business-type activities. During Fiscal Year 2017, the City restated the financial statements for the adoption of revised accounting policies and other corrections, as well as capital assets restatements. The change in accounting principles restatement was \$1 million for agency funds; \$.4 million in governmental funds; the restatement of capital assets, for governmental and business-type activities was \$1.67 million; the restatement of accumulated depreciation, for governmental and business-type activities, was \$65.5 million. The total restatement to net position was an increase of \$67.5 million. Restatements of prior year for accounting policies included reclassification of the payroll clearing fund, prior year revenue, prior year accounts receivable, prior year accounts payable, deposit payable and unavailable revenue. Refer to Notes 6 and 9 in the financial statements for the restatements.
- As of June 30, 2017, the governmental funds reported combined fund balances of \$169.6 million, of which \$164.5 million is available to meet the City's current and future needs, Restricted, Committed, Assigned, and Unassigned balances.
- As of June 30, 2017 the fund balance for the General Fund was \$40.8 million of which \$5.1 million is designated as Non-Spendable for items such as deposits, prepaid assets, inter-fund advances, and inventory. Committed fund balance was \$11.7 million for the contingency/emergency reserve; assigned fund balance was \$11.5 million, designated for items such as economic revitalization and public facilities oversizing, and the unassigned balance was \$12.5 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 I 26 ("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 35 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 budgetary comparison schedules for the General Fund and other major funds that are Special Revenue Funds, along with schedules related to the City's net pension liabilities, net OPEB obligation and contributions.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** – The net position for the City as a whole increased by \$99 million or 9.6%, from \$1,036 million at June 30, 2016 to \$1,136 million at June 30, 2017. The increase is summarized by the change in net position as recorded in the Statement of Activities, which flows through the Statement of Net Position. The change in accounting principles restatement was \$.4 million governmental funds. Restatements of prior year included reclassification of the payroll clearing fund, prior year revenue, prior year accounts receivable, prior year accounts payable, deposit payable and unavailable revenue. Net investment in capital assets changed by \$82.2 million or 9.6%, from \$856 million at June 30, 2016 to \$939 million at June 30, 2017. This increase in net investment of capital assets primarily related to the restatement of capital assets, see Note 6 in the financial statements. Restricted net position accounted for \$156.3 million restricted for capital projects, debt service and legally segregated taxes, grants, and fees. The unrestricted net position increased by \$6 million, is designated to be used to meet ongoing obligations to citizens and creditors. The Unrestricted Net Position reflects the inclusion of a Net Pension Liability of \$66.7 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.



The following table reflects the Summary of Net Position for the fiscal year ended June 30, 2017 with comparative data for the fiscal year ended June 30, 2016. The 2016 amounts are as originally presented and have not been restated.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Cash and Investments	\$ 170,298	\$ 163,669	\$ 49,213	\$ 44,475	\$ 219,511	\$ 208,144
Other Assets	58,249	59,817	4,406	6,764	62,655	66,581
Capital Assets	603,549	576,465	393,399	340,374	996,946	916,839
<b>Total Assets</b>	<b>832,094</b>	<b>799,591</b>	<b>447,018</b>	<b>391,613</b>	<b>1,279,112</b>	<b>1,191,564</b>
Deferred Outflows						
Related to Pensions	18,156	7,223	2,169	754	20,325	7,977
Current Liabilities	18,618	26,174	6,753	6,004	25,371	32,178
Non-Current Liabilities	85,911	77,201	41,861	42,729	127,772	119,930
<b>Total Liabilities</b>	<b>104,529</b>	<b>103,375</b>	<b>48,614</b>	<b>48,733</b>	<b>153,143</b>	<b>152,108</b>
Deferred Inflows						
Related to Pensions	9,653	9,848	938	1,042	10,591	10,890
Net Investment in Capital						
Assets	581,394	553,913	357,628	302,887	939,022	856,801
Restricted	155,946	145,380	350	347	156,296	145,728
Unrestricted	(1,272)	(5,343)	41,657	39,357	40,385	34,013
<b>Total Net Position</b>	<b>\$ 736,068</b>	<b>\$ 693,950</b>	<b>\$ 399,635</b>	<b>\$ 342,592</b>	<b>\$ 1,135,703</b>	<b>\$ 1,036,543</b>

The City's Government-wide Net Position as of June 30, 2017, comprised the following:

- Cash and investments comprised increased by \$11.4 million or 5.5%, from \$208.1 million at June 30, 2016 to \$220 million at June 30, 2017. Of the \$220 million in the City cash and investments, \$214.4 million is in the city treasury and investments, and \$5.1 million is restricted cash held by fiscal agents. The increase is primarily attributable to capital projects activity.

- Governmental receivables decreased by \$10 million or 18%, from \$53.9 million at June 30, 2016 to \$44.2 million at June 30, 2017 primarily due to the prior year one-time receipt of the final triple flip closeout of \$2.2 million as well as the collection of TEA Grant reimbursements of \$2.9 million. Receivables were comprised of \$15.4 million of current receivables and \$28.2 million of long-term receivables. Long-term receivables are related to housing loans provided by the former Community Development Agency. The grants and loans have varying repayment terms and interest rates. Restatements of prior year accounts receivable were recorded to correct the balances that had been previously overstated or understated as noted in Note 9 in the financial statements.
- Capital assets increased by \$80.1 million or 8.7%, from \$916.8 million at June 30, 2016 to \$996.9 million at June 30, 2017. Net capital assets of \$996.9 million include the City's infrastructure in addition to all other City assets. The restatement of capital assets included restating assets by \$1.67 million and restating depreciation by \$65.5 million. The net restatement was an increase of \$67.3 million for both governmental and business-type activities, as discussed in Note 6 to the financial statements.
- Restricted Net Position increased \$10.6 million or 7.3%, from \$145.7 million at June 30, 2016 to \$156.3 million at June 30, 2017. Restricted Net Position is restricted for capital projects \$116.1 million; low-moderate income housing projects \$16.5 million; debt service \$10.2 million; and \$13.5 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position increased by \$6.4 million or 18.7%, from \$34 million at June 30, 2016 to \$40.3 million at June 30, 2017. The unrestricted net position is available 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 \$1.3 million in Governmental Activities reflects the implementation of GASB Statement No. 68 and the related Net Pension Liability of \$59.6 million.

The Change in Net Position expressed as the change in revenues and expenses through June 30, 2017 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	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 13,996	\$ 12,821	\$ 53,540	\$ 52,982	\$ 67,536	\$ 65,803
Operating Contributions and Grants	12,680	12,811	1,516	2,041	14,196	14,852
Capital Grants and Contributions	39,966	37,084	4,268	3,302	44,234	40,385
Total Program Revenues	66,642	62,716	59,324	58,325	125,966	121,041
General Revenues:						
Property Taxes	20,393	19,638			20,393	19,638
Other Taxes	28,838	29,709			28,838	29,708
Other General Revenues and Transfers	(2,470)	(610)	5,617	5,717	3,147	5,108
Special Item	-	3,162			-	3,162
Total General Revenues and Special Item	46,761	51,899	5,617	5,717	52,378	57,616
Total Revenues	113,403	114,615	64,941	64,042	178,344	178,657
<b>Expenses</b>						
General Government	12,413	13,629			12,413	13,629
Police	23,477	21,922			23,477	21,922
Fire	17,849	15,936			17,849	15,936
Development & Engineering	8,414	8,794			8,414	8,794
Public Works	17,916	23,081			17,916	23,081
Parks & Community Services	2,830	3,134			2,830	3,134
Interest on Long-term Debt	1,304	1,345			1,304	1,345
Water			18,980	22,659	18,980	22,659
Wastewater			15,079	16,522	15,079	16,522
Solid Waste			20,541	20,899	20,541	20,899
Storm Drainage			3,027	3,485	3,027	3,485
Airport			901	775	901	775
Transit			3,953	3,169	3,953	3,169
Total Expenses	84,203	87,841	62,481	67,509	146,684	155,350
Change in Net Position	29,200	26,774	2,460	(3,467)	31,660	23,307
Net Position, Beginning	706,868	667,176	397,175	346,059	1,104,043	1,013,235
Net Position, Ending	\$ 736,068	\$ 693,951	\$ 399,635	\$ 342,592	\$ 1,135,703	\$ 1,036,543

## Revenues

Total revenues decreased \$.3 million or .2%, from \$178.7 million at June 30, 2016 to \$178.3 million at June 30, 2017. Total governmental program activity revenues increased by \$4.9 million. This increase is primarily attributable to increased capital grants and contributions, and charges for services. Total governmental general revenues decreased by \$2.1 million related to other general revenues and transfers.

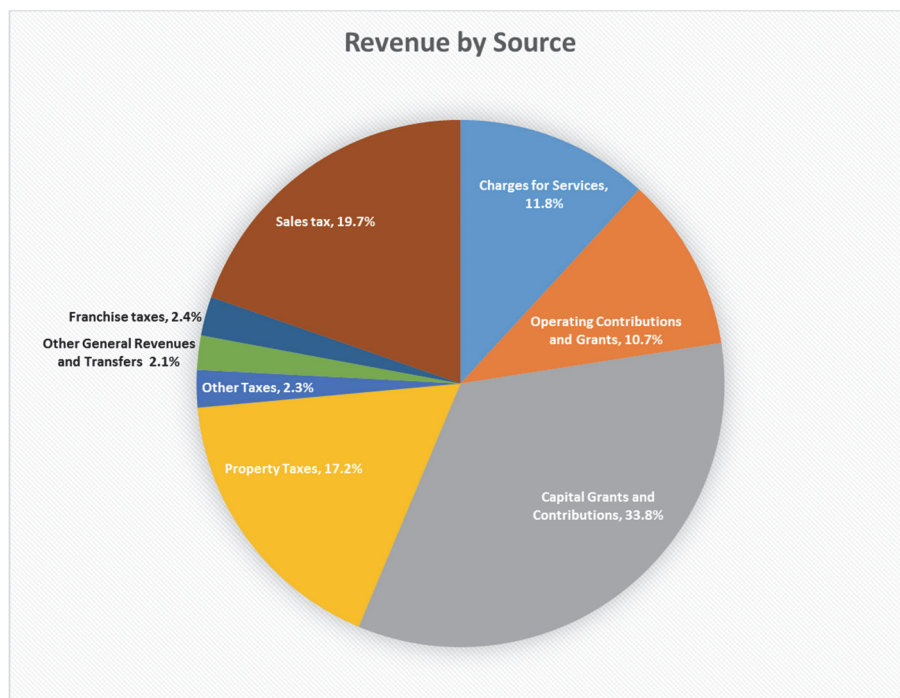
## Expenses

Expenses for the City decreased \$8.7 million or 5.6%, from \$155.4 million at June 30, 2016 to \$146.7 million at June 30, 2017. Expenditures decreased in fiscal year 2017 due to depreciation. Previously the right of ways for water were depreciated, as a change in accounting practice; the right of ways for water are no longer depreciated. Governmental activities incurred \$84.2 million of expenses while business-type activities incurred \$62.5 million. Of the Governmental Activities, the largest expenses were in Public Safety \$41.3 million; Public Works \$17.9 million; and General Government \$12.4 million.

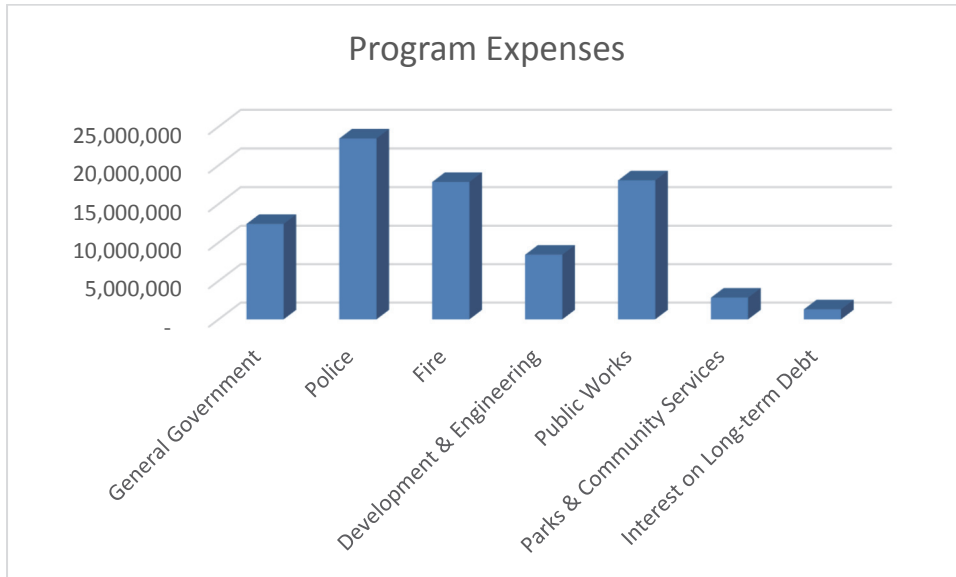
## Governmental Activities

Total resources available during the year to finance governmental operations were \$807.4 million consisting of net position at June 30, 2016 of \$694 million, program revenues of \$66.6 million and general revenues and transfers of \$46.8 million. Governmental Activities revenue is graphed below by the source of funding, followed by the expenses by program.

**Revenue by Source - Governmental Activities**  
**Fiscal Year Ended June 30, 2017**  
(in thousands of dollars)



**Cost of Services by Program - Governmental Activities**  
**Fiscal Year Ended June 30, 2017**  
(in thousands of dollars)



Net revenues/expenses of Governmental Activities decreased by \$7.5 million or 30.1%, from \$25.1 million at June 30, 2016 to \$17.6 million at June 30, 2017, largely due to increased revenues of \$4.8 million and decreased expenses of \$5.5 million in Public Ways and Facilities/Transportation. This increased revenue is related to special revenue funds, for future capital projects and not related to the general fund.

## Business-Type Activities

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

	Business-type Activities	
	2017	2016
<b>Net Revenue (Expense) from Business-type Activities</b>		
Water	(\$3,760)	(\$8,858)
Wastewater	(273)	(2,672)
Airport	612	1,846
Solid Waste	2,813	4,257
Transit	(166)	(958)
Drainage	(2,383)	(2,799)
<b>Total Business-type Activities</b>	<b>(\$3,157)</b>	<b>(\$9,184)</b>

Net revenues of Business-type Activities increased \$6 million or 66%, from (\$9.184) million at June 30, 2016 to (\$3.2) million at June 30, 2017. This was a result of increased revenues related to Charges for Services combined with a decrease in operating expenses.

## 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.

### Governmental Funds

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, 2017, the City's governmental funds reported combined fund balances of \$169.6 million, which is an increase of \$17.2 million or 11.3%, from \$152.0 million at June 30, 2016. This increase is largely attributable to the collection of grant revenues in the TEA Grant Fund of \$2.6 million and developer fees and contributions of \$13.4 million in the Tracy Infrastructure Master Plan Fund.

Governmental fund revenues, increased \$14.5 million or 13.1%, from \$110.4 million at June 30, 2016 to \$124.9 million at June 30, 2017. The General Fund accounted for \$59.6 million of this total. The increase in revenues came from special assessment property taxes, developer fees and intergovernmental revenue or grants. Expenditures decreased by \$12.3 million or 10.2%, from \$120.0 million at June 30, 2016 to \$107.7 million at June 30, 2017. Of this total, \$57.6 million was in the General Fund. Expenditures decreased in relation to capital outlay for capital improvement projects.

### ***General Fund***

At June 30, 2017, the General Fund balance of \$40.8 million, was comprised of \$5.1 million in non-spendable balances, \$11.7 million of committed balances, \$11.5 million of assigned balances and \$12.5 million in unassigned balances. The committed and assigned fund balances include the contingency/emergency reserve for \$11.7 million, and budget stabilization for \$5.8 million, respectively. Fund balances have been classified in accordance with generally accepted accounting principles. 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 previously provided by the Tracy Community Development Agency. As of June 30, 2017, the fund balance of the Housing Successor Special Revenue Fund was comprised of \$1.2 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 \$16.8 million and expenses of \$14.1 million, all for capital projects. The fund balance increased from (\$2.9) million at June 30, 2016 to (\$.3) million at June 30, 2017 as a result of the collection of prior year grants receivable.

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

The South County Fire Authority Fund had revenues of \$6.5 million and expenses of \$6.7 million. The fund balance of \$1.7 million was a decrease of \$.7 million over the prior year.

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

The Community Development Fees Special Revenue Fund had revenues of \$8.8 million and expenses of \$8.9 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 over the prior year. Fund balance was \$.7 million at June 30, 2016 to \$.7 million at June 30, 2017.

### ***General Projects Fund***

The General Projects Fund had revenues of \$.8 million, a transfer in of \$2 million, and expenses of \$2.5 million. The fund balance as restated decreased \$1.1 million or 17.0%, from \$6.7 million at June 30, 2016 to \$5.6 million at June 30, 2017.

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

The Tracy Infrastructure Master Plan Fund had revenues of \$15.5 million and expenses of \$2.1 million. The fund balance increased \$13.4 million or 93.5%, from \$14.3 million at June 30, 2016 to \$27.7 million at June 30, 2017.

### **Enterprise Funds**

The City's Enterprise Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. The City's Enterprise Funds are comprised of the Water Utility Fund, the Wastewater Utility Fund, Drainage Fund, Solid Waste Fund, Municipal Airport and Municipal Transit Funds. Enterprise Fund net position totaled \$400.0 million at June 30, 2017. Enterprise operating revenues were \$53.5 million and operating expenses were \$60.9 million in fiscal year 2017.

### ***Water Fund***

The net position of the Water Fund is \$177.9 million. Approximately (\$1.0) million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$178.9 million. Activities for the year were comprised of \$15.0 million in operating revenues for the current year and \$18.7 million in operating expenses. The increase in revenues is a result of the increased consumption after some of the prior year mandatory conservation efforts to meet current State mandates were lifted.

### ***Wastewater Fund***

The net position of the Wastewater Fund is \$137.5 million for the current year. Operating revenues increased \$.4 million or 3%, from \$13.6 million at June 30, 2016 to \$14 million at June 30, 2017. Operating expenses decreased by \$1.5 million or 9.7%, from \$15.3 at June 30, 2016 to \$14 million at June 30, 2017. A total of \$107.1 million of the fund's net position is invested in capital assets, with \$30.0 million unrestricted.

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

Operating revenues for fiscal year 2017 decreased \$1.8 million or 7.2%, from \$25.1 million at June 30, 2016 to \$23.3 million at June 30, 2017. Operating expenses decreased \$.4 million or 1.7%, from \$20.9 million at June 30, 2016 to \$20.5 million at June 30, 2017. The unrestricted net position was \$17.7 million at year-end.

### ***Drainage Fund***

The net position of the Drainage Fund is \$45.8 million for the current year. Operating revenues increased \$.04 million or 5.7%, from \$.60 million at June 30, 2016 to \$.64 million at June 30, 2017. A total of \$45.6 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 \$.5 million. A total of \$10.5 million of the fund's net position is invested in capital assets, with (\$3.6) million unrestricted.

### ***Transit Fund***

The operating revenue for this fund totaled \$.1 million as of June 30, 2017. Operating expenses increased \$.8 million or 25.4%, from \$3.1 million at June 30, 2016 to \$3.9 million at June 30, 2017. The result was a loss of \$3.8 million before contributions and transfers. A total of \$15.6 million of the fund's net position is invested in capital assets, with \$(1.6) million unrestricted.



## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget for the General Fund totaled \$57.7 million. The difference in appropriations between the original budget and the final amended budget was \$1.6 million, largely due to the addition of City staff. At the end of the fiscal year, the total actual expenses of the General Fund were \$.1 million under the total amended budget.

As the economy continues to recover, General Fund revenues exceeded their budgeted forecasts by \$7.7 million. This is in part related to the implementation of Measure V general sales tax and increased property taxes from new residential and commercial development.

At the end of the fiscal year, the total actual expenses of the General Fund were \$.1 million under the total amended budget. 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 2017 the City had \$996 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below. The restatement of capital assets, for governmental and business-type activities was \$1.67 million; the restatement of accumulated depreciation, for governmental and business-type activities, was \$65.5 million. The total restatement to net position was an increase of \$67.3 million. 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)

	Restated		Restated		Restated	
	Governmental Activities		Business-type Activities		Totals	
	2017	2016 - Restated	2017	2016 - Restated	2017	2016 - Restated
<b>Non-depreciable assets</b>						
Land	\$ 170,622	\$ 170,622	\$ 11,841	\$ 11,841	\$ 182,463	\$ 182,463
Streets and Roads	234,378	234,378			234,378	234,378
Construction in-Progress	52,824	38,666	25,798	17,013	78,622	55,679
Total	457,824	443,666	37,639	28,854	495,463	472,520
<b>Depreciable assets</b>						
Buildings and Improvements	88,792	88,255	137,789	137,630	226,581	225,885
Improvements	88,698	82,851	88,026	88,026	176,724	170,877
Grading, Curbs & Gutters						
Sidewalks & Driveway	28,977	28,977			28,977	28,977
Approaches						
Traffic Signals	22,654	22,252			22,654	22,252
Equipment	27,851	29,932	46,221	43,877	74,072	73,809
Infrastructure	18,415	18,415	251,577	251,496	269,992	269,911
Intangible Assets	356	946	76,635	76,745	76,991	77,691
Less: accumulated depreciation	(130,021)	(126,304)	(244,488)	(231,631)	(374,508)	(357,935)
Net depreciable assets	145,722	145,323	355,760	366,142	501,482	511,465
<b>Total Capital Assets</b>	<b>\$ 603,546</b>	<b>\$ 588,989</b>	<b>\$ 393,399</b>	<b>\$ 394,996</b>	<b>\$ 996,945</b>	<b>\$ 983,985</b>

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 69, instead of providing depreciation. During the fiscal year 2017, the City expended \$2,238,573 to preserve its roads, and the condition index level was 69. The City estimates that it will be required to expend approximately \$4,000,000 in fiscal year 2018 to maintain its roads at a condition level of 71.

## 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. The City long-term debt outstanding decreased by \$.4 million or 1.8%, from \$22.5 million at June 30, 2016 to \$22.1 million at June 30, 2017, in debt associated with Governmental Activities. The City long debt outstanding decreased by \$1.7 million or 4.5%, from \$37.8 million at June 30, 2016 to \$36.1 million at June 30, 2017, in debt associated with Business-Type Activities.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
2008 Lease Revenue Bonds	\$ 18,430	\$ 18,650	\$ -	\$ -	\$ 18,430	\$ 18,650
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	965	1,080			965	1,080
PG&E LED Street Light Program	69	132			69	132
2004 Wastewater Revenue Bonds			24,470	25,215	24,470	25,215
State of California-Department of Health Services Loan			11,651	12,619	11,651	12,619
Total Long Term Liabilities	\$ 22,154	\$ 22,552	\$ 36,121	\$ 37,834	\$ 58,275	\$ 60,386

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

As reflected in this fiscal report, the City is experiencing the positive effects in an improved economic climate. The City has executed various business recruitment and retention strategies. Economic development efforts allow for the continued expansion of several businesses and construction of new distribution facilities. Consumer spending has continually increased over the past few years, paired with a growing housing market, the City has seen an increase in sales tax revenue exceeding peaks last seen prior to the great recession. The City's sales tax revenues are expected to show modest annual increases as population and consumer activity continue to rise and businesses continue to invest. Property tax revenues have steadily increased as a result of new residential and commercial development, restoration of Proposition 8 and higher property values. 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, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$165,455,351	\$48,863,113	\$214,318,464
Restricted cash and investments (Note 3)	61,671		61,671
Cash and investments with fiscal agents (Note 3)	4,780,513	350,277	5,130,790
Accounts receivable	15,411,444	13,799,636	29,211,080
Inventory (Note 1H)		570,994	570,994
Interest receivable	571,974	150,818	722,792
Prepaid items (Note 1H)	5,847	122,720	128,567
Internal balances (Note 4)	10,238,485	(10,238,485)	
Deposits (Note 5I)	1,000,000		1,000,000
Loans receivable (Note 5)	28,218,698		28,218,698
Advances to CDA successor agency (Note 5)	2,803,520		2,803,520
Capital assets, not being depreciated (Note 6)	457,824,556	37,638,827	495,463,383
Capital assets, being depreciated, net of accumulated depreciation (Note 6)	145,722,865	355,759,667	501,482,532
Total Assets	<u>832,094,924</u>	<u>447,017,567</u>	<u>1,279,112,491</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>18,155,784</u>	<u>2,169,082</u>	<u>20,324,866</u>
<b>LIABILITIES</b>			
Accounts payable	7,967,100	2,722,896	10,689,996
Accrued interest payable	309,049	191,386	500,435
Deposits payable	7,979,520	1,886,984	9,866,504
Unearned revenue	918,761		918,761
Compensated absences (Note 1G):			
Due within one year	1,015,842	185,188	1,201,030
Due in more than one year	1,841,660	378,154	2,219,814
Claims liabilities (Note 13):			
Due in more than one year	112,494		112,494
Long-term debt (Note 7):			
Due within one year	428,279	1,766,058	2,194,337
Due in more than one year	21,725,273	34,354,580	56,079,853
Net pension liability (Note 10)	59,601,641	7,128,314	66,729,955
Net OPEB obligation (Note 11)	2,629,423		2,629,423
Total Liabilities	<u>104,529,042</u>	<u>48,613,560</u>	<u>153,142,602</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>9,653,121</u>	<u>937,611</u>	<u>10,590,732</u>
<b>NET POSITION (Note 9)</b>			
Net investment in capital assets	<u>581,393,869</u>	<u>357,628,133</u>	<u>939,022,002</u>
Restricted for:			
Debt service	9,815,452	350,277	10,165,729
Public safety	3,258,340		3,258,340
Streets and roads	3,090,163		3,090,163
Community development	1,587,737		1,587,737
Special districts	5,549,765		5,549,765
Projects	116,134,975		116,134,975
Housing	16,510,092		16,510,092
Total Restricted Net Position	<u>155,946,524</u>	<u>350,277</u>	<u>156,296,801</u>
Unrestricted	<u>(1,271,848)</u>	<u>41,657,068</u>	<u>40,385,220</u>
Total Net Position	<u><u>\$736,068,545</u></u>	<u><u>\$399,635,478</u></u>	<u><u>\$1,135,704,023</u></u>

See accompanying notes to basic financial statements

CITY OF TRACY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government				
Economic development	\$1,137,383	\$286	\$311,961	\$363,128
General government	5,721,272	772,682	20,000	
Finance	4,356,799			
Non-departmental	1,196,989	483,116	268,713	479,674
Public safety				
Police	23,476,686	261,555	1,364,924	345,191
Fire	17,849,145	286,793	6,269,001	
Public ways and facilities/transportation				
Development and engineering	8,413,589	8,768,504	39,964	404,207
Public works	17,915,953	2,721,400	4,405,736	38,107,739
Culture and leisure				
Parks and community services	2,830,111	701,338		266,186
Interest and fiscal charges	1,304,263			
<b>Total Governmental Activities</b>	<b>84,202,190</b>	<b>13,995,674</b>	<b>12,680,299</b>	<b>39,966,125</b>
<b>Business-type Activities:</b>				
Water	18,980,415	14,935,448		284,922
Wastewater	15,078,831	14,034,303		771,255
Airport	900,791	477,765		1,035,523
Solid waste	20,541,306	23,332,992		21,796
Transit	3,952,704	115,843	1,516,024	2,154,547
Drainage	3,026,611	643,586		
<b>Total Business-type Activities</b>	<b>62,480,658</b>	<b>53,539,937</b>	<b>1,516,024</b>	<b>4,268,043</b>
<b>Total</b>	<b>\$146,682,848</b>	<b>\$67,535,611</b>	<b>\$14,196,323</b>	<b>\$44,234,168</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)				
<b>Total general revenues</b>				
Change in Net Position				
Net Position-Beginning, as restated (Note 9E)				
Net Position-Ending				

See accompanying notes to basic financial statements



Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$462,008)		(\$462,008)
(4,928,590)		(4,928,590)
(4,356,799)		(4,356,799)
34,514		34,514
(21,505,016)		(21,505,016)
(11,293,351)		(11,293,351)
799,086		799,086
27,318,922		27,318,922
(1,862,587)		(1,862,587)
(1,304,263)		(1,304,263)
<u>(17,560,092)</u>		<u>(17,560,092)</u>
	(\$3,760,045)	(3,760,045)
	(273,273)	(273,273)
	612,497	612,497
	2,813,482	2,813,482
	(166,290)	(166,290)
	<u>(2,383,025)</u>	<u>(2,383,025)</u>
	<u>(3,156,654)</u>	<u>(3,156,654)</u>
<u>(17,560,092)</u>	<u>(3,156,654)</u>	<u>(20,716,746)</u>
20,392,535		20,392,535
2,829,424		2,829,424
23,290,667		23,290,667
1,507,518		1,507,518
838,037		838,037
372,636		372,636
39,964		39,964
5,158		5,158
2,017,650	23,760	2,041,410
434,573	626,049	1,060,622
<u>(4,967,642)</u>	<u>4,967,642</u>	
<u>46,760,520</u>	<u>5,617,451</u>	<u>52,377,971</u>
29,200,428	2,460,797	31,661,225
<u>706,868,117</u>	<u>397,174,681</u>	<u>1,104,042,798</u>
<u>\$736,068,545</u>	<u>\$399,635,478</u>	<u>\$1,135,704,023</u>

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<b>FUND FINANCIAL STATEMENTS</b>
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<b>MAJOR GOVERNMENTAL FUNDS</b>
---------------------------------

The funds described below were determined to be Major Funds by the City in fiscal 2017. 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 State and Federal transportation efficiency act grants that are restricted for specific 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, 2017

	<u>General</u>	<u>Housing Successor</u>	<u>TEA Grant</u>	<u>South County Fire Authority</u>	<u>Community Development Fees</u>
<b>ASSETS</b>					
Cash and investments (Note 3)	\$19,678,857	\$1,227,938	\$95	\$1,271,345	\$3,630,918
Restricted cash and investments (Note 3)		51,671			
Cash and investments with fiscal agents (Note 3)					
Accounts receivable	7,742,385		3,074,844	1,467,976	
Interest receivable	217,346	7,260			
Due from other funds (Note 4)	10,209,715				
Prepaid items	5,847				
Deposits					
Loans receivable (Note 5)	515,500	12,419,703		4,372,897	
Advances to CDA successor agency (Note 5)		2,803,520			
Advances to other funds (Note 4)	4,616,954				
<b>Total Assets</b>	<u><u>\$42,986,604</u></u>	<u><u>\$16,510,092</u></u>	<u><u>\$3,074,939</u></u>	<u><u>\$7,112,218</u></u>	<u><u>\$3,630,918</u></u>
<b>LIABILITIES</b>					
Accounts payable	\$1,865,986		\$2,212,783	\$233,966	\$508,015
Due to other funds (Note 4)			1,182,089		
Deposits payable	119,421			26,739	2,639,725
Advances from other funds (Note 4)				4,372,897	
Unearned revenue	209,090				679,182
<b>Total Liabilities</b>	<u><u>2,194,497</u></u>		<u><u>3,394,872</u></u>	<u><u>4,633,602</u></u>	<u><u>3,826,922</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - accounts receivable				746,100	
Unavailable revenue - loans	21,270	\$12,419,703			
<b>Total Deferred Inflows of Resources</b>	<u><u>21,270</u></u>	<u><u>12,419,703</u></u>		<u><u>746,100</u></u>	
<b>FUND BALANCES</b>					
Fund balance (Note 9):					
Nonspendable					
Prepaid items	5,847				
Advances	4,616,954				
Loans receivable	494,230				
Restricted		4,090,389		1,732,516	
Committed	11,716,000				
Assigned	11,455,470				
Unassigned	12,482,336		(319,933)		(196,004)
<b>Total Fund Balances</b>	<u><u>40,770,837</u></u>	<u><u>4,090,389</u></u>	<u><u>(319,933)</u></u>	<u><u>1,732,516</u></u>	<u><u>(196,004)</u></u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$42,986,604</u></u>	<u><u>\$16,510,092</u></u>	<u><u>\$3,074,939</u></u>	<u><u>\$7,112,218</u></u>	<u><u>\$3,630,918</u></u>

See accompanying notes to basic financial statements

2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
\$666,954	\$7,018,548	\$27,767,236	\$88,477,807	\$149,739,698
			10,000	61,671
113	1,153,933		3,626,467	4,780,513
			3,126,170	15,411,375
1,976		82,010	263,348	571,940
	1,018,603			11,228,318
				5,847
			1,000,000	1,000,000
8,800,000			2,110,598	28,218,698
				2,803,520
			1,747,454	6,364,408
<u>\$9,469,043</u>	<u>\$9,191,084</u>	<u>\$27,849,246</u>	<u>\$100,361,844</u>	<u>\$220,185,988</u>
	\$1,599,465	\$123,086	\$1,168,815	\$7,712,116
			51,801	1,233,890
	2,000,000		3,193,635	7,979,520
			1,747,454	6,120,351
			30,489	918,761
	<u>3,599,465</u>	<u>123,086</u>	<u>6,192,194</u>	<u>23,964,638</u>
			2,500,000	3,246,100
<u>\$8,800,000</u>			<u>2,110,598</u>	<u>23,351,571</u>
<u>8,800,000</u>			<u>4,610,598</u>	<u>26,597,671</u>
				5,847
				4,616,954
				494,230
669,043	1,153,933	27,726,160	89,560,396	124,932,437
				11,716,000
	4,437,686			15,893,156
			(1,344)	11,965,055
<u>669,043</u>	<u>5,591,619</u>	<u>27,726,160</u>	<u>89,559,052</u>	<u>169,623,679</u>
<u>\$9,469,043</u>	<u>\$9,191,084</u>	<u>\$27,849,246</u>	<u>\$100,361,844</u>	<u>\$220,185,988</u>

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CITY OF TRACY  
Reconciliation of the  
GOVERNMENTAL FUNDS-- BALANCE SHEET  
to the  
STATEMENT OF NET POSITION  
JUNE 30, 2017

Fund balances of Governmental Funds \$169,623,679

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. 593,523,788

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	15,715,653
Accounts receivable	69
Prepaid	34
Capital assets (net of accumulated depreciation)	10,023,633
Accounts payable	(254,984)
Compensated absences	(209,151)
Claims and judgments payable	(112,494)
Net pension liability and pension-related deferred outflows/inflows of resources	(1,637,605)

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. 26,597,671

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	(22,153,552)
Interest payable	(309,049)
Compensated absences	(2,648,351)
Net pension liability and pension-related deferred outflows/inflows of resources	(49,461,373)
Net OPEB obligation	(2,629,423)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$736,068,545

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, 2017

	General	Housing Successor	TEA Grant	South County Fire Authority	Community Development Fees
<b>REVENUES</b>					
Taxes	\$46,173,331				
Licenses, permits and fees	2,980,580				\$3,910,247
Fines and penalties	198,177				
Use of money and property	639,648	\$385,993		(\$7,607)	
Intergovernmental	1,433,843		\$16,771,335	6,269,001	
Charges for current services	4,333,327			286,793	4,851,286
Special assessments	404,207				
Contributions	139,175				
Other revenue	3,375,741				6,971
<b>Total Revenues</b>	<b>59,678,029</b>	<b>385,993</b>	<b>16,771,335</b>	<b>6,548,187</b>	<b>8,768,504</b>
<b>EXPENDITURES</b>					
Current:					
General government					
Economic development	625,750	705			
General government	6,149,909			178,000	
Finance	4,449,060				
Non-departmental	861,455				985,000
Public safety					
Police	24,238,642				
Fire	11,946,948			6,535,628	
Public ways and facilities/transportation					
Development and engineering	882,145				7,940,649
Public works	5,646,319				
Culture and leisure					
Cultural arts					
Parks and community services	2,286,985				
Capital outlay	453,978		14,148,181	12,565	65,069
Debt service:					
Principal	63,279				
Interest and fiscal charges					
<b>Total Expenditures</b>	<b>57,604,470</b>	<b>705</b>	<b>14,148,181</b>	<b>6,726,193</b>	<b>8,990,718</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,073,559</b>	<b>385,288</b>	<b>2,623,154</b>	<b>(178,006)</b>	<b>(222,214)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of property	5,158				
Transfers in (Note 4)	1,250,000				509,955
Transfers (Note 4)	(3,976,247)				
<b>Total Other Financing Sources (Uses)</b>	<b>(2,721,089)</b>				<b>509,955</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(647,530)</b>	<b>385,288</b>	<b>2,623,154</b>	<b>(178,006)</b>	<b>287,741</b>
<b>FUND BALANCES, JULY 1, 2016, as restated (Note 9E)</b>	<b>41,418,367</b>	<b>3,705,101</b>	<b>(2,943,087)</b>	<b>1,910,522</b>	<b>(483,745)</b>
<b>FUND BALANCES, JUNE 30, 2017</b>	<b>\$40,770,837</b>	<b>\$4,090,389</b>	<b>(\$319,933)</b>	<b>\$1,732,516</b>	<b>(\$196,004)</b>

See accompanying notes to basic financial statements



2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
			\$1,366,232	\$47,539,563
			300,043	7,190,870
			311,330	509,507
\$1,236	\$6,067	\$124,744	206,340	1,356,421
400,000			2,252,758	27,126,937
			605	9,472,011
	791,792	15,398,625	8,291,804	24,886,428
			3,232,354	3,371,529
			77,558	3,460,270
<u>401,236</u>	<u>797,859</u>	<u>15,523,369</u>	<u>16,039,024</u>	<u>124,913,536</u>
			182,479	808,934
			140,664	6,468,573
				4,449,060
			189,890	2,036,345
			451,797	24,690,439
				18,482,576
			5,065	8,827,859
			3,645,905	9,292,224
				2,286,985
	2,493,935	2,124,471	9,346,519	28,644,718
220,000			115,000	398,279
1,138,125			169,380	1,307,505
<u>1,358,125</u>	<u>2,493,935</u>	<u>2,124,471</u>	<u>14,246,699</u>	<u>107,693,497</u>
<u>(956,889)</u>	<u>(1,696,076)</u>	<u>13,398,898</u>	<u>1,792,325</u>	<u>17,220,039</u>
				5,158
958,300	2,021,000		486,992	5,226,247
			(1,250,000)	(5,226,247)
<u>958,300</u>	<u>2,021,000</u>		<u>(763,008)</u>	<u>5,158</u>
1,411	324,924	13,398,898	1,029,317	17,225,197
667,632	5,266,695	14,327,262	88,529,735	152,398,482
<u>\$669,043</u>	<u>\$5,591,619</u>	<u>\$27,726,160</u>	<u>\$89,559,052</u>	<u>\$169,623,679</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, 2017

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 \$17,225,197

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.	20,954,725
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,595,916 which has already been allocated to serviced funds).	(8,268,710)

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	398,279
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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	(445,309)
Interest payable	3,242
Accrued interest receivable on loans	2,071,601
Unavailable revenue	(5,965,698)
Compensated absences	170,701

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	3,056,400
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$29,200,428
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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 2017, 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, 2017

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
ASSETS					
Current assets					
Cash and investments (Note 3)	\$2,008,116	\$28,516,840		\$16,642,548	\$542,720
Cash and investments with fiscal agents (Note 3)		350,277			
Accounts receivable	2,653,474	2,800,562	\$1,048,377	2,553,180	4,694,817
Inventory	570,994				
Interest receivable	10,405	87,322		49,584	
Prepaid expenses					
Total current assets	<u>5,242,989</u>	<u>31,755,001</u>	<u>1,048,377</u>	<u>19,245,312</u>	<u>5,237,537</u>
Non-current assets					
Advances to other funds (Note 4)	801,351	2,020,400			
Capital assets, not being depreciated (Note 6)	3,796,791	17,662,414	8,414,654		1,427,226
Capital assets, being depreciated (Note 6)	186,720,356	113,594,222	2,042,439		14,152,704
Total non-current assets	<u>191,318,498</u>	<u>133,277,036</u>	<u>10,457,093</u>		<u>15,579,930</u>
Total Assets	<u>196,561,487</u>	<u>165,032,037</u>	<u>11,505,470</u>	<u>19,245,312</u>	<u>20,817,467</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	<u>1,146,829</u>	<u>814,509</u>	<u>42,659</u>	<u>17,590</u>	<u>80,024</u>
LIABILITIES					
Current liabilities					
Accounts payable	655,908	532,033	11,509	1,398,309	101,943
Accrued interest payable		191,386			
Deposit payable	897,636	4,500	53,093		
Due to other funds (Note 4)			3,443,094		6,551,334
Unearned revenue					
Current portion- compensated absences (Note 1G)	96,648	69,974	9,155	520	2,829
Current portion- long-term debt (Note 7)	991,058	775,000			
Total current liabilities	<u>2,641,250</u>	<u>1,572,893</u>	<u>3,516,851</u>	<u>1,398,829</u>	<u>6,656,106</u>
Noncurrent liabilities					
Advances from other funds (Note 4)	2,020,400		1,045,408		
Notes payable (Note 7)	10,659,580				
Compensated absences (Note 1G)	202,421	146,556	12,858	1,088	2,534
Claims payable					
Certificates of participation payable (Note 7)		23,695,000			
Net pension liability (Note 10)	3,824,337	2,593,612	123,348	122,309	264,192
Total noncurrent liabilities	<u>16,706,738</u>	<u>26,435,168</u>	<u>1,181,614</u>	<u>123,397</u>	<u>266,726</u>
Total Liabilities	<u>19,347,988</u>	<u>28,008,061</u>	<u>4,698,465</u>	<u>1,522,226</u>	<u>6,922,832</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 10)	<u>506,467</u>	<u>335,994</u>	<u>15,181</u>	<u>20,085</u>	<u>34,825</u>
NET POSITION (Note 9)					
Net investment in capital assets	178,866,509	107,136,913	10,457,093		15,579,930
Restricted for debt services		350,277			
Unrestricted	(1,012,648)	30,015,301	(3,622,610)	17,720,591	(1,640,096)
Total Net Position	<u>\$177,853,861</u>	<u>\$137,502,491</u>	<u>\$6,834,483</u>	<u>\$17,720,591</u>	<u>\$13,939,834</u>

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Drainage</u>	<u>Totals</u>	
\$1,152,889	\$48,863,113	\$15,715,653
	350,277	
49,226	13,799,636	69
	570,994	
3,507	150,818	
122,720	122,720	34
<u>1,328,342</u>	<u>63,857,558</u>	<u>15,715,756</u>
	2,821,751	
6,337,742	37,638,827	
<u>39,249,946</u>	<u>355,759,667</u>	<u>10,023,633</u>
<u>45,587,688</u>	<u>396,220,245</u>	<u>10,023,633</u>
<u>46,916,030</u>	<u>460,077,803</u>	<u>25,739,389</u>
<u>67,471</u>	<u>2,169,082</u>	<u>596,593</u>
23,194	2,722,896	254,984
	191,386	
931,755	1,886,984	
	9,994,428	
6,062	185,188	60,819
	1,766,058	
<u>961,011</u>	<u>16,746,940</u>	<u>315,803</u>
	3,065,808	
	10,659,580	
12,697	378,154	148,332
		112,494
	23,695,000	
<u>200,516</u>	<u>7,128,314</u>	<u>1,973,765</u>
<u>213,213</u>	<u>44,926,856</u>	<u>2,234,591</u>
<u>1,174,224</u>	<u>61,673,796</u>	<u>2,550,394</u>
<u>25,059</u>	<u>937,611</u>	<u>260,433</u>
45,587,688	357,628,133	10,023,633
	350,277	
196,530	41,657,068	13,501,522
<u>\$45,784,218</u>	<u>\$399,635,478</u>	<u>\$23,525,155</u>

CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
OPERATING REVENUES					
Sales and charges for services	\$14,935,448	\$14,034,303	\$477,765	\$23,332,992	\$115,843
Other operating revenue	18,560	5,000	150	50	
Total Operating Revenues	<u>14,954,008</u>	<u>14,039,303</u>	<u>477,915</u>	<u>23,333,042</u>	<u>115,843</u>
OPERATING EXPENSES					
Purchase of water	3,800,997				
Maintenance and operation	9,190,180	7,509,952	575,217	20,467,976	3,044,040
Administration	680,042	493,139	96,450	73,330	75,530
Insurance costs and claims					
Depreciation	5,020,501	5,846,873	209,226		833,134
Total Operating Expenses	<u>18,691,720</u>	<u>13,849,964</u>	<u>880,893</u>	<u>20,541,306</u>	<u>3,952,704</u>
Operating Income (Loss)	<u>(3,737,712)</u>	<u>189,339</u>	<u>(402,978)</u>	<u>2,791,736</u>	<u>(3,836,861)</u>
NONOPERATING REVENUES (EXPENSES)					
Operating grants					1,516,024
Interest income	18,997	395,099	3,928	159,317	42,770
Interest (expense)	(310,051)	(1,247,806)	(19,898)		
Gain/loss on disposal of capital assets	21,356	18,939			
Net Nonoperating Revenues (Expenses)	<u>(269,698)</u>	<u>(833,768)</u>	<u>(15,970)</u>	<u>159,317</u>	<u>1,558,794</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(4,007,410)</u>	<u>(644,429)</u>	<u>(418,948)</u>	<u>2,951,053</u>	<u>(2,278,067)</u>
Capital contributions and grants	460,343	3,622,258	1,174,273	21,796	2,154,547
Net Contributions and Transfers	<u>460,343</u>	<u>3,622,258</u>	<u>1,174,273</u>	<u>21,796</u>	<u>2,154,547</u>
Change in net position	(3,547,067)	2,977,829	755,325	2,972,849	(123,520)
NET POSITION, JULY 1, 2016, as Restated (Note 9E)	<u>181,400,928</u>	<u>134,524,662</u>	<u>6,079,158</u>	<u>14,747,742</u>	<u>14,063,354</u>
NET POSITION, JUNE 30, 2017	<u>\$177,853,861</u>	<u>\$137,502,491</u>	<u>\$6,834,483</u>	<u>\$17,720,591</u>	<u>\$13,939,834</u>

See accompanying notes to basic financial statements

<u>Enterprise Funds</u>		Governmental Activities- Internal Service Funds
<u>Drainage</u>	<u>Totals</u>	
\$643,586	\$53,539,937	\$10,383,587
	23,760	1,544,344
<u>643,586</u>	<u>53,563,697</u>	<u>11,927,931</u>
	3,800,997	
571,632	41,358,997	5,228,023
45,390	1,463,881	88,819
		3,478,331
<u>2,409,589</u>	<u>14,319,323</u>	<u>1,365,114</u>
<u>3,026,611</u>	<u>60,943,198</u>	<u>10,160,287</u>
<u>(2,383,025)</u>	<u>(7,379,501)</u>	<u>1,767,644</u>
	1,516,024	
5,938	626,049	
	(1,577,755)	
	40,295	6,612
<u>5,938</u>	<u>604,613</u>	<u>6,612</u>
<u>(2,377,087)</u>	<u>(6,774,888)</u>	<u>1,774,256</u>
<u>1,802,468</u>	<u>9,235,685</u>	<u>1,282,144</u>
<u>1,802,468</u>	<u>9,235,685</u>	<u>1,282,144</u>
(574,619)	2,460,797	3,056,400
<u>46,358,837</u>	<u>397,174,681</u>	<u>20,468,755</u>
<u>\$45,784,218</u>	<u>\$399,635,478</u>	<u>\$23,525,155</u>

CITY OF TRACY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$14,729,632	\$13,562,784	(\$486,610)	\$24,193,513	(\$2,493,120)
Receipt from interfund charges					
Payments to suppliers	(12,912,665)	(7,222,617)	(668,508)	(20,430,005)	(2,958,982)
Payments to employees	(1,021,556)	(714,774)	(97,377)	(75,344)	(110,334)
Net cash provided (used) by Operating Activities	<u>795,411</u>	<u>5,625,393</u>	<u>(1,252,495)</u>	<u>3,688,164</u>	<u>(5,562,436)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipts from grantors					1,516,024
Due to/due from other funds			1,024,094		4,601,334
Advances to/from other funds	2,020,872	(2,000,000)	(20,872)		
Net cash provided (used) by Noncapital Financing Activities	<u>2,020,872</u>	<u>(2,000,000)</u>	<u>1,003,222</u>		<u>6,117,358</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments- long-term debt	(968,269)	(745,000)			
Interest paid	(289,651)	(1,153,480)	(19,898)		
Capital contributions and grants received	460,343	3,622,258	1,174,273	21,796	2,154,547
Acquisition of capital assets	(1,204,850)	(5,927,159)	(1,094,536)	1	(2,688,058)
Proceeds from sale of capital assets	23,181	20,174			
Net cash provided (used) by Capital and and Related Financing Activities	<u>(1,979,246)</u>	<u>(4,183,207)</u>	<u>59,839</u>	<u>21,797</u>	<u>(533,511)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	41,320	416,332	5,689	179,639	45,353
Net cash provided (used) by Investing Activities	<u>41,320</u>	<u>416,332</u>	<u>5,689</u>	<u>179,639</u>	<u>45,353</u>
Net increase (decrease) in cash and cash equivalents	878,357	(141,482)	(183,745)	3,889,600	66,764
Cash and cash equivalents, July 1, 2016	1,129,759	29,008,599	183,745	12,752,948	475,956
Cash and cash equivalents, June 30, 2017	<u>\$2,008,116</u>	<u>\$28,867,117</u>	<u>183,745</u>	<u>\$16,642,548</u>	<u>\$542,720</u>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>					
Cash and investments	\$2,008,116	\$28,516,840		\$16,642,548	\$542,720
Cash and investments with fiscal agents		350,277			
Total cash and investments	<u>\$2,008,116</u>	<u>\$28,867,117</u>		<u>\$16,642,548</u>	<u>\$542,720</u>
<b>Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	(\$3,737,712)	\$189,339	(\$402,978)	\$2,791,736	(\$3,836,861)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	5,020,501	5,846,873	209,226		833,134
Change in assets and liabilities:					
Accounts receivable	(254,463)	(476,519)	(966,171)	860,471	(2,551,474)
Prepaid items				555	
Accounts payable	78,512	287,335	(93,291)	37,416	85,058
Compensated absences	(43,378)	(3,328)	11,175	(850)	(13,858)
Deposits payable	30,087		1,646		
Unearned revenue					(57,489)
Net pension liability and deferred outflows/inflows	(298,136)	(218,307)	(12,102)	(1,164)	(20,946)
Net cash provided (used) by Operating Activities	<u>\$795,411</u>	<u>\$5,625,393</u>	<u>(\$1,252,495)</u>	<u>\$3,688,164</u>	<u>(\$5,562,436)</u>
<b>NONCASH TRANSACTIONS:</b>					
Contributions of capital assets					
Retirement of capital assets	<u>(\$1,825)</u>	<u>(\$1,235)</u>			

See accompanying notes to basic financial statements



Enterprise Funds		Governmental Activities- Internal Service Funds
Drainage	Totals	
\$858,054	\$50,364,253	\$11,928,581
(567,291)	(44,760,068)	(8,799,180)
(61,783)	(2,081,168)	(217,624)
<u>228,980</u>	<u>3,523,017</u>	<u>2,911,777</u>
	1,516,024	
	5,625,428	
	<u>7,141,452</u>	
	(1,713,269)	
	(1,463,029)	
1,802,468	9,235,685	
(1,810,190)	(12,724,792)	(1,983,902)
	43,355	35,185
<u>(7,722)</u>	<u>(6,622,050)</u>	<u>(1,948,717)</u>
<u>7,499</u>	<u>695,832</u>	
<u>7,499</u>	<u>695,832</u>	
228,757	4,738,251	963,060
924,132	44,475,139	14,752,593
<u>\$1,152,889</u>	<u>\$49,213,390</u>	<u>\$15,715,653</u>
<u>\$1,152,889</u>	<u>\$48,863,113</u>	<u>\$15,715,653</u>
	350,277	
<u>\$1,152,889</u>	<u>\$49,213,390</u>	<u>\$15,715,653</u>
(\$2,383,025)	(\$7,379,501)	\$1,767,644
2,409,589	14,319,323	1,365,114
(9,652)	(3,397,808)	650
	555	1,988
4,341	399,371	(59,008)
2,458	(47,781)	(8,676)
224,120	255,853	
	(57,489)	
(18,851)	(569,506)	(155,935)
<u>\$228,980</u>	<u>\$3,523,017</u>	<u>\$2,911,777</u>
		\$1,282,144
	<u>(\$3,060)</u>	<u>(\$28,573)</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, 2017

	Successor Agency Private-Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments (Note 3)	\$7,651,649	\$12,529,230
Cash and investments with fiscal agents (Note 3)	17	18,672,961
Accounts receivable		5,904
Interest receivable	22,645	16,376
	<u>7,674,311</u>	<u>31,224,471</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on debt refunding	2,470,260	
	<u>2,470,260</u>	<u>                    </u>
<b>LIABILITIES</b>		
Accounts payable	1	3,079,136
Accrued interest payable	872,969	
Deposits payable		5,694,755
Due to assessment district bondholders		22,450,580
Noncurrent liabilities (Note 16B):		
Due within one year	1,750,000	
Due in more than one year	48,373,176	
	<u>50,996,146</u>	<u>\$31,224,471</u>
<b>NET POSITION (DEFICIT) (Note 9)</b>		
Unrestricted	(40,851,575)	
	<u>(40,851,575)</u>	
Total Net Position	<u>(40,851,575)</u>	

See accompanying notes to basic financial statements

CITY OF TRACY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Successor Agency  Private-Purpose  Trust  Fund</u>
<b>ADDITIONS</b>	
Taxes and assessments	\$4,755,715
Interest income	<u>(6,849)</u>
Total additions	<u>4,748,866</u>
<b>DEDUCTIONS</b>	
Administration	47,034
Debt Service:	
Interest and fees	<u>1,574,094</u>
Total deductions	<u>1,621,128</u>
<b>CHANGE IN NET POSITION</b>	3,127,738
Net Position July 1, 2016	<u>(43,979,313)</u>
Net Position June 30, 2017	<u><u>(\$40,851,575)</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, 2017**

**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, 2017 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, 2017**

**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, 2017**

**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 State and Federal transportation efficiency act grants that are restricted for specific 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, 2017**

**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 central garage, central services, 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, 2017**

**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.

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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

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

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

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

**G. Compensated Absences**

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

Changes in compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,036,879	\$611,123	\$3,648,002
Additions	2,922,416	702,938	3,625,354
Payments	(3,101,793)	(750,719)	(3,852,512)
Ending Balance	<u>\$2,857,502</u>	<u>\$563,342</u>	<u>\$3,420,844</u>
Current Portion	<u>\$1,015,842</u>	<u>\$185,188</u>	<u>\$1,201,030</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, 2017**

**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 net 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 net 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.

**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, the second installment was received in fiscal year 2017 and the outstanding balance of \$2,500,000 is recorded as accounts receivable in the Capital Projects Deposit Capital Projects Fund as of June 30, 2017.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**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 COPS Grant Special Revenue Fund was established during the fiscal year to account for activities related to the State and federal grant revenues restricted for law enforcement activities. The activities related to these grants were previously reported in the General Fund.

The Payroll Clearing Agency Fund was established to record and monitor City payroll activity, clearing of payroll checks and payment of payroll liabilities. This zero-balance fund was established in FY16-17. Prior to FY 16-17, this activity was accounted for in the General Fund.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgeting Procedures***

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

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

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

**B. *Encumbrances***

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

*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	\$1,059,169
Fire	1,553,048
Public works	15,152
Debt Service	63,279
<b>Housing Successor Fund</b>	
Non-departmental	705
<b>Community Development Fees Fund</b>	
Non-departmental	985,000
<b>Non-Major Funds:</b>	
<b>Special Revenue Funds</b>	
Business Improvement District	
Economic Development	9,687
COPS Grant	
Police	80

**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, 2017**

**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, 2017 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	\$214,318,464
Cash and investments with fiscal agents	5,130,790
Restricted cash and investments	61,671
Total City cash and investments of primary government	219,510,925
Cash and investments in Fiduciary Funds	38,853,857
Total cash and investments	\$258,364,782

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$7,653
Deposits with financial institutions	18,085,360
Investments	240,271,769
Total cash and investments	\$258,364,782

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, 2017**

**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 (Federal Agency Obligations)	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 Years 2016 and 2017, the City purchased foreign corporate notes with a fair value of \$11,448,066 as of June 30, 2017, 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.

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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.

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	\$2,692,926	\$3,094,408	\$3,469,895	\$14,238,851	\$23,496,080
Federal Agency Obligations	21,700,896	16,121,830	16,539,322	14,462,536	68,824,584
Municipal Securities	599,889				599,889
Commercial Paper	9,335,733				9,335,733
Negotiable Certificates of Deposit	3,100,361				3,100,361
California Local Agency Investment Fund	48,716,776				48,716,776
Foreign Corporate Notes	4,150,617	6,539,985	757,464		11,448,066
U.S. Corporate Notes	22,181,492	9,520,135	9,015,610	7,123,545	47,840,782
Money Market Funds	3,680,694				3,680,694
<b><i>Held by Trustees:</i></b>					
U.S. Treasury Notes	292,660				292,660
Federal Agency Obligations	968,884				968,884
Money Market Funds	21,967,260				21,967,260
Total Investments	<u>\$139,388,188</u>	<u>\$35,276,358</u>	<u>\$29,782,291</u>	<u>\$35,824,932</u>	<u>\$240,271,769</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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, 2017, these investments have an average maturity of 194 days.

Money market funds are available for withdrawal on demand and at June 30, 2017, and have an average maturity of 35 to 43 days.

**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, 2017 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	\$68,824,584			\$68,824,584
Commercial Paper			\$9,335,733	9,335,733
Foreign Corporate Notes				
Callable		\$2,267,730		2,267,730
Non-Callable	5,018,010	3,404,862		8,422,872
Corporate Notes				
Callable	5,935,493	5,883,163		11,818,656
Non-Callable	11,575,800	22,175,870	2,270,456	36,022,126
<b><i>Held by Trustee:</i></b>				
Federal Agency Obligations	968,884			968,884
Money Market Funds			21,967,260	21,967,260
<b>Total Rated Investments</b>	<b>\$92,322,771</b>	<b>\$33,731,625</b>	<b>\$33,573,449</b>	<b>159,627,845</b>
<b><i>Not rated:</i></b>				
Municipal Securities				599,889
Negotiable Certificates of Deposit				3,100,361
California Local Agency Investment Fund				48,716,776
Foreign Corporate Notes				757,464
Money Market Funds				3,680,694
<b><i>Exempt from credit rating disclosure:</i></b>				
U.S. Treasury Notes				23,788,740
<b>Total Investments</b>				<b>\$240,271,769</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2017:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value:</b>			
Held by City:			
U.S. Treasury Notes		\$23,496,080	\$23,496,080
Federal Agency Obligations		68,824,584	68,824,584
Municipal Securities		599,889	599,889
Commercial Paper		9,335,733	9,335,733
Negotiable Certificate of Deposits		3,100,361	3,100,361
Foreign Corporate Notes		11,448,066	11,448,066
U.S. Corporate Notes		47,840,782	47,840,782
Held by Trustee:			
U.S. Treasury Notes	\$292,660		292,660
Federal Agency Obligations		968,884	968,884
<b>Subtotal</b>	<u>\$292,660</u>	<u>\$165,614,379</u>	165,907,039
<b>Investments Measured at Amortized Cost:</b>			
Held by City:			
Money Market Funds			3,680,694
Held by Trustee:			
Money Market Funds			21,967,260
<b>Investments Exempt from Fair Value Hierarchy:</b>			
California Local Agency Investment Fund			<u>48,716,776</u>
<b>Total Investments</b>			<u>\$240,271,769</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 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. 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, 2017, the book value of the City's cash with banks was \$18,085,360 and the associated bank balances were \$18,571,639. As of June 30, 2017, \$324,964 of the City's bank balances of \$18,571,639 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, 2017**

**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	\$21,526,627
	Federal Home Loan Bank	Federal Agency Obligations	21,446,604
	Federal Home Loan Mortgage Corporation	Federal Agency Obligations	20,327,278

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Less often, a transfer may be made to open or close a fund. During the fiscal year ended June 30, 2017 the transfers were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Comm. Devel. Fees Special Revenue Fund	\$509,955 (A)
General Fund	2008 Lease Revenue Bond Debt Service Fund	958,300 (B)
General Fund	General Projects Capital Projects Fund	2,021,000 (A)
General Fund	COPS Grant Special Revenue Fund	206,892 (C)
General Fund	2007 Lease Revenue Bond Debt Service Fund	280,100 (B)
General Projects Capital Projects Fund	General Fund	1,250,000 (D)
		<u>\$5,226,247</u>

- (A) To use unrestricted revenues collected in the General Fund to help finance operations or capital projects.
- (B) To move cash to debt service funds for the funds responsible for payment as debt service payments become due.
- (C) To establish new fund.
- (D) To transfer developer community benefit funds.

In addition to the transfers above, Governmental Activities transferred \$4,967,642 to Business-Type Activities to fund additions to capital projects.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2017 were as follows:

Due From Funds	Due To Funds	Amount
General Fund	TEA Grant Special Revenue Fund	\$1,182,089
	Municipal Airport Enterprise Fund	2,424,491
	Municipal Transit Enterprise Fund	6,551,334
	Community Development Block Grant Special Revenue Fund	51,801
General Projects Capital Projects Fund	Municipal Airport Enterprise Fund	1,018,603
	Total Current Interfund Balances	<u>\$11,228,318</u>

**C. Long-Term Interfund Advances**

At June 30, 2017 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	\$4,372,897
	Municipal Airport Enterprise Fund	244,057
Water Utility Enterprise Fund	Municipal Airport Enterprise Fund	801,351
Wastewater Utility Enterprise Fund	Water Utility Enterprise Fund	2,020,400
North East Industrial Plan Area #2 Capital Projects Fund	North East Industrial Plan Area #1 Capital Projects Fund	1,747,454
	Total Advances	<u>\$9,186,159</u>

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

**Municipal Airport** advance from the General Fund in June 2009 does not bear interest and is to be repaid when funds are available. 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.

**Water Utility** advance from the Wastewater Utility Enterprise Fund in November 2016 to fund operating expenses, capital costs for maintenance and replacement of existing water infrastructure, debt payments and to maintain an adequate reserve for any emergency to continue providing uninterrupted service. The advance bears the interest at the Local Agency Investment Fund (LAIF) rate and was to be repaid in two years. The advance was amended in October 2017 to extend the repayment two additional years to fiscal year 2021.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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

**D. Internal Balances**

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

**NOTE 5- REDEVELOPMENT AGREEMENTS AND LOANS RECEIVABLE**

**A. Summary of Loans Receivable and Unavailable Revenue**

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

At June 30, 2017, these loans totaled:

Housing Successor Loans:	
Commercial Rehabilitation Program	\$185,407
Mountain View Townhomes	965,265
Eden Housing Inc.	2,504,624
Habitat for Humanity	53,349
Down Payment Assistance Program	1,385,085
Tracy Place Associates	4,785,988
DHI Tracy Garden Associates, LP	2,539,985
Development Loan	61,270
Housing Loan	454,230
Successor Agency Reimbursement Agreement	8,800,000
Tracy Mall Partners, LP	2,110,598
Tracy Rural Fire District	4,372,897
	<hr/>
Total Loans Receivable	\$28,218,698
	<hr/> <hr/>
CDA Successor Agency SERAF Loan	\$2,803,520
	<hr/> <hr/>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 \$185,407 at June 30, 2017.

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. As of December 1, 2015, the loan was assigned to Sutter Ville SJC Holding Company, LLC. 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 and is now repayable from residual receipts as defined in the amendment. 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, 2017, principal and accrued interest totaled \$965,265.

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, 2017, principal and accrued interest totaled \$2,504,624.

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, 2017 is \$53,349.

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, 2017, principal and accrued interest totaled \$1,385,085.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2017, the developer owes \$4,785,988 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, 2017 is \$2,539,985.

**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, 2017, including principal and accrued interest, is \$61,270.

**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, 2017 is \$454,230.

**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, 2017 is \$8,800,000.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 2017 did not exceed the threshold, therefore only \$121,679 of the annual repayment was forgiven as of June 30, 2017. The cumulative shortage of sales tax collections was \$129,894 as of June 30, 2017 and the balance of the loan is \$2,110,598 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 \$4,372,897 as of June 30, 2017.

**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 payment schedule and the Successor Agency will begin making payments to the Housing Successor Fund, as discussed in Note 16B(4).

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

***I. Grow Tracy Fund Deposit Receivable***

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, 2017, there were six loans outstanding in the amount of \$2,407,543, 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, 2017 was \$602,607 and the unused balance of the capitalization contribution was \$397,393.

***J. Location Agreement***

In December 2015, the City entered into a Location Agreement with a manufacturer and distributor of healthcare products and services to make payments to the Corporation in return for the Corporation establishing, locating and operating a sales office in the City. Under the terms of the agreement, the City has agreed to pay the Corporation fifty per cent (50%) of the quarterly local sales tax revenues attributable to the Corporation's taxable sales for each fiscal quarter, excluding penalty assessments, commencing with the quarter beginning January 1, 2017 and ending on December 31, 2036, unless otherwise extended in accordance with the agreement. The City paid \$1,047,596 to the Corporation during the year ended June 30, 2017.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 acquisition 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 City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	<u>Useful Lives</u>	<u>Capitalization Threshold</u>
Land	n/a	\$0
Land Improvements	n/a	\$50,000
Buildings	10-30 years	\$50,000
Building Improvements	5-50 years	\$50,000
Equipment and vehicles	5-30 years	\$5,000
Grading, curbs, gutters, sidewalks, driveway approaches	40 years	\$50,000
Traffic signals	20 years	\$50,000
Street drainage	40 years	\$50,000
Infrastructure	5-40 years	\$50,000
Intangibles	5 years	\$5,000
Capital Lease Property	Term of contract	\$5,000
Leasehold Improvements	Term of contract	\$50,000
Works of Art / Historical Treasures	n/a	\$0
Construction in Progress for Year End Reporting	n/a	Projects to exceed \$50,000 at completion

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**A. Capital Asset Additions and Retirements**

Capital assets activities for the year ended June 30, 2017 were as follows:

*Governmental Activities*

	Balance at June 30, 2016	Restatements	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:						
Land	\$175,610,214	(\$4,988,328)				\$170,621,886
Roads accounted for using the modified approach	227,666,283	6,711,658				234,377,941
Construction in progress	38,666,137		\$20,912,721		(\$6,754,129)	52,824,729
Total capital assets not being depreciated	<u>441,942,634</u>	<u>1,723,330</u>	<u>20,912,721</u>		<u>(6,754,129)</u>	<u>457,824,556</u>
Capital assets being depreciated:						
Buildings and improvements	87,087,077	1,167,639	42,004		495,667	88,792,387
Improvements	88,695,039	(5,844,473)		(\$9,239)	5,856,633	88,697,960
Grading, curb & gutter, sidewalk and driveway approaches	27,582,648	1,394,623				28,977,271
Traffic signals and street lights	20,877,527	1,374,591			401,829	22,653,947
Equipment	30,909,952	(977,869)	3,203,679	(5,284,267)		27,851,495
Infrastructure and drainage	13,556,958	4,857,645				18,414,603
Intangibles	1,052,875	(107,059)	62,367	(652,459)		355,724
Total capital assets being depreciated	<u>269,762,076</u>	<u>1,865,097</u>	<u>3,308,050</u>	<u>(5,945,965)</u>	<u>6,754,129</u>	<u>275,743,387</u>
Less accumulated depreciation for:						
Buildings and improvements	(31,229,361)	(496,162)	(2,958,704)			(34,684,227)
Improvements	(54,541,499)	7,445,876	(3,448,545)	9,239		(50,534,929)
Grading, curb & gutter, sidewalk and driveway approaches	(13,262,976)	123,431	(627,570)			(13,767,115)
Traffic signals and street lights	(12,474,272)	(358,676)	(718,171)			(13,551,119)
Equipment	(21,399,047)	1,927,871	(1,474,069)	5,255,694		(15,689,551)
Infrastructure and drainage	(1,401,202)	185,661	(367,533)			(1,583,074)
Intangibles	(931,005)	107,271	(39,232)	652,459		(210,507)
Total accumulated depreciation	<u>(135,239,362)</u>	<u>8,935,272</u>	<u>(9,633,824)</u>	<u>5,917,392</u>		<u>(130,020,522)</u>
Net capital assets being depreciated	<u>134,522,714</u>	<u>10,800,369</u>	<u>(6,325,774)</u>	<u>(28,573)</u>	<u>6,754,129</u>	<u>145,722,865</u>
Governmental activities capital assets, net	<u>\$576,465,348</u>	<u>\$12,523,699</u>	<u>\$14,586,947</u>	<u>(\$28,573)</u>		<u>\$603,547,421</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

*Business-type activities*

	Balance at June 30, 2016	Restatements	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:						
Land	\$11,870,601	(\$29,558)				\$11,841,043
Construction in progress	17,013,035		\$9,004,422		(\$219,673)	25,797,784
Total capital assets not being depreciated	<u>28,883,636</u>	<u>(29,558)</u>	<u>9,004,422</u>		<u>(219,673)</u>	<u>37,638,827</u>
Capital assets being depreciated:						
Infrastructure	251,760,273	(264,100)			80,924	251,577,097
Buildings	135,264,825	2,364,742	20,498		138,749	137,788,814
Improvements	91,092,817	(3,067,150)				88,025,667
Equipment	44,791,277	(914,705)	3,699,872	(\$1,355,602)		46,220,842
Intangibles	76,745,166			(110,318)		76,634,848
Total capital assets being depreciated	<u>599,654,358</u>	<u>(1,881,213)</u>	<u>3,720,370</u>	<u>(1,465,920)</u>	<u>219,673</u>	<u>600,247,268</u>
Less accumulated depreciation for:						
Infrastructure	(94,410,770)	523,645	(5,025,915)			(98,913,040)
Buildings	(64,306,520)	(778,720)	(3,850,426)			(68,935,666)
Improvements	(66,624,220)	14,812,897	(3,503,085)			(55,314,408)
Equipment	(37,185,358)	18,826,927	(1,633,875)	1,352,542		(18,639,764)
Intangibles	(25,637,239)	23,148,220	(306,022)	110,318		(2,684,723)
Total accumulated depreciation	<u>(288,164,107)</u>	<u>56,532,969</u>	<u>(14,319,323)</u>	<u>1,462,860</u>		<u>(244,487,601)</u>
Net capital assets being depreciated	<u>311,490,251</u>	<u>54,651,756</u>	<u>(10,598,953)</u>	<u>(3,060)</u>	<u>219,673</u>	<u>355,759,667</u>
Total Business-type activities capital assets, net	<u>\$340,373,887</u>	<u>\$54,622,198</u>	<u>(\$1,594,531)</u>	<u>(\$3,060)</u>		<u>\$393,398,494</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, 2017**

**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	\$200,363
Police	254,395
Fire	176,138
Development and engineering	6,035
Public works	7,031,876
Parks and community services	599,903
Internal service funds	<u>1,365,114</u>
<b>Total Governmental Activities</b>	<b><u><u>\$9,633,824</u></u></b>
<b>Business-Type Activities</b>	
Water utility	\$5,020,501
Wastewater utility	5,846,873
Municipal airport	209,226
Municipal transit	833,134
Drainage	<u>2,409,589</u>
<b>Total Business-Type Activities</b>	<b><u><u>\$14,319,323</u></u></b>

**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 69%, instead of providing depreciation. During the fiscal year 2017, the City expended \$2,238,573 to preserve its roads. The City estimates that it will be required to expend approximately \$4 million in the fiscal year 2018 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.

**E. Restatement of Capital Assets**

During fiscal year 2017, the City completed a full physical inventory of its capital assets that included determining the historical cost or acquisition value and accumulated depreciation. In addition, the City determined that capital assets with a historical cost less than the capitalization threshold of \$5,000 should be removed from the capital assets balances. As a result, governmental activities net capital assets were restated and increased \$12,523,699 and business-type activities were restated and increased \$54,622,198.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2016	Retirements	Balance June 30, 2017	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	1,080,000	\$115,000	965,000	\$115,000
2008 Lease Revenue Bonds, 3% - 6.375%	19,765,000	18,650,000	220,000	18,430,000	250,000
<b>Loan Payable</b>					
PG&E On-Bill Loan, 0%	247,841	131,831	63,279	68,552	63,279
<b>Total Governmental Activity Debt</b>		<u>\$22,551,831</u>	<u>\$398,279</u>	<u>\$22,153,552</u>	<u>\$428,279</u>
<b>Business-type Activity Debt:</b>					
<b>Certificates of Participation</b>					
2004 Wastewater Certificates of Participation, 2% - 4.75%	\$30,955,000	\$25,215,000	\$745,000	\$24,470,000	\$775,000
<b>Loans Payable</b>					
State of California Department of Public Health, 2.34%	20,000,000	12,618,907	968,269	11,650,638	991,058
<b>Total Business-type Activity Debt</b>		<u>\$37,833,907</u>	<u>\$1,713,269</u>	<u>\$36,120,638</u>	<u>\$1,766,058</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, 2017**

**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. Pacific Gas and Electric On-Bill Loan**

On December 28, 2014, the City entered into a loan agreement with Pacific Gas and Electric Company for the provision of energy efficiency/demand response equipment and services which qualify for one or more of PG&E's applicable rebate or incentive programs. The monthly payments will be included by PG&E on the account's regular service bills, or by separate bill, in PG&E's discretion. The loan balance shall not bear interest. Customer may, without prepayment penalty, pay the entire outstanding balance in one lump sum payment provided the customer first notifies PG&E. As of June 30, 2017, the outstanding balance of the loan was \$68,552.

**F. 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 plant. 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 2017 net revenues amounted to \$6,382,713 which represented coverage of 336% over the \$1,894,480 of debt service. The pledge of net revenues ends upon repayment of the City's repayment of the remaining balance of \$39,787,176, which is scheduled to occur in 2037.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**G. 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.

**H. 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
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	530,000	1,198,120	2,002,710	1,145,627
2023-2027	3,470,000	5,487,936	8,839,841	4,749,473
2028-2032	5,250,000	4,263,744	6,646,685	3,382,339
2033-2037	7,725,000	2,358,797	11,230,000	2,400,417
2038-2039	3,415,000	222,009		
Total	\$22,153,552	\$18,549,495	\$36,120,638	\$16,874,693

**I. 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, 2017**

**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, 2017, is as follows:

Description	Fiscal Year		Underlying Assessment District Bonds	Outstanding June 30, 2017
	Issue Year	Maturity Year		
1996A Tax Bonds (93-1 Community Facilities District - I-205 Parcel GL-17)	1997	2027		\$775,000
2002 Special Tax Bonds (93-1 Community Facilities District - 1-205 Parcel GL-17)	2003	2033		1,750,000
2003-01 Assessment District Limited Obligation Improvement Bonds (Berg Avenue)	2003	2029		620,000
2005A TOP JPA Revenue Bonds (Senior Lien) (98-1 Plan C)	2006	2029		46,455,000
2005B TOP JPA Revenue Bonds (Junior Lien) (98-3 Plan C)	2006	2036		1,995,000
2005C TOP JPA Revenue Bonds	2006	2036		11,685,000
2006 Special Tax Bonds (2006-1 Community Facilities District - NE Industrial Phase II)	2007	2037		10,075,000
2011A TOP JPA Revenue Bonds:				
98-4 Morrison Homes and 2000-02 Heartland Three	2011	2026	\$1,465,000	
2011-1 Reassessment Bonds	2011	2027	360,000	
99-2 South MacArthur Plan Area (2000 and 2002)	2011	2028	8,455,000	
Total 2011A TOP JPA Revenue Bonds				10,280,000
2014A Tracy Public Financing Authority Revenue Bonds:				
89-1 Community Facilities District	2014	2021	3,585,000	
99-1 Community Facilities District - Northeast Industrial Area	2014	2025	4,275,000	
2014-1 Reassessment Bonds	2014	2023	3,965,000	
Total 2014A Tracy Public Financing Authority Revenue Bonds				11,825,000
Total				<u>\$95,460,000</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, 2017**

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

Detailed classifications of the City’s Fund Balances, as of June 30, 2017, are below:

Fund Balance Classifications	General Fund	Special Revenue			Community Development Fees
		Housing Successor Fund	TEA Grant	South County Fire Authority	
<b>Nonspendable:</b>					
Items not in spendable form:					
Prepaid items	\$5,847				
Advances	4,616,954				
Loans receivable	494,230				
<b>Total Nonspendable Fund Balances</b>	<b>5,117,031</b>				
<b>Restricted for:</b>					
Housing		\$4,090,389			
Special area projects					
Public safety					
Debt service					
Community development					
Asset forfeiture					
Streets and roads					
Landscaping district					
Fire authority				\$1,732,516	
Cable TV					
Tracy GROW					
<b>Total Restricted Fund Balances</b>		<b>4,090,389</b>		<b>1,732,516</b>	
<b>Committed to:</b>					
Contingency/Emergency	11,716,000				
<b>Total Committed Fund Balances</b>	<b>11,716,000</b>				
<b>Assigned to:</b>					
General	3,617,290				
Animal Control Trust	27,652				
Measure V	1,952,528				
Economic/Budget Stability	5,858,000				
Capital Projects					
<b>Total Assigned Fund Balances</b>	<b>11,455,470</b>				
<b>Unassigned:</b>					
Unassigned	12,482,336		(\$319,933)		(\$196,004)
<b>Total Unassigned Fund Balances</b>	<b>12,482,336</b>		<b>(319,933)</b>		<b>(196,004)</b>
<b>Total Fund Balances</b>	<b>\$40,770,837</b>	<b>\$4,090,389</b>	<b>(\$319,933)</b>	<b>\$1,732,516</b>	<b>(\$196,004)</b>

(Continued)

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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					\$5,847
Advances					4,616,954
Loans receivable					494,230
<b>Total Nonspendable Fund Balances</b>					<b>5,117,031</b>
<b>Restricted for:</b>					
Housing					4,090,389
Special area projects		\$1,153,933	\$27,726,160	\$78,206,598	107,086,691
Public safety				374,375	374,375
Debt service	\$669,043			346,409	1,015,452
Community development				200,995	200,995
Asset forfeiture				405,349	405,349
Streets and roads				3,090,163	3,090,163
Landscaping district				5,549,765	5,549,765
Fire authority					1,732,516
Cable TV				386,742	386,742
Tracy GROW				1,000,000	1,000,000
<b>Total Restricted Fund Balances</b>	<b>669,043</b>	<b>1,153,933</b>	<b>27,726,160</b>	<b>89,560,396</b>	<b>124,932,437</b>
<b>Committed to:</b>					
Contingency/Emergency					11,716,000
<b>Total Committed Fund Balances</b>					<b>11,716,000</b>
<b>Assigned to:</b>					
General					3,617,290
Animal Control Trust					27,652
Measure V					1,952,528
Economic/Budget Stability					5,858,000
Capital Projects		4,437,686			4,437,686
<b>Total Assigned Fund Balances</b>		<b>4,437,686</b>			<b>15,893,156</b>
<b>Unassigned:</b>					
Unassigned				(1,344)	11,965,055
<b>Total Unassigned Fund Balances</b>				<b>(1,344)</b>	<b>11,965,055</b>
<b>Total Fund Balances</b>	<b>\$669,043</b>	<b>\$5,591,619</b>	<b>\$27,726,160</b>	<b>\$89,559,052</b>	<b>\$169,623,679</b>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**C. General Fund Reserve Policies**

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

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

The balance of the Contingency/Emergency Reserve was \$11,716,000 at June 30, 2017, which is a component of committed 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, 2017**

**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 \$5,858,000 at June 30, 2017, which is a component of assigned fund balance of the General Fund.

*“Measure E” Mitigation Reserve* – The “Measure E” Mitigation Reserve provided for the specific transition when the Measure E sales tax sunset in March 2016. 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 was 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 exhausted at June 30, 2017, as \$3,874,172 was accessed to balance the fiscal year 2017 adopted budget. The remainder of the Reserve was uncommitted and returned to the General Fund on April 4, 2017, when the City Council accepted the 2017 Measure E Resident Oversight Committee's final annual report.

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 was a one-time reserve, and unused funds returned to the General Fund and the General Fund “Measure E” Mitigation Reserve closed.

Year-end excess and/or one-time revenue under the proposed reserves structure would remain in the General Fund's committed or assigned fund balance, as applicable. 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.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**D. Deficit Fund Balances and Accumulated Deficits**

At June 30, 2017, the TEA Grant, Community Development Fees, Business Improvement District and Community Development Block Grant Special Revenue Funds had deficit fund balances of \$319,933, \$196,004, \$362 and \$982, 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 \$40,851,575, which will be eliminated by future revenues.

**E. Restatement of Net Position and Fund Balance**

During fiscal year 2017, the City adopted revised accounting policies and made other corrections that resulted in restatements to beginning net position or fund balance. Below is a summary of those restatements, which are described in detail following the table:

	Governmental Activities	Business-Type Activities	Governmental Funds	Agency Funds
Beginning balances as previously reported	\$693,950,767	\$342,592,483	\$152,004,831	\$27,930,072
Restatements:				
Capital Assets (Note 6E)	12,523,699	54,622,198		
Reclassification of Payroll Clearing Fund from General Fund to Agency Fund:				956,040
Assets	(956,040)		(956,040)	
Liabilities	956,040		956,040	
Correction of prior year revenue	(1,471,451)		(1,471,451)	
Community Development Fees correction	1,002,319		1,002,319	
Accounts receivable and revenue adjustmen	72,363		72,363	
Prepaid items adjustments	(1,928)	(40,000)	(1,928)	
Accounts payable adjustments	56,840		56,840	
Deposits payable adjustments	635,495		635,495	
Unavailable revenue adjustment	100,013		100,013	
Beginning balance, as restated	<u>\$706,868,117</u>	<u>\$397,174,681</u>	<u>\$152,398,482</u>	<u>\$28,886,112</u>

Restatement of Capital Assets – As discussed in Note 6E, the City completed a physical inventory of its capital assets and adjusted the beginning balances to reflect the results of that inventory. As a result, the balances related to capital assets and accumulated depreciation were increased and restated.

Reclassification of Payroll Clearing Fund – the Payroll Clearing Fund was previously reported as a component of the General Fund, but the City determined that the Fund should be reported as an Agency Fund and reclassified and restated the balances accordingly.

Restatement of prior year revenue, accounts receivable, prepaid items, accounts payable, and unavailable revenue – The City analyzed balances in various governmental and enterprise funds and determined that certain balances had been overstated or understated in the amounts noted above.

Restatement of deposits payable – The City determined that certain balances previously reported as deposits payable should have been recorded as revenue when collected from the developers. As a result, the balances related to those deposits payable were decreased and restated and beginning fund balance was increased and restated.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2017, are summarized as follows:

	<b>Miscellaneous</b>		
	<b>Classic Tier I</b>	<b>Classic Tier II</b>	<b>PEPRA</b>
	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	19.271%	19.271%	19.271%
	<b>Safety - Police</b>		
	<b>Classic Tier I</b>	<b>Classic Tier II</b>	<b>PEPRA</b>
	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	30.789%	30.789%	30.789%
	<b>Safety - Fire</b>		
	<b>Classic Tier I</b>	<b>PEPRA</b>	
	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	30.789%	30.789%	

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**Employees Covered** – At the June 30, 2015 valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	260	140
Inactive employees entitled to but not yet receiving benefits	240	50
Active employees	263	150
Total	763	340

**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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**Actuarial Assumptions** – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
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	3.2% - 12.2% (2)	3.4% - 20.0% (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 PEPR)

(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 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% 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% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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, 2017**

**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	20.0%	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	1.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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, 2015</b>	\$126,123,892	\$97,464,642	\$28,659,250
<b>Changes in the year:</b>			
Service cost	2,910,705		2,910,705
Interest on the total pension liability	9,339,655		9,339,655
Differences between actual and expected experience	(3,013,865)		(3,013,865)
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		3,466,879	(3,466,879)
Contribution - employee		1,461,861	(1,461,861)
Net investment income		487,393	(487,393)
Administrative expenses		(59,400)	59,400
Benefit payments, including refunds of employee contributions	(4,956,786)	(4,956,786)	
<b>Net changes</b>	<u>4,279,709</u>	<u>399,947</u>	<u>3,879,762</u>
<b>Balance at June 30, 2016</b>	<u>\$130,403,601</u>	<u>\$97,864,589</u>	<u>\$32,539,012</u>

*Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$144,191,592	\$115,971,238	\$28,220,354
<b>Changes in the year:</b>			
Service cost	4,239,783		4,239,783
Interest on the total pension liability	10,762,768		10,762,768
Differences between actual and expected experience	(2,662,887)		(2,662,887)
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		4,433,276	(4,433,276)
Contribution - employee		1,421,949	(1,421,949)
Net investment income		584,528	(584,528)
Administrative expenses		(70,678)	70,678
Benefit payments, including refunds of employee contributions	(5,917,646)	(5,917,646)	
<b>Net changes</b>	<u>6,422,018</u>	<u>451,429</u>	<u>5,970,589</u>
<b>Balance at June 30, 2016</b>	<u>\$150,613,610</u>	<u>\$116,422,667</u>	<u>\$34,190,943</u>
<b>Total Balance at June 30, 2016</b> <b>(Miscellaneous and Safety Plans)</b>	<u>\$281,017,211</u>	<u>\$214,287,256</u>	<u>\$66,729,955</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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	\$50,246,901	\$56,766,225	\$107,013,126
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$32,539,012	\$34,190,943	\$66,729,955
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$17,884,437	\$15,841,786	\$33,726,223

*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, 2017, the City recognized pension expense of \$1,545,671 and \$4,134,684 for the miscellaneous and safety plans, respectively. At June 30, 2017, 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	\$3,873,007	
Differences between actual and expected experience		(\$3,515,648)
Changes in assumptions		(890,769)
Net differences between projected and actual earnings on plan investments	5,407,456	
Total	<u>\$9,280,463</u>	<u>(\$4,406,417)</u>

*Safety Plan:*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,604,350	
Differences between actual and expected experience		(\$4,397,708)
Changes in assumptions		(1,786,607)
Net differences between projected and actual earnings on plan investments	6,440,053	
Total	<u>\$11,044,403</u>	<u>(\$6,184,315)</u>
<b>Total Miscellaneous and Safety Plans</b>	<u>\$20,324,866</u>	<u>(\$10,590,732)</u>

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

\$8,477,357 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, 2018. 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	Annual Amortization		
	June 30	Miscellaneous	Safety
2018	(\$1,891,614)	(\$710,610)	(\$2,602,224)
2019	(650,006)	(710,608)	(1,360,614)
2020	2,151,409	1,214,559	3,365,968
2021	1,391,250	564,814	1,956,064
2022	0	(102,417)	(102,417)
Thereafter	0	0	0
Total	\$1,001,039	\$255,738	\$1,256,777

**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, 2017, those costs for 79 retirees totaled \$564,800 and the total liability amount in the medical leave bank is \$3,538,866.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 generally accepted accounting principles. 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 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 June 30, 2016 actuarial valuation, the most recent actuarial valuation date, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 2.49% investment rate of return, which is a rate based on the expected long-term yield of investments used to finance the benefits and an annual healthcare cost trend rate of 8.5% initially, graded down 0.5% per year to an ultimate 5% per year beginning in 2017. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2017 was 29 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, 2017**

**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	\$634,085
Interest on net OPEB obligation (asset)	54,384
Adjustment to annual required contribution	<u>(104,213)</u>
Annual OPEB cost	584,256
Contributions made	<u>(138,947)</u>
(Decrease) increase in net OPEB obligations	445,309
Net OPEB obligation (asset) June 30, 2016	<u>2,184,114</u>
<b>Net OPEB obligation (asset) June 30, 2017</b>	<b><u><u>\$2,629,423</u></u></b>

The net OPEB obligation is liquidated by the fund that has recorded the liability only when matured. The long-term portion of the governmental activities net OPEB obligation is liquidated primarily by the General Fund.

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, 2015	\$388,019	\$163,878	42%	\$1,913,357
June 30, 2016	412,152	141,395	34%	2,184,114
June 30, 2017	584,256	138,947	24%	2,629,423

**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
6/30/2016	-	\$5,907,872	\$5,907,872	0.00%	\$23,997,600	-24.62%

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 (\$500)	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, 2017, the City contributed \$3,478,331 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, 2017**

**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, 2017 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
2015	\$112,494	\$0	\$0	\$112,494
2016	112,494	0	0	112,494
2017	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, 2017**

**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, 2017 were as follows:

	Amount
General Fund	\$3,617,290
TEA Grant Special Revenue Fund	11,444,335
South County Fire Authority Special Revenue Fund	282,759
Community Development Fees Special Revenue Fund	632,879
General Projects Capital Projects Fund	1,083,832
Tracy Infrastructure Master Plan Capital Projects Fund	1,379,540
Non-Major Governmental Funds	8,906,398
	\$27,347,033

**D. Measure E and V Sales Tax Revenues**

The City received tax proceeds from the Measure E one-half cent sales tax approved by Tracy voters in November 2010, commencing for a five year period that ended in March 2016. The amount of Measure E tax proceeds received and recorded during the fiscal year ending June 30, 2017 was \$257,852, which represented the final payments under Measure E. 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.

The City receives tax proceeds from the Measure V one-half cent sales tax approved by Tracy voters in November 2016, commencing for a twenty year period beginning April 1, 2017. The amount of Measure V tax proceeds received and recorded during the fiscal year ending June 30, 2017 was \$1,952,528. Measure V 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 V 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, 2017**

**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, 2017, the outstanding balance of former District employees' compensated balances was \$1,473,254, 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 \$727,154, leaving an unreimbursed balance of \$746,100 as of June 30, 2017, 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 2017 were \$18,247,958 which was shared as follows: District \$6,209,757 and City \$12,038,207.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**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 is 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, 2017**

**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, which was remitted to the County in November 2015, as discussed above. The Successor Agency received its Finding of Completion on December 8, 2015, which means it can now utilize bond proceeds for projects consistent with the original bond covenants.

Cash and investments of the Successor Agency as of June 30, 2017 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2017.



**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**B. 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, 2017 consisted of the following:

	Original Amount	Balance June 30, 2016	Retirements	Balance June 30, 2017	Current Portion
2016 Refunding Tax Allocation Bonds, 2% - 5%	\$33,720,000	\$33,720,000	\$380,000	\$33,340,000	\$1,350,000
Add: Unamortized bond premium		5,484,342	304,686	5,179,656	
Reimbursement Agreement, 0%	12,200,000	9,200,000	400,000	8,800,000	400,000
Loans from Housing Successor, 0%	2,803,520	2,803,520		2,803,520	
<b>Total</b>		<u>\$51,207,862</u>	<u>\$1,084,686</u>	<u>\$50,123,176</u>	<u>\$1,750,000</u>

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

**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.

**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.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

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

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

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

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 or 2017, but payments are expected to begin in fiscal year 2018. In September 2017, the Successor Agency submitted a revised Loan Repayment Schedule to the State of California Department of Finance, which was subsequently approved.

In September 2017, the Successor Agency submitted a revised Loan Repayment Schedule to the State of California Department of Finance, which was subsequently approved. The repayments will be made in three estimated annual payments in the amount of \$1,054,915 in fiscal year 2018, \$1,054,915 in fiscal year 2019 and \$693,690 in fiscal year 2020. Since the payments are based on estimates and the actual amount of the payments are not known at this time, the City has not recorded a current portion due in the financial statements.

**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 \$56,372,025 on the Bonds and Reimbursement Agreement above, which is scheduled to occur in 2039.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2017 calculated by the County Auditor-Controller was \$7,300,652 and the total received by the Successor Agency for fiscal year 2017 debt service was \$4,755,715, which the Agency used to pay the \$2,535,713 of fiscal year debt service.

**CITY OF TRACY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**6. Debt Service Requirements**

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

For the Year Ending June 30	Principal	Interest
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	1,980,000	1,235,300
2023-2027	11,130,000	4,880,250
2028-2032	13,555,000	2,306,375
2033-2037	7,385,000	162,675
2038-2039	800,000	
Total	42,140,000	<u>\$14,232,025</u>
Plus Loan from Housing Successor	2,803,520	
Plus Unamortized Bond Premium	<u>5,179,656</u>	
Gross Long-Term Debt	<u>\$50,123,176</u>	

**C. Commitments and Contingencies - State Approval of Enforceable Obligations**

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

**NOTE 17 – SUBSEQUENT EVENTS**

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.

In February 2018, the City and the Tracy Rural Fire Protection District agreed to dissolve the South County Fire Authority effective July 1, 2018 and entered into a new Joint Powers Agreement to form the South San Joaquin County Fire Authority. The South San Joaquin County Fire Authority becomes operational March 1, 2018 and is governed by a Board comprised of two members each from the City and the District.

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## REQUIRED SUPPLEMENTARY INFORMATION

### **Modified Approach to Reporting Street Pavement Costs**

Generally accepted accounting principles allow 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 \$2,646,996 in fiscal year 2018. The Pavement Condition Index (PCI) for the City's street pavement for the latest years is as follows:

Year	PCI	Maintenance Budget	Actual Maintenance
2002	76	\$ 1,505,620	\$ 1,389,043
2003	77	1,621,170	1,642,556
2004	77	2,043,580	14,441,690
2005	81	2,303,227	13,943,191
2006	78	2,653,860	14,874,752
2007	76	4,244,964	8,647,067
2008	74	13,605,000	19,466,614
2009	72	1,667,146	19,115,824
2010	73	4,457,510	3,333,185
2011	82	4,355,038	3,096,185
2012	82	1,775,290	1,347,061
2013	77	2,973,800	1,387,484
2014	77	3,183,569	3,350,927
2015	74	3,387,213	2,244,902
2016	71	3,648,840	2,186,853
2017	69	3,565,677	2,238,573
2018	69	2,646,996	

The City's administrative policy is to achieve a minimum rating of 69 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 \$2,238,573 for street preservation for fiscal year 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

*Pensions*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years\*

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016
<b>Total Pension Liability</b>			
Service Cost	\$3,019,742	\$2,892,504	\$2,910,705
Interest	8,760,895	9,030,774	9,339,655
Differences between expected and actual experience	-	(3,592,113)	(3,013,865)
Changes in assumptions	-	(2,261,183)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)	(4,956,786)
<b>Net change in total pension liability</b>	<b>7,332,910</b>	<b>1,265,058</b>	<b>4,279,709</b>
<b>Total pension liability - beginning</b>	<b>117,525,924</b>	<b>124,858,834</b>	<b>126,123,892</b>
<b>Total pension liability - ending (a)</b>	<b>\$124,858,834</b>	<b>\$126,123,892</b>	<b>\$130,403,601</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$2,699,952	\$2,793,345	\$3,466,879
Contributions - employee	1,374,066	1,346,337	1,461,861
Net investment income (1)	14,281,310	2,132,844	487,393
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)	(4,956,786)
Plan to Plan Resource Movement	-	8,501	-
Administrative Expense	-	(109,805)	(59,400)
<b>Net change in plan fiduciary net position</b>	<b>13,907,601</b>	<b>1,366,298</b>	<b>399,947</b>
<b>Plan fiduciary net position - beginning</b>	<b>82,190,743</b>	<b>96,098,344</b>	<b>97,464,642</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$96,098,344</b>	<b>\$97,464,642</b>	<b>\$97,864,589</b>
 Net pension liability - ending (a)-(b)	 <b>\$28,760,490</b>	 <b>\$28,659,250</b>	 <b>\$32,539,012</b>
 Plan fiduciary net position as a percentage of the total pension liability	 76.97%	 77.28%	 75.05%
 Covered payroll	 <b>\$19,129,759</b>	 <b>\$19,031,601</b>	 <b>\$19,325,925</b>
 Net pension liability as percentage of covered payroll	 150.34%	 150.59%	 168.37%

**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 measurement dates subsequent to June 30, 2014 are 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 and 2016 measurement dates.

\* 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\*

Fiscal Year Ended June 30	2015	2016	2017
Actuarially determined contribution	\$3,460,280	\$3,499,868	\$3,873,007
Contributions in relation to the actuarially determined contributions	(3,460,280)	(3,499,868)	(3,873,007)
Contribution deficiency (excess)	\$0	\$0	\$0
 Covered payroll	 \$19,031,601	 \$19,352,925	 \$20,465,522
 Contributions as a percentage of covered payroll	 18.18%	 18.08%	 18.92%

**Notes to Schedule:**

Valuation date:	6/30/2012	6/30/2013	6/30/2014
-----------------	-----------	-----------	-----------

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 for fiscal years 2015 and 2016, and based on the 2014 CalPERS Experience Study for the period from 1997 to 2011 for fiscal year 2017. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB 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 Valuation



<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	June 30, 2016
<b>Total Pension Liability</b>			
Service Cost	\$4,767,092	\$4,491,843	\$4,239,783
Interest	9,861,726	10,281,540	10,762,768
Differences between expected and actual experience	-	(3,530,865)	(2,662,887)
Changes in assumptions	-	(2,807,525)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)	(5,917,646)
<b>Net change in total pension liability</b>	9,612,475	2,964,816	6,422,018
<b>Total pension liability - beginning</b>	131,614,301	141,226,776	144,191,592
<b>Total pension liability - ending (a)</b>	\$141,226,776	\$144,191,592	\$150,613,610
<b>Plan fiduciary net position</b>			
Contributions - employer	\$4,341,816	\$4,171,390	\$4,433,276
Contributions - employee	1,458,951	1,380,651	1,421,949
Net investment income (1)	16,826,945	2,531,449	584,528
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)	(5,917,646)
Plan to Plan resource movement	-	-	-
Administrative Expenses	-	(130,531)	(70,678)
<b>Net change in plan fiduciary net position</b>	17,611,369	2,482,782	451,429
<b>Plan fiduciary net position - beginning</b>	95,877,087	113,488,456	115,971,238
<b>Plan fiduciary net position - ending (b)</b>	\$113,488,456	\$115,971,238	\$116,422,667
 Net pension liability - ending (a)-(b)	 \$27,738,320	 \$28,220,354	 \$34,190,943
 Plan fiduciary net position as a percentage of the total pension liability	 80.36%	 80.43%	 77.30%
 Covered payroll	 \$15,506,642	 \$15,225,341	 \$15,414,995
 Net pension liability as percentage of covered payroll	 178.88%	 185.35%	 221.80%

**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 measurement dates subsequent to June 30, 2014 are 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 and 2016 measurement dates.

\* 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\*

<b>Fiscal Year Ended June 30</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially determined contribution	\$3,522,006	\$4,477,450	\$4,604,350
Contributions in relation to the actuarially determined contributions	(3,522,006)	(4,477,450)	(4,604,350)
Contribution deficiency (excess)	\$0	\$0	\$0
 Covered payroll	 \$15,225,341	 \$15,414,995	 \$15,512,824
 Contributions as a percentage of covered payroll	 23.13%	 29.05%	 29.68%
 <b>Notes to Schedule</b>			
Valuation date:	6/30/2012	6/30/2013	6/30/2014

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
Investment rate of return	7.50%, net of pension plan
 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 for the fiscal years 2015 and 2016, and based on the 2014 CalPERS Experience Study for the period from 1997 to 2011 for fiscal year 2017. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB 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 Valuation

<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
7/1/2011	-	\$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%
6/30/2016	-	5,907,872	5,907,872	0.00%	23,997,600	-24.62%

CITY OF TRACY  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$39,421,628	\$39,421,628	\$46,173,331	\$6,751,703
Licenses, permits and fees	2,968,400	2,968,400	2,980,580	12,180
Fines and forfeitures	265,500	265,500	198,177	(67,323)
Use of money and property	719,300	719,300	639,648	(79,652)
Intergovernmental	1,175,370	1,245,370	1,433,843	188,473
Charges for current services	4,453,700	4,453,700	4,333,327	(120,373)
Special assessments	400,000	400,000	404,207	4,207
Contributions	136,000	136,000	139,175	3,175
Other revenue	1,303,710	2,379,710	3,375,741	996,031
<b>Total Revenues</b>	<u>50,843,608</u>	<u>51,989,608</u>	<u>59,678,029</u>	<u>7,688,421</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Economic development	666,230	693,309	625,750	67,559
General government	6,186,230	6,774,470	6,149,909	624,561
Finance	3,831,040	4,659,956	4,449,060	210,896
Non-departmental	(170,000)	(197,714)	861,455	(1,059,169)
Public safety				
Police	24,039,040	24,466,919	24,238,642	228,277
Fire	10,348,900	10,393,900	11,946,948	(1,553,048)
Public works				
Development and engineering	922,290	1,311,805	882,145	429,660
Public works	7,334,190	5,631,167	5,646,319	(15,152)
Culture and leisure				
Parks and community services	2,728,610	2,932,788	2,286,985	645,803
Capital outlay	191,800	1,034,970	453,978	580,992
Debt service:				
Principal			63,279	(63,279)
<b>Total Expenditures</b>	<u>56,078,330</u>	<u>57,701,570</u>	<u>57,604,470</u>	<u>97,100</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,234,722)</u>	<u>(5,711,962)</u>	<u>2,073,559</u>	<u>7,785,521</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	2,000	2,000	5,158	3,158
Transfers in	1,250,000	1,250,000	1,250,000	
Transfers (out)	(3,488,400)	(3,509,400)	(3,976,247)	(466,847)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,236,400)</u>	<u>(2,257,400)</u>	<u>(2,721,089)</u>	<u>(463,689)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$7,471,122)</u>	<u>(\$7,969,362)</u>	<u>(647,530)</u>	<u>\$7,321,832</u>
<b>BEGINNING FUND BALANCE, AS RESTATED (Note 9E)</b>			<u>41,418,367</u>	
<b>ENDING FUND BALANCE</b>			<u>\$40,770,837</u>	

CITY OF TRACY  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 HOUSING SUCCESSOR  
 FOR THE YEAR ENDED JUNE 30, 2017

	<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>\$385,993</u>	<u>\$318,993</u>
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>385,993</u>	<u>318,993</u>
EXPENDITURES:				
General government				
Economic development			<u>705</u>	<u>(705)</u>
Total Expenditures			<u>705</u>	<u>(705)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$67,000</u></u>	<u><u>\$67,000</u></u>	<u>385,288</u>	<u>\$318,288</u>
BEGINNING FUND BALANCE			<u>3,705,101</u>	
ENDING FUND BALANCE			<u><u>\$4,090,389</u></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, 2017

	<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>\$4,340,000</u>	<u>\$4,340,000</u>	<u>\$16,771,335</u>	<u>\$12,431,335</u>
Total Revenues	<u>4,340,000</u>	<u>4,340,000</u>	<u>16,771,335</u>	<u>12,431,335</u>
EXPENDITURES:				
Capital outlay	<u>1,386,000</u>	<u>57,990,999</u>	<u>14,148,181</u>	<u>43,842,818</u>
Total Expenditures	<u>1,386,000</u>	<u>57,990,999</u>	<u>14,148,181</u>	<u>43,842,818</u>
NET CHANGE IN FUND BALANCE	<u>\$2,954,000</u>	<u>(\$53,650,999)</u>	2,623,154	<u>\$56,274,153</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(2,943,087)</u>	
ENDING FUND BALANCE (DEFICIT)			<u>(\$319,933)</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, 2017

	<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			(\$7,607)	(\$7,607)
Intergovernmental	\$5,725,890	\$5,725,890	6,269,001	543,111
Charges for current services	<u>262,000</u>	<u>262,000</u>	<u>286,793</u>	<u>24,793</u>
Total Revenues	<u>5,987,890</u>	<u>5,987,890</u>	<u>6,548,187</u>	<u>560,297</u>
EXPENDITURES:				
Current:				
General government	178,000	178,000	178,000	
Public safety				
Fire	5,975,410	7,139,414	6,535,628	603,786
Capital outlay	<u>19,460</u>	<u>19,460</u>	<u>12,565</u>	<u>6,895</u>
Total Expenditures	<u>6,172,870</u>	<u>7,336,874</u>	<u>6,726,193</u>	<u>610,681</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(184,980)</u>	<u>(1,348,984)</u>	<u>(178,006)</u>	<u>1,170,978</u>
NET CHANGE IN FUND BALANCE	<u>(\$184,980)</u>	<u>(\$1,348,984)</u>	<u>(178,006)</u>	<u>\$1,170,978</u>
BEGINNING FUND BALANCE, AS RESTATED			<u>1,910,522</u>	
ENDING FUND BALANCE			<u>\$1,732,516</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, 2017

	<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	\$1,978,000	\$1,978,000	\$3,910,247	\$1,932,247
Charges for current services	8,735,700	8,735,700	4,851,286	(3,884,414)
Other revenue			6,971	6,971
	<u>10,713,700</u>	<u>10,713,700</u>	<u>8,768,504</u>	<u>(1,945,196)</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government				
Non-departmental			985,000	(985,000)
Public works				
Development and engineering	10,839,440	11,124,626	7,940,649	3,183,977
Public works				
Capital outlay	98,000	143,000	65,069	77,931
	<u>10,937,440</u>	<u>11,267,626</u>	<u>8,990,718</u>	<u>2,276,908</u>
Total Expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(223,740)	(553,926)	(222,214)	331,712
OTHER FINANCING SOURCES (USES)				
Transfers in			509,955	509,955
NET CHANGE IN FUND BALANCE	<u>(\$223,740)</u>	<u>(\$553,926)</u>	287,741	<u>\$841,667</u>
BEGINNING FUND BALANCE (DEFICIT), AS RESTATED			<u>(483,745)</u>	
ENDING FUND BALANCE (DEFICIT)			<u>(\$196,004)</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 a restriction, commitment or assignment 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.



**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, 2017

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property		\$1,236	\$1,236
Intergovernmental	\$400,000	400,000	
Total Revenues	400,000	401,236	1,236
EXPENDITURES:			
Debt service:			
Principal	220,000	220,000	
Interest and fiscal charges	1,138,300	1,138,125	175
Total Expenditures	1,358,300	1,358,125	175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(958,300)	(956,889)	1,411
OTHER FINANCING SOURCES (USES)			
Transfers in	958,300	958,300	
NET CHANGE IN FUND BALANCE		1,411	\$1,411
BEGINNING FUND BALANCE		667,632	
ENDING FUND BALANCE		\$669,043	

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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.

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

**COMMUNITY ACCESS CTV FUND**

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

**GROW TRACY FUND**

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

**COPS GRANT FUND**

Established to account for activities related to the State and federal grant revenues restricted for law enforcement activities. The activities related to these grants were previously reported in the General Fund.

**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.



<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**URBAN MANAGEMENT PLAN FACILITIES FUND**

Established to account for expenditures for the planning, design, and construction of capital facilities required for new development beyond the current infill, Residential Specific Plan (RSP), and I-205 development.

**CAPITAL PROJECTS DEPOSIT FUND**

Established to account for monies received from developers, contractors, and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development.

**SOUTH MACARTHUR PLAN AREA FUND**

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

**INDUSTRIAL SPECIFIC PLAN SOUTH FUND**

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

**PRESIDIO PLAN AREA FUND**

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

**REDEVELOPMENT OBLIGATIONS FUND**

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

**TRACY GATEWAY AREA FUND**

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

**PLAN C FUND**

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

**RESIDENTIAL SPECIFIC PLAN PROJECTS FUND**

Established to account for capital projects financed by fees levied on developers in the City's 1987 Residential Specific Plan area.

**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, 2017

	SPECIAL REVENUE FUNDS			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
<b>ASSETS</b>				
Cash and investments	\$1,626	\$407,104	\$268	\$590,369
Restricted cash and investments		10,000		
Cash and investments with fiscal agents				
Accounts receivables				
Interest receivable	5	1,200	1	1,793
Deposits				
Advances to other funds				
Loans receivable				
Total Assets	\$1,631	\$418,304	\$269	\$592,162
<b>LIABILITIES</b>				
Accounts payable		\$12,955		\$260,097
Due to other funds				
Advances from other funds				
Deposits payable	\$1,993			
Unearned revenue				
Total Liabilities	1,993	12,955		260,097
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue- accounts receivable				
Unavailable revenue- loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Restricted		405,349	\$269	332,065
Unassigned	(362)			
Total Fund Balances (Deficit)	(362)	405,349	269	332,065
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,631	\$418,304	\$269	\$592,162

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
\$534,977	\$2,138,309	\$18	\$5,756,324	\$200,404	\$351,129
326,402 1,583	9,312	81,290	17,180	591	34,578 1,035
<u>\$862,962</u>	<u>\$2,147,621</u>	<u>\$81,308</u>	<u>\$5,773,504</u>	<u>\$200,995</u>	<u>\$386,742</u>
\$220,244	\$32,510	\$51,801	\$223,739		
		30,489			
<u>220,244</u>	<u>32,510</u>	<u>82,290</u>	<u>223,739</u>		
642,718	2,115,111	(982)	5,549,765	\$200,995	\$386,742
<u>642,718</u>	<u>2,115,111</u>	<u>(982)</u>	<u>5,549,765</u>	<u>200,995</u>	<u>386,742</u>
<u>\$862,962</u>	<u>\$2,147,621</u>	<u>\$81,308</u>	<u>\$5,773,504</u>	<u>\$200,995</u>	<u>\$386,742</u>

(Continued)

CITY OF TRACY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>
	<u>Grow Tracy</u>	<u>COPS Grant</u>	<u>2007 Lease Revenue Bonds</u>	<u>North East Industrial Plan Area # 1</u>
<b>ASSETS</b>				
Cash and investments		\$340,975	\$76,986	\$2,509,836
Restricted cash and investments				
Cash and investments with fiscal agents			269,195	
Accounts receivables		33,400		
Interest receivable			228	7,407
Deposits	\$1,000,000			
Advances to other funds				
Loans receivable				
Total Assets	<u>\$1,000,000</u>	<u>\$374,375</u>	<u>\$346,409</u>	<u>\$2,517,243</u>
<b>LIABILITIES</b>				
Accounts payable				\$5,514
Due to other funds				
Advances from other funds				1,747,454
Deposits payable				
Unearned revenue				
Total Liabilities				<u>1,752,968</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue- accounts receivable				
Unavailable revenue- loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Restricted	\$1,000,000	\$374,375	\$346,409	764,275
Unassigned				
Total Fund Balances (Deficit)	<u>1,000,000</u>	<u>374,375</u>	<u>346,409</u>	<u>764,275</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,000,000</u>	<u>\$374,375</u>	<u>\$346,409</u>	<u>\$2,517,243</u>

CAPITAL PROJECTS FUNDS

North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area
\$4,903,308	\$3,452,766	\$6,104,404	\$2,772,516	\$6,606,463	\$10,633,731
3,101,357					250,865
14,465	10,191	18,018	150,500 8,182	2,500,000 19,493	31,377
1,747,454					
<u>\$9,766,584</u>	<u>\$3,462,957</u>	<u>\$6,122,422</u>	<u>\$2,931,198</u>	<u>\$9,125,956</u>	<u>\$10,915,973</u>
\$5,461	\$38,331	\$1,346	\$287,838	\$2,438	\$26,396
35,844		745,979	806,177	775,642	
<u>41,305</u>	<u>38,331</u>	<u>747,325</u>	<u>1,094,015</u>	<u>778,080</u>	<u>26,396</u>
				2,500,000	
				2,500,000	
9,725,279	3,424,626	5,375,097	1,837,183	5,847,876	10,889,577
<u>9,725,279</u>	<u>3,424,626</u>	<u>5,375,097</u>	<u>1,837,183</u>	<u>5,847,876</u>	<u>10,889,577</u>
<u>\$9,766,584</u>	<u>\$3,462,957</u>	<u>\$6,122,422</u>	<u>\$2,931,198</u>	<u>\$9,125,956</u>	<u>\$10,915,973</u>

(Continued)

CITY OF TRACY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017

	CAPITAL PROJECTS FUNDS			
	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area
<b>ASSETS</b>				
Cash and investments	\$3,429,412	\$6,084,333	\$280,409	\$2,156,730
Restricted cash and investments				
Cash and investments with fiscal agents		5,050		
Accounts receivables				
Interest receivable	10,126	17,955	828	6,353
Deposits				
Advances to other funds				
Loans receivable				
Total Assets	<u>\$3,439,538</u>	<u>\$6,107,338</u>	<u>\$281,237</u>	<u>\$2,163,083</u>
<b>LIABILITIES</b>				
Accounts payable	\$2,328			\$9,308
Due to other funds				
Advances from other funds				
Deposits payable		\$825,000	\$3,000	
Unearned revenue				
Total Liabilities	<u>2,328</u>	<u>825,000</u>	<u>3,000</u>	<u>9,308</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue- accounts receivable				
Unavailable revenue- loans				
Total Deferred Inflows of Resources				
<b>FUND BALANCE</b>				
Fund balance:				
Restricted	3,437,210	5,282,338	278,237	2,153,775
Unassigned				
Total Fund Balances (Deficit)	<u>3,437,210</u>	<u>5,282,338</u>	<u>278,237</u>	<u>2,153,775</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$3,439,538</u>	<u>\$6,107,338</u>	<u>\$281,237</u>	<u>\$2,163,083</u>

CAPITAL PROJECTS FUND

<u>Plan "C"</u>	<u>Residential Specific Plan Project</u>	<u>Ellis Area</u>	<u>Total Nonmajor Governmental Funds</u>
\$22,105,518	\$3,096,331	\$3,943,561	\$88,477,807
			10,000
			3,626,467
65,233	9,138	11,654	3,126,170
			263,348
			1,000,000
			1,747,454
	2,110,598		2,110,598
<u>\$22,170,751</u>	<u>\$5,216,067</u>	<u>\$3,955,215</u>	<u>\$100,361,844</u>
\$39,320	\$990		\$1,168,815
			51,801
			1,747,454
			3,193,635
			\$30,489
<u>39,320</u>	<u>990</u>		<u>6,192,194</u>
			2,500,000
	2,110,598		2,110,598
	2,110,598		4,610,598
22,131,431	3,104,479	\$3,955,215	89,560,396
			(1,344)
<u>22,131,431</u>	<u>3,104,479</u>	<u>3,955,215</u>	<u>89,559,052</u>
<u>\$22,170,751</u>	<u>\$5,216,067</u>	<u>\$3,955,215</u>	<u>\$100,361,844</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, 2017

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>Business Improvement District</u>	<u>Asset Forfeiture</u>	<u>Proposition 1B</u>	<u>Transportation Development</u>
<b>REVENUES</b>				
Taxes				
Licenses, permits and fees	\$123,705			
Fines and penalties		\$311,330		
Use of money and property	2	645	(\$62)	\$6,548
Intergovernmental				
Charges for current services				
Special assessments				
Contributions				
Other revenue				
Total Revenues	<u>123,707</u>	<u>311,975</u>	<u>(62)</u>	<u>6,548</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	123,887			
General government				
Non-departmental				38,500
Public safety				
Police		451,717		
Public ways and facilities/transportation				
Development and engineering				5,065
Public works				789,770
Capital outlay				432,629
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>123,887</u>	<u>451,717</u>	<u></u>	<u>1,265,964</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(180)</u>	<u>(139,742)</u>	<u>(62)</u>	<u>(1,259,416)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>
<b>NET CHANGE IN FUND BALANCES</b>	(180)	(139,742)	(62)	(1,259,416)
<b>BEGINNING FUND BALANCES (DEFICITS), AS RESTATED</b>	<u>(182)</u>	<u>545,091</u>	<u>331</u>	<u>1,591,481</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u><u>(\$362)</u></u>	<u><u>\$405,349</u></u>	<u><u>\$269</u></u>	<u><u>\$332,065</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
\$1,366,232					\$176,338
(221)	\$6,859 1,677,486	\$17 138,996	\$11,145	\$440	905
			2,701,746		605
			8,500		
<u>1,366,011</u>	<u>1,684,345</u>	<u>139,013</u>	<u>2,721,391</u>	<u>440</u>	<u>177,848</u>
		58,592			140,664
	43,740		107,650		
832,640	660,269 779,992	80,404	2,195,866 219,018		
<u>832,640</u>	<u>1,484,001</u>	<u>138,996</u>	<u>2,522,534</u>		<u>140,664</u>
<u>533,371</u>	<u>200,344</u>	<u>17</u>	<u>198,857</u>	<u>440</u>	<u>37,184</u>
<u>533,371</u>	<u>200,344</u>	<u>17</u>	<u>198,857</u>	<u>440</u>	<u>37,184</u>
<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>\$642,718</u>	<u>\$2,115,111</u>	<u>(\$982)</u>	<u>\$5,549,765</u>	<u>\$200,995</u>	<u>\$386,742</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, 2017

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>
	<u>Grow Tracy</u>	<u>COPS Grant</u>	<u>2007 Lease Revenue Bonds</u>	<u>North East Industrial Plan Area #1</u>
REVENUES				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property			\$690	\$5,531
Intergovernmental		\$167,563	268,713	
Charges for current services				
Special assessments				
Contributions				
Other revenue				
Total Revenues		167,563	269,403	5,531
EXPENDITURES				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police		80		
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay				20,784
Debt service:				
Principal payments			115,000	
Interest and fiscal charges			169,380	
Total Expenditures		80	284,380	20,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		167,483	(14,977)	(15,253)
OTHER FINANCING SOURCES (USES)				
Transfers in		206,892	280,100	
Transfers (out)				
Total Other Financing Sources (Uses)		206,892	280,100	
NET CHANGE IN FUND BALANCES		374,375	265,123	(15,253)
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	\$1,000,000		81,286	779,528
ENDING FUND BALANCES (DEFICITS)	\$1,000,000	\$374,375	\$346,409	\$764,275

CAPITAL PROJECTS FUNDS

North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements	Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area
\$17,282	\$8,933	\$24,679	(\$7,179)	\$15,781	\$22,130
	698,315	1,850,973	879,936 1,982,354 69,058	1,250,000	
<u>17,282</u>	<u>707,248</u>	<u>1,875,652</u>	<u>2,924,169</u>	<u>1,265,781</u>	<u>22,130</u>
664,513	498,343	58,356	2,746,544	20,763	746,244
<u>664,513</u>	<u>498,343</u>	<u>58,356</u>	<u>2,746,544</u>	<u>20,763</u>	<u>746,244</u>
<u>(647,231)</u>	<u>208,905</u>	<u>1,817,296</u>	<u>177,625</u>	<u>1,245,018</u>	<u>(724,114)</u>
				<u>(1,250,000)</u>	
				<u>(1,250,000)</u>	
<u>(647,231)</u>	<u>208,905</u>	<u>1,817,296</u>	<u>177,625</u>	<u>(4,982)</u>	<u>(724,114)</u>
<u>10,372,510</u>	<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>\$9,725,279</u>	<u>\$3,424,626</u>	<u>\$5,375,097</u>	<u>\$1,837,183</u>	<u>\$5,847,876</u>	<u>\$10,889,577</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, 2017

	<u>CAPITAL PROJECTS FUNDS</u>			
	<u>Industrial Specific Plan South</u>	<u>Presidio Plan Area</u>	<u>Redevelopment Obligations</u>	<u>Tracy Gateway Area</u>
<b>REVENUES</b>				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property	\$7,438	\$13,326	\$615	\$3,797
Intergovernmental				
Charges for current services				
Special assessments	378,256			
Contributions				
Other revenue				
Total Revenues	<u>385,694</u>	<u>13,326</u>	<u>615</u>	<u>3,797</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	96,181	10,056	600	919,375
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>96,181</u>	<u>10,056</u>	<u>600</u>	<u>919,375</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>289,513</u>	<u>3,270</u>	<u>15</u>	<u>(915,578)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)				
<b>NET CHANGE IN FUND BALANCES</b>	289,513	3,270	15	(915,578)
<b>BEGINNING FUND BALANCES (DEFICITS), AS RESTATED</b>	<u>3,147,697</u>	<u>5,279,068</u>	<u>278,222</u>	<u>3,069,353</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u><u>\$3,437,210</u></u>	<u><u>\$5,282,338</u></u>	<u><u>\$278,237</u></u>	<u><u>\$2,153,775</u></u>

CAPITAL PROJECTS FUNDS

<u>Plan "C"</u>	<u>Residential Specific Plan Project</u>	<u>Ellis Area</u>	<u>Total Nonmajor Governmental Funds</u>
			\$1,366,232
			300,043
			311,330
\$47,955	\$6,722	\$12,362	206,340
			2,252,758
			605
63,165		1,719,413	8,291,804
			3,232,354
			77,558
<u>111,120</u>	<u>6,722</u>	<u>1,731,775</u>	<u>16,039,024</u>
			182,479
			140,664
			189,890
			451,797
			5,065
885,210	43,802	291,065	3,645,905
			9,346,519
			115,000
			169,380
<u>885,210</u>	<u>43,802</u>	<u>291,065</u>	<u>14,246,699</u>
<u>(774,090)</u>	<u>(37,080)</u>	<u>1,440,710</u>	<u>1,792,325</u>
			486,992
			(1,250,000)
			(763,008)
(774,090)	(37,080)	1,440,710	1,029,317
<u>22,905,521</u>	<u>3,141,559</u>	<u>2,514,505</u>	<u>88,529,735</u>
<u>\$22,131,431</u>	<u>\$3,104,479</u>	<u>\$3,955,215</u>	<u>\$89,559,052</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, 2017

	BUSINESS IMPROVEMENT DISTRICT			ASSET FORFEITURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees	\$123,700	\$123,705	(\$5)			
Fines and penalties				\$50,000	\$311,330	\$261,330
Use of money and property		2	(2)		645	645
Intergovernmental						
Charges for current services						
Special assessments						
Other revenue						
Total Revenues	<u>123,700</u>	<u>123,707</u>	<u>(7)</u>	<u>50,000</u>	<u>311,975</u>	<u>261,975</u>
EXPENDITURES						
Current:						
General government						
Economic development	114,200	123,887	(9,687)			
General government						
Non-departmental						
Public safety						
Police				580,853	451,717	129,136
Public works						
Development and engineering						
Public works						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>114,200</u>	<u>123,887</u>	<u>(9,687)</u>	<u>580,853</u>	<u>451,717</u>	<u>129,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,500</u>	<u>(180)</u>	<u>(9,680)</u>	<u>(530,853)</u>	<u>(139,742)</u>	<u>391,111</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$9,500</u>	<u>(180)</u>	<u>(\$9,680)</u>	<u>(\$530,853)</u>	<u>(139,742)</u>	<u>\$391,111</u>
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED		<u>(182)</u>			<u>545,091</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$362)</u>			<u>\$405,349</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)
\$1,525,000		(\$1,525,000)	\$1,300,000	\$1,366,232	\$66,232			
	\$6,548	6,548		(221)	(221)	\$1,746,020	\$6,859 1,677,486	\$6,859 (68,534)
<u>1,525,000</u>	<u>6,548</u>	<u>(1,518,452)</u>	<u>1,300,000</u>	<u>1,366,011</u>	<u>66,011</u>	<u>1,746,020</u>	<u>1,684,345</u>	<u>(61,675)</u>
38,500	38,500					43,740	43,740	
15,100	5,065	10,035						
1,579,540	789,770	789,770				1,136,260	660,269	475,991
2,026,029	432,629	1,593,400	3,425,269	832,640	2,592,629	2,554,812	779,992	1,774,820
<u>3,659,169</u>	<u>1,265,964</u>	<u>2,393,205</u>	<u>3,425,269</u>	<u>832,640</u>	<u>2,592,629</u>	<u>3,734,812</u>	<u>1,484,001</u>	<u>2,250,811</u>
<u>(2,134,169)</u>	<u>(1,259,416)</u>	<u>874,753</u>	<u>(2,125,269)</u>	<u>533,371</u>	<u>2,658,640</u>	<u>(1,988,792)</u>	<u>200,344</u>	<u>2,189,136</u>
<u>(\$2,134,169)</u>	<u>(1,259,416)</u>	<u>\$874,753</u>	<u>(\$2,125,269)</u>	533,371	<u>\$2,658,640</u>	<u>(\$1,988,792)</u>	200,344	<u>\$2,189,136</u>
	<u>1,591,481</u>			<u>109,347</u>			<u>1,914,767</u>	
	<u>\$332,065</u>			<u>\$642,718</u>			<u>\$2,115,111</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, 2017

	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		\$17	\$17	\$35,000	\$11,145	(\$23,855)
Intergovernmental	\$368,600	138,996	(229,604)			
Special assessments						
Other revenue				2,701,000	2,701,746	746
Charges for current services					8,500	8,500
<b>Total Revenues</b>	<u>368,600</u>	<u>139,013</u>	<u>(229,587)</u>	<u>2,736,000</u>	<u>2,721,391</u>	<u>(14,609)</u>
<b>EXPENDITURES</b>						
Current:		-				
General government						
Economic development	237,400	58,592	178,808			
General government						
Non-departmental				107,650	107,650	
Public safety						
Police						
Public works						
Development and engineering						
Public works				2,447,832	2,195,866	251,966
Capital outlay	495,673	80,404	415,269	2,120,045	219,018	1,901,027
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>733,073</u>	<u>138,996</u>	<u>594,077</u>	<u>4,675,527</u>	<u>2,522,534</u>	<u>2,152,993</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(364,473)</u>	<u>17</u>	<u>364,490</u>	<u>(1,939,527)</u>	<u>198,857</u>	<u>2,138,384</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$364,473)</u></u>	<u>17</u>	<u><u>\$364,490</u></u>	<u><u>(\$1,939,527)</u></u>	<u>198,857</u>	<u><u>\$2,138,384</u></u>
<b>BEGINNING FUND BALANCES (DEFICITS), AS RESTATED</b>		<u>(999)</u>			<u>5,350,908</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u><u>(\$982)</u></u>			<u><u>\$5,549,765</u></u>	



COMMUNITY ACCESS CTV			COPS GRANT			2007 LEASE REVENUE BONDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$215,000	\$176,338	(\$38,662)						
	905	905					\$690	\$690
500	605	105	\$140,000	\$167,563	\$27,563		268,713	268,713
<u>215,500</u>	<u>177,848</u>	<u>(37,652)</u>	<u>140,000</u>	<u>167,563</u>	<u>27,563</u>		<u>269,403</u>	<u>269,403</u>
548,110	140,664	407,446						
				80	(80)			
			140,000		140,000			
						\$115,000	115,000	
						175,100	169,380	5,720
<u>548,110</u>	<u>140,664</u>	<u>407,446</u>	<u>140,000</u>	<u>80</u>	<u>139,920</u>	<u>290,100</u>	<u>284,380</u>	<u>5,720</u>
<u>(332,610)</u>	<u>37,184</u>	<u>369,794</u>		<u>167,483</u>	<u>167,483</u>	<u>(290,100)</u>	<u>(14,977)</u>	<u>275,123</u>
				<u>206,892</u>	<u>206,892</u>	<u>280,100</u>	<u>280,100</u>	
				<u>206,892</u>	<u>206,892</u>	<u>280,100</u>	<u>280,100</u>	
<u><u>(\$332,610)</u></u>	<u>37,184</u>	<u><u>\$369,794</u></u>		<u>374,375</u>	<u><u>\$374,375</u></u>	<u><u>(\$10,000)</u></u>	<u>265,123</u>	<u><u>\$275,123</u></u>
	<u>349,558</u>						<u>81,286</u>	
	<u><u>\$386,742</u></u>			<u><u>\$374,375</u></u>			<u><u>\$346,409</u></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, 2017

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>	<u>Building Maintenance</u>	<u>Insurance</u>	<u>Total</u>
<b>ASSETS</b>						
Current Assets:						
Cash and investments	\$767,968	\$967,308	\$9,545,100	\$429,731	\$4,005,546	\$15,715,653
Accounts receivable-net					69	69
Prepaid expense		34				34
Total Current Assets	<u>767,968</u>	<u>967,342</u>	<u>9,545,100</u>	<u>429,731</u>	<u>4,005,615</u>	<u>15,715,756</u>
Depreciables:						
Capital assets (net of accumulated depreciation)	<u>9,358</u>	<u>7,274</u>	<u>10,002,365</u>	<u>4,636</u>		<u>10,023,633</u>
Total capital assets	<u>9,358</u>	<u>7,274</u>	<u>10,002,365</u>	<u>4,636</u>		<u>10,023,633</u>
Total Assets	<u>777,326</u>	<u>974,616</u>	<u>19,547,465</u>	<u>434,367</u>	<u>4,005,615</u>	<u>25,739,389</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	<u>104,138</u>	<u>274,364</u>		<u>137,532</u>	<u>80,559</u>	<u>596,593</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	46,561	13,591	141,333	9,470	44,029	254,984
Compensated absences	<u>12,917</u>	<u>27,649</u>		<u>12,305</u>	<u>7,948</u>	<u>60,819</u>
Total Current Liabilities	<u>59,478</u>	<u>41,240</u>	<u>141,333</u>	<u>21,775</u>	<u>51,977</u>	<u>315,803</u>
Long-term Liabilities:						
Compensated absences	38,297	61,410		30,878	17,747	148,332
Claims and judgment payable					112,494	112,494
Net pension liabilities	<u>335,627</u>	<u>873,472</u>		<u>439,602</u>	<u>325,064</u>	<u>1,973,765</u>
Total Long-Term Liabilities	<u>373,924</u>	<u>934,882</u>		<u>470,480</u>	<u>455,305</u>	<u>2,234,591</u>
Total Liabilities	<u>433,402</u>	<u>976,122</u>	<u>141,333</u>	<u>492,255</u>	<u>507,282</u>	<u>2,550,394</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	<u>43,737</u>	<u>113,145</u>		<u>57,056</u>	<u>46,495</u>	<u>260,433</u>
<b>NET POSITION</b>						
Net investment in capital assets	9,358	7,274	10,002,365	4,636		10,023,633
Unrestricted	<u>394,967</u>	<u>152,439</u>	<u>9,403,767</u>	<u>17,952</u>	<u>3,532,397</u>	<u>13,501,522</u>
Total Net Position	<u>\$404,325</u>	<u>\$159,713</u>	<u>\$19,406,132</u>	<u>\$22,588</u>	<u>\$3,532,397</u>	<u>\$23,525,155</u>

CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>	<u>Building Maintenance</u>	<u>Insurance</u>	<u>Total</u>
<b>REVENUES</b>						
Charges for services	\$1,341,610	\$1,978,144	\$2,165,894	\$1,145,590	\$3,752,349	\$10,383,587
Other revenues	629				1,543,715	1,544,344
<b>Total Operating Revenues</b>	<u>1,342,239</u>	<u>1,978,144</u>	<u>2,165,894</u>	<u>1,145,590</u>	<u>5,296,064</u>	<u>11,927,931</u>
<b>EXPENSES</b>						
Maintenance and operation	1,382,773	1,658,738	470,152	819,583	896,777	5,228,023
Administration	37,790			49,780	1,249	88,819
Insurance costs and claims					3,478,331	3,478,331
Depreciation	499	563	1,363,791	261		1,365,114
<b>Total Expenses</b>	<u>1,421,062</u>	<u>1,659,301</u>	<u>1,833,943</u>	<u>869,624</u>	<u>4,376,357</u>	<u>10,160,287</u>
<b>Operating Income (Loss)</b>	(78,823)	318,843	331,951	275,966	919,707	1,767,644
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gain/loss on disposal		2,914	3,698			6,612
<b>Total Nonoperating Revenues (Expenses)</b>		<u>2,914</u>	<u>3,698</u>			<u>6,612</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(78,823)	321,757	335,649	275,966	919,707	1,774,256
<b>Capital Contributions</b>			1,282,144			1,282,144
<b>Change in Net Position</b>	(78,823)	321,757	1,617,793	275,966	919,707	3,056,400
<b>BEGINNING NET POSITION, as Restated</b>	<u>483,148</u>	<u>(162,044)</u>	<u>17,788,339</u>	<u>(253,378)</u>	<u>2,612,690</u>	<u>20,468,755</u>
<b>ENDING NET POSITION</b>	<u>\$404,325</u>	<u>\$159,713</u>	<u>\$19,406,132</u>	<u>\$22,588</u>	<u>\$3,532,397</u>	<u>\$23,525,155</u>

CITY OF TRACY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/interfund charges	\$1,342,239	\$1,978,144	\$2,165,894	\$1,145,590	\$5,296,714	\$11,928,581
Payments to suppliers and users	(1,374,729)	(1,658,001)	(526,594)	(829,862)	(4,409,994)	(8,799,180)
Payments to employees	(53,340)	(47,914)		(97,201)	(19,169)	(217,624)
Net cash provided (used) by Operating Activities	<u>(85,830)</u>	<u>272,229</u>	<u>1,639,300</u>	<u>218,527</u>	<u>867,551</u>	<u>2,911,777</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets			(1,983,902)			(1,983,902)
Proceeds from sale of capital assets		2,914	32,271			35,185
Net cash used by Capital and Related Financing Activities		<u>2,914</u>	<u>(1,951,631)</u>			<u>(1,948,717)</u>
Net increase (decrease) in cash and cash equivalents	(85,830)	275,143	(312,331)	218,527	867,551	963,060
Cash and cash equivalents, July 1, 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>
Cash and cash equivalents, June 30, 2017	<u><u>\$767,968</u></u>	<u><u>\$967,308</u></u>	<u><u>\$9,545,100</u></u>	<u><u>\$429,731</u></u>	<u><u>\$4,005,546</u></u>	<u><u>\$15,715,653</u></u>
Reconciliation of cash and cash equivalents to statement of net position						
Cash and investments	<u>\$767,968</u>	<u>\$967,308</u>	<u>\$9,545,100</u>	<u>\$429,731</u>	<u>\$4,005,546</u>	<u>\$15,715,653</u>
Total cash and investments	<u><u>\$767,968</u></u>	<u><u>\$967,308</u></u>	<u><u>\$9,545,100</u></u>	<u><u>\$429,731</u></u>	<u><u>\$4,005,546</u></u>	<u><u>\$15,715,653</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	(\$78,823)	\$318,843	\$331,951	\$275,966	\$919,707	\$1,767,644
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	499	563	1,363,791	261		1,365,114
Change in assets, deferred inflows, liabilities and deferred outflows:						
Accounts receivable					650	650
Prepaid expenses		1,988				1,988
Accounts payable	8,044	(1,251)	(56,442)	(10,279)	920	(59,008)
Compensated absences	12,146	25,632		(10,648)	(35,806)	(8,676)
Net pension liability and deferred outflows/inflows	(27,696)	(73,546)		(36,773)	(17,920)	(155,935)
Net cash provided (used) by Operating Activities	<u><u>(\$85,830)</u></u>	<u><u>\$272,229</u></u>	<u><u>\$1,639,300</u></u>	<u><u>\$218,527</u></u>	<u><u>\$867,551</u></u>	<u><u>\$2,911,777</u></u>
<b>NONCASH TRANSACTIONS:</b>						
Contributions of capital assets			<u>\$1,282,144</u>			<u>\$1,282,144</u>
Retirement of capital assets			<u>(\$28,573)</u>			<u>(\$28,573)</u>

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

<b>AGENCY FUNDS</b>
---------------------

**1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 93-2, 95-1, 96-1, 97-1, and 97-2 Assessment District property owners until they are remitted to the bond trustee.

**2000-03 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2000-03 Assessment District property owners until they are remitted to the bond trustee.

**2003-01 ASSESSMENT DISTRICT FUND**

Established to account for the assets held on behalf of the 2003-01 Assessment District property owners until they are remitted to the bond trustee.

**CULTURAL ARTS FUND**

Established to account for deposits received for cultural arts projects within the City.

**REGIONAL TRANSPORTATION IMPACT FUND**

Established to account for transportation impact fees collected by the City and which are to be used for transportation mitigation purposes.

**MEDICAL LEAVE BANK FUND**

Established to account for amounts deposited from employees converted sick leave.

**POSTEMPLOYMENT BENEFIT TRUST**

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

**2011 TOP JPA REVENUE BONDS**

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

**2011-01 CFD TRACY 580 BUSINESS PARK**

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

**PAYROLL CLEARING FUND**

Established to record and monitor City payroll activity, clearing of payroll checks and payment of payroll liabilities. This zero-balance fund was established in FY16-17. Prior to FY 16-17, this activity was accounted for in the General Fund.



CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>89-1 Community Facilities District</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$2,643,321	\$983,986	\$3,052,001	\$575,306
Cash and investments with fiscal agents	1,538,256	1,490		1,539,746
Interest receivable	7,378	4,868	7,378	4,868
<b>Total Assets</b>	<u>\$4,188,955</u>	<u>\$990,344</u>	<u>\$3,059,379</u>	<u>\$2,119,920</u>
<b>Liabilities</b>				
Accounts payable	\$31	\$21	\$31	\$21
Due to assessment district bond holders	4,188,924	990,323	3,059,348	2,119,899
<b>Total Liabilities</b>	<u>\$4,188,955</u>	<u>\$990,344</u>	<u>\$3,059,379</u>	<u>\$2,119,920</u>
 <u>94-1 Assessment District</u>				
<b>Assets</b>				
Cash and investments	\$671,864	\$2,693	\$5,057	\$669,500
Cash and investments with fiscal agents		432,780		432,780
Interest receivable	1,877		1,877	
<b>Total Assets</b>	<u>\$673,741</u>	<u>\$435,473</u>	<u>\$6,934</u>	<u>\$1,102,280</u>
<b>Liabilities</b>				
Due to assessment district bondholders	\$673,741	\$435,473	\$6,934	\$1,102,280
<b>Total Liabilities</b>	<u>\$673,741</u>	<u>\$435,473</u>	<u>\$6,934</u>	<u>\$1,102,280</u>
 <u>93-1 Community Facilities District</u>				
<b>Assets</b>				
Cash and investments	\$3,323,066	\$257,274	\$258,209	\$3,322,131
Cash and investments with fiscal agents	715,642	113,967		829,609
Interest receivable	9,276	9,804	9,276	9,804
<b>Total Assets</b>	<u>\$4,047,984</u>	<u>\$381,045</u>	<u>\$267,485</u>	<u>\$4,161,544</u>
<b>Liabilities</b>				
Due to assessment district bond holders	\$4,047,984	\$381,045	\$267,485	\$4,161,544
<b>Total Liabilities</b>	<u>\$4,047,984</u>	<u>\$381,045</u>	<u>\$267,485</u>	<u>\$4,161,544</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>98-1 Community Facilities District</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$165,867	\$5,123,646	\$5,267,225	\$22,288
Cash and investments with fiscal agents	5,170,414	167,818		5,338,232
Interest receivable	449		449	
<b>Total Assets</b>	<u>\$5,336,730</u>	<u>\$5,291,464</u>	<u>\$5,267,674</u>	<u>\$5,360,520</u>
<b>Liabilities</b>				
Accounts payable	\$1,678	\$168,200	\$1,678	\$168,200
Due to assessment district bondholders	\$5,335,052	5,123,264	5,265,996	5,192,320
<b>Total Liabilities</b>	<u>\$5,336,730</u>	<u>\$5,291,464</u>	<u>\$5,267,674</u>	<u>\$5,360,520</u>
<u>98-3 Community Facilities District</u>				
<b>Assets</b>				
Cash and investments	\$56,137	\$625,669	\$321,545	\$360,261
Cash and investments with fiscal agents	105,570	2,382		107,952
Interest receivable	156	1,067	156	1,067
<b>Total Assets</b>	<u>\$161,863</u>	<u>\$629,118</u>	<u>\$321,701</u>	<u>\$469,280</u>
<b>Liabilities</b>				
Accounts payable	\$159	\$136	\$159	\$136
Due to assessment district bond holders	161,704	628,982	321,542	469,144
<b>Total Liabilities</b>	<u>\$161,863</u>	<u>\$629,118</u>	<u>\$321,701</u>	<u>\$469,280</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>99-1 Community Facilities District</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$346,871	\$636,274	\$983,145	
Cash and investments with fiscal agents	885,691	14,865		\$900,556
Interest receivable	967		967	
<b>Total Assets</b>	<u>\$1,233,529</u>	<u>\$651,139</u>	<u>\$984,112</u>	<u>\$900,556</u>
<b>Liabilities</b>				
Accounts payable		\$207,346		\$207,346
Due to assessment district bond holders	\$1,233,529	443,793	\$984,112	693,210
<b>Total Liabilities</b>	<u>\$1,233,529</u>	<u>\$651,139</u>	<u>\$984,112</u>	<u>\$900,556</u>
 <u>2000-01 Assessment District</u>				
<b>Assets</b>				
Cash and investments	\$156,630	\$981,856	\$990,990	\$147,496
Cash and investments with fiscal agents	766,977	34,426		801,403
Interest receivable	435	434	435	434
<b>Total Assets</b>	<u>\$924,042</u>	<u>\$1,016,716</u>	<u>\$991,425</u>	<u>\$949,333</u>
<b>Liabilities</b>				
Accounts payable	\$332	\$292	\$332	\$292
Due to assessment district bond holders	923,710	1,016,424	991,093	949,041
<b>Total Liabilities</b>	<u>\$924,042</u>	<u>\$1,016,716</u>	<u>\$991,425</u>	<u>\$949,333</u>
 <u>2006-01 NE Industrial # 2</u>				
<b>Assets</b>				
Cash and investments	\$46	\$716,962	\$716,900	\$108
Cash and investments with fiscal agents	2,637,204	39,679		2,676,883
<b>Total Assets</b>	<u>\$2,637,250</u>	<u>\$756,641</u>	<u>\$716,900</u>	<u>\$2,676,991</u>
<b>Liabilities</b>				
Accounts payable	\$12,400	\$17,859	\$12,400	\$17,859
Due to assessment district bond holders	2,624,850	738,782	704,500	2,659,132
<b>Total Liabilities</b>	<u>\$2,637,250</u>	<u>\$756,641</u>	<u>\$716,900</u>	<u>\$2,676,991</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>1999 I205 Residential Reassessment District</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$38	\$733,703	\$733,741	
Cash and investments with fiscal agents	1,985,356	1,572,873		\$3,558,229
Accounts receivable	11		11	
<b>Total Assets</b>	<u>\$1,985,405</u>	<u>\$2,306,576</u>	<u>\$733,752</u>	<u>\$3,558,229</u>
<b>Liabilities</b>				
Accounts payable	\$247,255	\$869,037	\$247,255	\$869,037
Due to assessment district bondholders	1,738,150	1,437,539	486,497	2,689,192
<b>Total Liabilities</b>	<u>\$1,985,405</u>	<u>\$2,306,576</u>	<u>\$733,752</u>	<u>\$3,558,229</u>
 <u>2000-03 Assessment District</u>				
<b>Assets</b>				
Cash and investments	\$16,659	\$34		\$16,693
Interest receivable	47	49	\$47	49
<b>Total Assets</b>	<u>\$16,706</u>	<u>\$83</u>	<u>\$47</u>	<u>\$16,742</u>
<b>Liabilities</b>				
Due to assessment district bond holders	\$16,706	\$83	\$47	\$16,742
<b>Total Liabilities</b>	<u>\$16,706</u>	<u>\$83</u>	<u>\$47</u>	<u>\$16,742</u>
 <u>2003-01 Assessment District</u>				
<b>Assets</b>				
Cash and investments	\$61	\$67,932	\$67,993	
Cash and investments with fiscal agents	151,625	7,605		\$159,230
<b>Total Assets</b>	<u>\$151,686</u>	<u>\$75,537</u>	<u>\$67,993</u>	<u>\$159,230</u>
<b>Liabilities</b>				
Accounts payable	\$12,181	\$13,941	\$12,181	\$13,941
Deposits payable	12,722	14,729	12,722	14,729
Due to assessment district bondholders	126,783	46,867	43,090	130,560
<b>Total Liabilities</b>	<u>\$151,686</u>	<u>\$75,537</u>	<u>\$67,993</u>	<u>\$159,230</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Cultural Arts</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$4	\$65	\$4	\$65
<b>Total Assets</b>	<u>\$4</u>	<u>\$65</u>	<u>\$4</u>	<u>\$65</u>
<b>Liabilities</b>				
Accounts payable				
Deposits payable	\$4	\$65	\$4	\$65
<b>Total Liabilities</b>	<u>\$4</u>	<u>\$65</u>	<u>\$4</u>	<u>\$65</u>
 <b><u>Regional Transportation Impact</u></b>				
<b>Assets</b>				
Cash and investments	\$3,699,750	\$2,761,843	\$997,456	\$5,464,137
<b>Total Assets</b>	<u>\$3,699,750</u>	<u>\$2,761,843</u>	<u>\$997,456</u>	<u>\$5,464,137</u>
<b>Liabilities</b>				
Accounts payable	\$280,258	\$197,592	\$280,258	\$197,592
Deposits payable	3,419,492	2,564,251	717,198	5,266,545
<b>Total Liabilities</b>	<u>\$3,699,750</u>	<u>\$2,761,843</u>	<u>\$997,456</u>	<u>\$5,464,137</u>
 <b><u>Medical Leave Bank</u></b>				
<b>Assets</b>				
Cash and investments	\$537,205	\$1,496	\$125,285	\$413,416
<b>Total Assets</b>	<u>\$537,205</u>	<u>\$1,496</u>	<u>\$125,285</u>	<u>\$413,416</u>
<b>Liabilities</b>				
Deposits payable	\$537,205	\$1,496	\$125,285	\$413,416
<b>Total Liabilities</b>	<u>\$537,205</u>	<u>\$1,496</u>	<u>\$125,285</u>	<u>\$413,416</u>

(Continued)

CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Post Employment Benefit Trust</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$61	\$811,840	\$811,901	
Accounts receivable	23,023	5,904	23,023	\$5,904
<b>Total Assets</b>	<u>\$23,084</u>	<u>\$817,744</u>	<u>\$834,924</u>	<u>\$5,904</u>
<b>Liabilities</b>				
Accounts payable	\$23,084	\$817,744	\$834,924	\$5,904
<b>Total Liabilities</b>	<u>\$23,084</u>	<u>\$817,744</u>	<u>\$834,924</u>	<u>\$5,904</u>
 <b>2011 TOP JPA Revenue Bonds</b>				
<b>Assets</b>				
Cash and investments	\$47	\$1,183,948	\$1,183,995	
Cash and investments with fiscal agents	2,282,989	45,352		\$2,328,341
<b>Total Assets</b>	<u>\$2,283,036</u>	<u>\$1,229,300</u>	<u>\$1,183,995</u>	<u>\$2,328,341</u>
<b>Liabilities</b>				
Accounts payable	\$49,703	\$112,957	\$49,703	\$112,957
Due to assessment district bondholders	2,233,333	1,116,343	1,134,292	2,215,384
<b>Total Liabilities</b>	<u>\$2,283,036</u>	<u>\$1,229,300</u>	<u>\$1,183,995</u>	<u>\$2,328,341</u>
 <b>2011-01 CFD Tracy 580 Business Park</b>				
<b>Assets</b>				
Cash and investments	\$29,021	\$74,372	\$51,415	\$51,978
Interest receivable	81	154	81	154
<b>Total Assets</b>	<u>\$29,102</u>	<u>\$74,526</u>	<u>\$51,496</u>	<u>\$52,132</u>
<b>Liabilities</b>				
Accounts payable	\$32,888		\$32,888	
Due to assessment district bondholders	(3,786)	\$74,526	18,608	\$52,132
<b>Total Liabilities</b>	<u>\$29,102</u>	<u>\$74,526</u>	<u>\$51,496</u>	<u>\$52,132</u>

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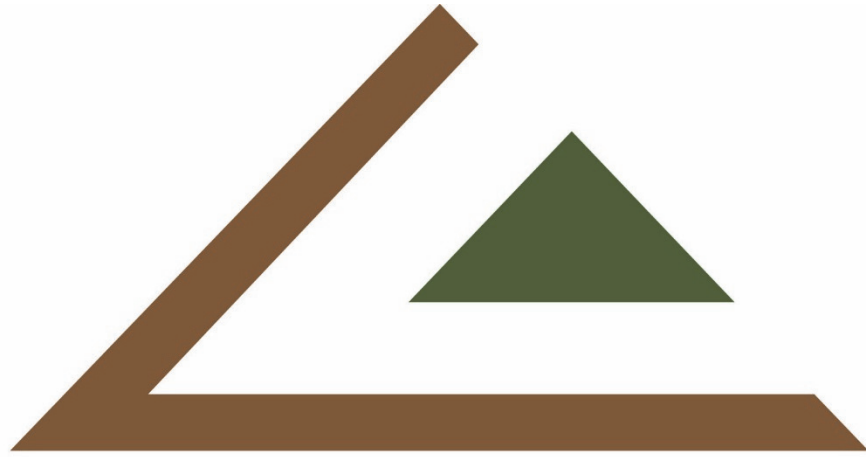
CITY OF TRACY  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Payroll Clearing</u>	Balance June 30, 2016 (As Restated)	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and investments	\$956,040	\$1,485,851	\$956,040	\$1,485,851
<b>Total Assets</b>	<u>\$956,040</u>	<u>\$1,485,851</u>	<u>\$956,040</u>	<u>\$1,485,851</u>
<b>Liabilities</b>				
Accounts payable	\$956,040	\$1,485,851	\$956,040	\$1,485,851
<b>Total Liabilities</b>	<u>\$956,040</u>	<u>\$1,485,851</u>	<u>\$956,040</u>	<u>\$1,485,851</u>
 <b>Total - All Agency Funds</b>				
Cash and investments	\$12,602,688	\$16,449,444	\$16,522,902	\$12,529,230
Cash and investments with fiscal agents	16,239,724	2,433,237		18,672,961
Accounts receivable	23,034	5,904	23,034	5,904
Interest receivable	20,666	16,376	20,666	16,376
<b>Total Assets</b>	<u>\$28,886,112</u>	<u>\$18,904,961</u>	<u>\$16,566,602</u>	<u>\$31,224,471</u>
<b>Liabilities</b>				
Accounts payable	\$1,616,009	\$3,890,976	\$2,427,849	\$3,079,136
Deposits payable	3,969,423	2,580,541	855,209	5,694,755
Due to assessment district bondholders	23,300,680	12,433,444	13,283,544	22,450,580
<b>Total Liabilities</b>	<u>\$28,886,112</u>	<u>\$18,904,961</u>	<u>\$16,566,602</u>	<u>\$31,224,471</u>

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# Statistical Section



**TRACY**



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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

<b>STATISTICAL SECTION (Continued)</b>
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***Demographic and Economic Information***

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

1. Demographic and Economic Statistics
2. Principal Employers

***Operating Information***

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

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

***Sources***

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	581,394	\$ 553,914	\$ 526,467	\$ 518,181	\$ 512,728	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841	\$ 451,849
Restricted	155,947	145,381	152,380	100,403	111,131	105,425	118,367	120,961	157,162	134,092
Unrestricted	(1,272)	(5,343)	(11,671)	42,063	35,606	32,898	33,347	46,711	34,330	45,861
<b>Total Governmental activities net assets</b>	<b>736,069</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>
Business-type activities:										
Net investment in capital assets	357,628	302,888	314,492	327,065	328,985	340,536	345,554	340,944	346,861	352,609
Restricted	350	348	346	247	237	232	227	222	183	244
Unrestricted	41,657	39,357	31,221	31,101	31,283	29,148	40,621	46,123	38,826	34,303
<b>Total business-type activities</b>	<b>399,635</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>
Primary government:										
Net investment in capital assets	939,022	856,802	840,959	845,246	841,713	850,859	835,607	804,893	795,702	804,458
Restricted	156,297	145,729	152,726	100,650	111,368	105,657	118,594	121,183	157,345	134,336
Unrestricted	40,385	34,014	19,550	73,164	66,889	62,046	73,968	92,834	73,156	80,164
<b>Total primary government</b>	<b>\$ 1,135,704</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>

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

Source: City of Tracy, Finance Department:

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
Governmental activities:										
General Government	\$ 12,412	\$ 13,629	\$ 7,907	\$ 6,412	\$ 6,572	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195	\$ 7,183
Public safety	41,326	37,858	37,562	37,974	37,248	37,602	35,509	36,567	36,663	35,074
Public works	26,330	31,874	27,572	32,358	25,954	52,418	24,371	21,855	29,492	24,661
Culture and leisure	2,830	3,134	3,288	4,668	4,709	5,097	5,143	12,202	9,159	7,502
Interest on long-term debt	1,304	1,345	1,337	1,342	1,399	1,925	4,121	4,063	4,201	3,548
Unallocated depreciation	-	-	-	586	520	566	617	631	295	820
<b>Total Governmental Activities Expenses</b>	<b>\$ 84,202</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>
Business-type Activities:										
Water	\$ 18,980	\$ 22,659	\$ 23,610	\$ 22,300	\$ 21,765	\$ 22,295	\$ 21,229	\$ 19,580	\$ 19,173	\$ 18,786
Wastewater	15,079	16,522	17,040	16,442	14,970	18,980	17,133	14,874	15,380	11,415
Airport	901	775	703	629	590	686	705	912	742	542
Solid waste	20,541	20,899	19,477	18,923	18,820	18,585	17,473	16,962	17,893	17,088
Transit	3,953	3,169	2,968	2,556	2,404	2,436	2,291	1,733	1,277	1,531
Drainage	3,027	3,485	3,436	3,404	3,232	3,351	3,402	2,618	2,646	3,486
<b>Total Business-Type Activities</b>	<b>\$ 62,481</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>Total Primary Governmental Expenses</b>	<b>\$ 146,683</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>Program revenues:</b>										
Governmental activities:										
Charges for Services:										
Development fees	\$ 8,769	\$ 6,816	\$ 6,124	\$ 3,039	\$ 2,460	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840	\$ 5,289
Other public works	2,721	3,093	2,968	5,040	5,300	5,204	3,800	4,401	3,983	26,478
Parks and community services	701	1,047	940	838	878	789	757	1,208	1,065	1,206
Other activities	1,805	1,864	1,104	1,879	1,665	2,566	2,634	4,143	3,778	1,457
Operating grants and contributions	12,680	12,811	13,097	10,964	12,723	9,482	10,065	9,305	12,766	13,091
Capital grants and contributions	39,966	37,084	40,451	18,166	22,596	15,527	19,080	11,069	12,965	24,426
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 66,642</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>
Business-type Activities:										
Charges for Services:										
Water	\$ 14,935	\$ 13,101	\$ 14,379	\$ 18,700	\$ 15,672	\$ 14,433	\$ 14,641	\$ 13,693	\$ 15,833	\$ 15,305
Wastewater	14,034	13,616	13,086	12,940	11,978	11,480	12,032	11,490	11,661	12,513
Airport	478	403	504	395	272	375	342	373	257	281
Solid waste	23,333	25,156	22,356	21,521	20,352	18,852	16,321	17,320	16,774	17,950
Transit	116	96	109	1,631	818	822	899	1,295	940	92
Drainage	644	609	603	546	564	564	553	556	541	563
Operating grants and contributions	1,516	2,041	1,608	-	-	-	-	-	20	1,774
Capital grants and contributions	4,268	3,302	8,652	6,337	2,528	2,801	3,678	6,132	9,161	10,992
<b>Total Business-Types Activities Program Revenues</b>	<b>\$ 59,324</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>Total Primary Government Program Revenues</b>	<b>\$ 125,966</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>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (expense)/revenue										
Governmental activities	\$ (17,560)	\$ (25,125)	\$ (12,982)	\$ (43,414)	\$ (30,780)	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)	\$ (6,841)
Business-type activities	(3,157)	(9,185)	(5,937)	(2,184)	(9,597)	(17,006)	(13,767)	(5,820)	(1,924)	6,622
Total primary government net (expense) revenue	<u>\$ (20,717)</u>	<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>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 20,393	\$ 19,638	\$ 17,709	\$ 15,700	\$ 14,946	\$ 18,527	\$ 22,533	\$ 24,013	\$ 29,324	\$ 31,160
Franchise taxes	2,829	2,776	2,728	2,593	2,500	2,443	2,474	2,223	2,138	1,991
Sales and use taxes	23,291	24,371	24,280	22,722	20,553	18,422	11,408	9,225	10,964	12,407
Other taxes	2,719	2,562	2,304	1,952	1,839	1,702	1,621	1,604	1,886	4,321
Unrestricted motor vehicle in lieu	40	34	35	36	43	41	376	240	277	360
Investment earnings	435	1,000	610	1,129	165	801	1,280	4,840	9,023	12,016
Miscellaneous	2,022	3,497	1,311	1,634	1,595	1,760	1,663	449	527	2,275
Transfers	(4,968)	(5,141)			(42)		(384)	(5,563)		
Gain on Transfer of assets						31,889				
Special item - Transfer of assets		3,162								
Total governmental activities	<u>\$ 46,761</u>	<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>
Business-type activities:										
Interest earnings	\$ 626	\$ 551	\$ 585	\$ 264	\$ 144	\$ 520	\$ 109	\$ 1,676	\$ 633	\$ 1,038
Miscellaneous	24	25	42						5	19
Transfers	4,968	5,141			42		385	5,563		
Total business-type activities	<u>\$ 5,618</u>	<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>
Total primary government	<u>\$ 52,379</u>	<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>
Change in net position										
Governmental activities	\$ 29,201	\$ 26,774	\$ 35,995	\$ 2,352	\$ 10,819	\$ 6,879	\$ (8,945)	\$ (8,620)	\$ 8,531	\$ 57,689
Business-type activities	2,461	(3,468)	(5,310)	(1,920)	(9,411)	(16,486)	(13,273)	1,419	(1,286)	7,679
Total primary government	<u>\$ 31,662</u>	<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>

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General Government	\$ 2,700	\$ 3,099	\$ 3,850	\$ 2,892	\$ 1,908	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590	\$ 924
Police	1,972	2,052	2,847	1,775	2,330	1,390	1,365	1,513	1,984	1,422
Fire	6,556	6,539	6,792	6,980	8,692	4,765	6,302	6,386	10,372	7,506
Development and engineering	9,213	7,209	6,505	3,410	2,871	1,974	2,148	16,700	14,287	5,477
Public works	45,234	42,437	43,198	23,621	28,367	23,224	17,397	5,817	11,460	53,382
Parks, recreation, and community services	967	1,380	1,492	1,248	1,454	1,150	1,058	2,009	1,114	2,645
Interest in long-term debt								591	590	591
Subtotal governmental activities	<u>66,642</u>	<u>62,716</u>	<u>64,684</u>	<u>39,926</u>	<u>45,622</u>	<u>35,185</u>	<u>38,141</u>	<u>37,051</u>	<u>43,397</u>	<u>71,947</u>
Business-type activities:										
Water	15,220	13,801	17,659	16,877	15,672	14,501	14,658	15,534	16,859	19,044
Wastewater	14,805	13,849	14,533	13,438	12,131	12,669	14,766	11,494	13,113	16,150
Airport	1,514	2,622	4,060	731	607	417	402	730	277	897
Solid Waste	23,354	25,156	22,356	20,352	20,352	18,858	16,321	17,330	16,774	17,950
Transit	3,787	2,210	2,030	1,171	2,858	2,018	1,677	4,871	7,386	3,029
Drainage	644	686	659	3,424	564	864	640	900	777	2,400
Subtotal business-type activities	<u>59,324</u>	<u>58,324</u>	<u>61,297</u>	<u>55,993</u>	<u>52,184</u>	<u>49,327</u>	<u>48,464</u>	<u>50,859</u>	<u>55,186</u>	<u>59,470</u>
Total primary government	<u>\$ 125,966</u>	<u>\$ 121,040</u>	<u>\$ 125,981</u>	<u>\$ 95,919</u>	<u>\$ 97,806</u>	<u>\$ 84,512</u>	<u>\$ 86,605</u>	<u>\$ 87,910</u>	<u>\$ 98,583</u>	<u>\$ 131,417</u>



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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,359	\$ 1,218	\$ 1,386
Unreserved								17,626	16,705	17,193
Nonspendable	5,117	5,873	6,640	782	781	791	820			
Restricted				346	333	445	613			
Committed	11,716									
Assigned	11,455	358	1,152	523	277	22	2,198			
Unassigned	12,483	34,425	29,861	33,420	27,503	25,676	23,356			
<b>Total General Fund</b>	<b>\$ 40,771</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>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,708	\$ 38,366	\$ 33,226
Unreserved reported in:										
Special revenue funds								20,890	33,100	35,121
Capital projects funds								81,533	100,196	96,588
Nonspendable			4	57		4,646	2,948			
Restricted	124,932	110,191	113,064	97,402	108,381	90,507	99,794			
Committed							4,131			
Assigned	4,438	5,588	13,360			15,339	20,043			
Unassigned										
Special revenue funds	(517)	(4,431)	(610)	(1,278)	(159)	(1,071)	(2,099)			
Capital projects funds										
Debt service funds										
<b>Total all other governmental funds</b>	<b>\$ 128,853</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>

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

Source: City of Tracy, Finance Department

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Taxes	\$ 47,540	\$ 49,118	\$ 46,915	\$ 43,804	\$ 40,503	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680	\$ 48,048
Licenses, permits and fees	7,191	5,236	4,706	4,008	3,564	3,174	3,092	3,040	3,112	2,839
Fines and forfeits	510	673	972	863	568	1,552	1,570	1,715	1,722	1,515
Use of money and property	1,356	2,936	1,277	1,699	700	1,459	2,792	4,197	9,046	11,992
Intergovernmental	27,127	20,413	16,235	12,928	16,038	11,992	17,758	15,282	12,899	13,578
Charges of services	9,472	9,997	9,165	8,894	9,147	8,388	10,110	8,525	8,438	5,186
Special assessments	24,886	14,977	29,899	7,181	13,406	4,095	4,933	4,699	5,583	4,843
Contributions from assessment districts	3,372	3,574	3,444	4,346	1,887	5,404	4,448	2,915	6,049	23,043
Other	3,460	3,501	1,410	1,767	1,124	1,294	1,148	1,656	4,595	2,058
<b>Total revenues</b>	<b>124,914</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>Expenditures:</b>										
<b>Current:</b>										
General government	13,763	14,900	7,748	7,050	6,434	6,854	17,599	7,054	7,569	8,730
Police	24,690	23,717	22,012	21,592	21,488	21,902	20,943	21,836	21,574	20,161
Fire	18,483	16,692	16,033	15,869	15,305	15,205	14,027	14,664	15,387	14,602
Community development	8,828	9,042	7,793	6,467	6,449	6,273	6,066	7,790	12,360	10,114
Public works	9,292	9,372	9,093	8,471	8,091	7,530	7,285	7,327	8,369	8,082
Parks and recreation	2,287	3,110	3,019	3,113	3,330	3,599	3,509	3,320	4,507	3,146
Intergovernmental							2,691	6,281	3,288	3,177
<b>Debt Service:</b>										
Debt service-principal	398	368	328	245	220	195	1,315	1,490	11,300	3,620
Debt service-interest	1,308	1,322	1,334	1,345	1,352	2,623	3,945	3,994	3,799	3,390
Debt service-issue costs									1,163	237
Capital Outlay	28,645	41,456	20,582	27,179	23,465	19,829	18,731	23,152	20,502	28,712
<b>Total expenditures</b>	<b>107,694</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>Excess of revenues over (under) expenditures</b>	<b>17,220</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>Other financing sources (uses):</b>										
Issuance of debt			248						19,765	4,670
Transfers in	5,226	6,009	11,723	1,214	20,600	2,699	3,836	21,828	26,040	12,680
Transfers out	(5,226)	(8,750)	(11,745)	(1,236)	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)
Proceeds from sale of property	5	829	420							
<b>Total other financing sources (uses):</b>	<b>5</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>Net change in fund balances</b>	<b>\$ 17,225</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>Debt service as a percentage of non-capital expenditures</b>	<b>1.97%</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>

**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
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
2017	20,392,536	372,636	838,037	23,290,667	2,829,424	1,507,518	1,366,232	50,597,049

Source: Finance Department, City of Tracy

**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	
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%
2017	7,115,317,076	1,934,803,880	300,485,585	9,350,606,541	144,153,495	9,206,453,046	1,228,580,064	158,823,862	99,046,787	1,288,357,139	1.0000%

Source: San Joaquin County - Office of the Auditor-Controller, The HdL Companies  
 Finance Department, City of Tracy

**CITY OF TRACY  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(RATE PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Direct rates:</u>										
City of Tracy	0.1690%	0.1561%	0.1561%	0.1561%	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%	0.1703%
San Joaquin County	0.1849%	0.1865%	0.1865%	0.1865%	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%	0.1962%
ERAF	0.2722%	0.2686%	0.2686%	0.2686%	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%	0.2790%
All Others	<u>0.3739%</u>	<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>
Total Direct Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
<u>Overlapping rates:</u>										
San Joaquin Delta College	0.0180%	0.0198%	0.0233%	0.0194%	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%
Tracy Unified School District (1,2,3) <b>*combined Tracy Unified School District</b>	0.0854%	0.0201%	0.0213%	0.0247%	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%
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>
Total Overlapping Rate	<u>0.1034%</u>	<u>0.1100%</u>	<u>0.0658%</u>	<u>0.0669%</u>	<u>0.0557%</u>	<u>0.0554%</u>	<u>0.0411%</u>	<u>0.0596%</u>	<u>0.2101%</u>	<u>0.2101%</u>
Total Tax Rate	<u><u>1.1034%</u></u>	<u><u>1.1100%</u></u>	<u><u>1.0658%</u></u>	<u><u>1.0669%</u></u>	<u><u>1.0557%</u></u>	<u><u>1.0554%</u></u>	<u><u>1.0411%</u></u>	<u><u>1.0596%</u></u>	<u><u>1.2101%</u></u>	<u><u>1.2101%</u></u>

Source: San Joaquin County - Office of the Auditor-Controller, The HdL Companies

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**

2017				2008			
Taxpayer Name	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxpayer Name	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
GOLDEN STATE FC LLC	\$ 193,637,113	1	1.99%	TRACY MALL PARTNERS	\$ 99,557,051	1	1.04%
PROLOGIS LOGISTICS SERVICES INC	163,504,003	2	1.68%	LEPRINO FOODS COMPANY CORP	91,914,324	2	0.96%
TRACY MALL PARTNERS	88,429,690	3	0.91%	CENTRAL VALLEY LLC	48,704,066	3	0.51%
LEPRINE FOODS COMPANY CORP	82,422,945	4	0.85%	TCE TRACY LLC	30,067,560	4	0.31%
FEDEX GROUND COMPANY CORP	67,480,029	5	0.69%	US COLD STORAGE OF CALIFORNIA	29,633,641	5	0.31%
PROLOGIS AMAZON TRACY LLC	62,392,253	6	0.64%	CAR CORRAL HOLLOW LLC	28,697,273	6	0.30%
PAC CORPORATE CENTER TRACY	55,817,044	7	0.57%	MARK T O'BRIEN ETAL	26,446,973	7	0.28%
CENTRAL VALLEY LLC	55,575,095	8	0.57%	FAIRFIELD EDGEWOOD STATION LP	26,325,381	8	0.28%
MEDLINE CORDES RANCH EAT LLC	50,142,463	9	0.51%	MIREF CHAOT TRACY LLC	26,193,824	9	0.27%
DCT TRACY LOGISTICS CENTER LLC	49,706,641	10	0.51%	OSH PROPERTIES LLC	26,086,793	10	0.27%
TOTAL TOP TAXPAYERS	<u>\$ 869,107,276</u>		<u>8.28%</u>		<u>\$ 433,626,886</u>		<u>4.38%</u>
TOTAL TAXABLE ASSESSED VALUE	<u>\$ 10,494,810,815</u>		<u>100%</u>		<u>\$ 9,898,023,653</u>		<u>100%</u>

Source: San Joaquin County - Office of the Auditor-Controller, The HdL Companies

**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
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%	8,132,493,612
2010	13,249,396	13,249,396	100.00%	0.00	13,249,396	100.00%	6,182,878,325
2011	10,028,301	10,028,301	100.00%	0.00	10,028,301	100.00%	6,453,385,809
2012	9,724,002	9,724,002	100.00%	0.00	9,724,002	100.00%	5,770,059,807
2013	9,607,770	9,607,770	100.00%	0.00	9,607,770	100.00%	5,701,107,764
2014	10,175,469	10,175,469	100.00%	0.00	10,175,469	100.00%	6,243,627,285
2015	11,403,560	11,403,560	100.00%	0.00	11,403,560	100.00%	7,209,389,999
2016	12,406,318	12,406,318	100.00%	0.00	12,406,318	100.00%	7,717,337,513
2017	13,134,172	13,134,172	100.00%	0.00	13,134,172	100.00%	9,206,453,046

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. Finance Department, City of Tracy

**CITY OF TRACY  
SALES TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rate	Measure E Rate	Measure V Rate	Transportation Prop K Rate	Transportation Development Act Rate	County Rate	State Rate	Total Sales Tax Rate
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%
2017	1%		0.50% (4)	0.50%	0.25%	1%	5%	8.25%

- (1) A 1% increase in Sales and Use Tax became effective as of April 1, 2009 to augment the State's budget. On May 19, 2009, the voters did not approve the proposed "Budget Stabilization" constitutional amendment and the expiration date of this 1% is on July 1, 2011.
- (2) Tracy voters approved Measure E, a half cent sales tax with a 5-year sunset effective April 1, 2011
- (3) Voters approved Proposition 30, a state-wide quarter cent sales tax with a 4-year sunset effective January 1, 2013
- (4) Tracy voters approved Measure V, a half cent sales tax with a 20-year sunset effective April 1, 2017

Source:  
Finance Department, City of Tracy



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

	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Apparel stores	\$ 42,756	\$ 37,205	\$ 40,152	\$ 40,690	\$ 44,353	\$ 44,201	\$ 43,308	\$ 44,139	\$ 44,168	\$ 48,789
General merchandise stores	203,460	194,528	192,657	187,434	181,099	175,484	162,641	153,615	190,638	198,898
Food and beverage stores	39,953	42,526	56,254	53,794	56,881	48,819	46,934	43,706	42,410	45,992
Eating and drinking places	155,560	143,887	128,827	116,414	106,888	102,047	96,823	96,801	96,548	96,331
Home furnishings and appliances	-	-	137,236	126,838	112,795	105,587	69,881	39,955	29,817	20,983
Building maintenance and garden supplies	140,715	130,449	71,129	68,049	60,879	53,955	48,572	46,012	52,559	77,317
Auto dealers and auto suppliers	343,861	321,977	299,869	277,155	215,269	171,430	152,558	143,481	173,715	221,318
Service stations	144,048	160,104	187,653	193,770	186,978	184,707	152,205	127,153	170,652	156,155
Other retail stores	160,573	154,697	75,167	75,202	65,452	57,598	56,267	58,002	82,675	110,264
All other outlets	601,684	524,513	198,209	200,048	168,710	112,575	99,552	126,061	143,815	157,627
<b>Total</b>	<b>\$ 1,832,610</b>	<b>\$ 1,709,886</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>
City Direct sales tax rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
City Measure E sales tax rate (a)	1%	1%	0.5%	0.5%	0.5%	0.5%	n/a	n/a	n/a	n/a

Note:

(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, HdL Companies

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

2017		2008	
Taxpayer Name	Business Type	Taxpayer Name	Business Type
Amazon Robotics	Heavy Industrial	American Truck & Trailer Body	Trailers/Auto Parts
American Truck & Trailer Body	Trailers/Auto Parts	Barbosa Cabinets	Contractors
Arco AM PM	Service Stations	Best Buy	Electronics/Appliance Stores
Arco AM PM	Service Stations	Chevron	Service Stations
Barbosa Cabinets	Contractors	Costco	Discount Dept Stores
Best Buy	Electronics/Appliance Stores	Country Nissan	New Motor Vehicle Dealers
Chevron	Service Stations	Home Depot	Building Materials
Costco	Discount Dept Stores	Independent Electric Supply	Plumbing/Electrical Supplies
Country Nissan	New Motor Vehicle Dealers	International Paper	Light Industrial/Printers
Crate & Barrel	Fulfillment Centers	K & N Food & Fuel	Service Stations
Home Depot	Building Materials	Morri Automotive	New Motor Vehicle Dealers
Independent Electric Supply	Plumbing/Electrical Supplies	Nixon Egli Equipment	Warehse/Farm/Const. Equip.
Macys	Department Stores	Safeway	Grocery Stores
Mannington Mills	Building Materials	Safeway Fuel	Service Stations
Medline Industries	Medical/Biotech	Save Mart	Grocery Stores
Nixon Egli Equipment	Warehse/Farm/Const. Equip.	Sears	Department Stores
Premier Hyundai of Tracy	New Motor Vehicle Dealers	Shell/Texaco	Service Stations
Safeway Fuel	Service Stations	Target	Discount Dept Stores
Target	Discount Dept Stores	Tracy Dodge Chrysler Jeep	New Motor Vehicle Dealers
Tracy Chevrolet	New Motor Vehicle Dealers	Tracy Honda	New Motor Vehicle Dealers
Tracy Ford	New Motor Vehicle Dealers	Tracy Mazda	New Motor Vehicle Dealers
Tracy Honda	New Motor Vehicle Dealers	Tracy Pontiac GMC Cadillac Inc	New Motor Vehicle Dealers
Tracy Toyota	New Motor Vehicle Dealers	Tracy Toyota	New Motor Vehicle Dealers
Tracy Truck & Auto Stop	Service Stations	Tracy Truck & Auto Stop	Service Stations
Walmart Supercenter	Discount Dept Stores	Walmart Supercenter	Discount Dept Stores

Source: San Joaquin County - Office of the Auditor-Controller, The HdL Companies

**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
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
2017	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 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)	Capital Leases and Loans (b)	Water Revenue Bonds (b)	Water/Sewer Notes Payable (b)	Sewer Revenue Bonds (b)	Airport Notes Payable (b)			
2008	\$ 14,685,000	\$ -	\$ 395,533	\$ -	\$ 26,378,839	\$ 32,305,000	\$ 142,147	\$ 73,906,519	\$ 906	81,548
2009	-	24,215,000	265,356	-	25,414,136	31,420,000	126,144	81,440,636	997	81,714
2010	-	23,830,000	202,867	-	24,442,470	30,510,000	109,275	79,094,612	970	81,519
2011	-	23,660,000	137,879	-	23,402,994	29,580,000	91,541	76,872,414	922	83,418
2012	-	23,465,000	70,293	-	19,274,382	28,630,000	72,942	71,512,617	852	83,900
2013	-	23,245,000	-	-	18,392,152	27,645,000	53,478	69,335,630	825	84,060
2014	-	23,000,000	908,546	-	14,489,157	26,630,000	33,149	65,060,852	764	85,146
2015	-	22,726,000	1,021,108	-	13,564,909	25,935,000	11,955	63,258,972	742	85,296
2016	-	22,420,000	131,831	-	12,618,907	25,215,000	-	60,385,738	677	89,208
2017	-	22,085,000	68,552	-	11,650,638	24,470,000	-	58,274,190	641	90,890

Note: Special Assessment Bonds have no City commitment.

Source:

(a) California Municipal Statistics

(b) Finance Department, City of Tracy

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

<u>Outstanding General Bond Debt</u>						
<u>Fiscal Year</u>	<u>Certificates of Participation (a)</u>	<u>Lease Revenue Bonds (a)</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
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
2017	-	22,085,000	-	22,085,000	0.23%	249

Source:  
Finance Department, City of Tracy

**CITY OF TRACY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2017**

2016-17 Assessed Valuation: \$ 9,753,911,909

	Total Debt 06/30/2017	% Applicable (1)	City's Share of Debt 06/30/2017
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
San Joaquin Delta Community College District	\$ 126,614,970	13.438%	\$ 17,014,520
Lammersville Joint Unified School District	56,000,000	6.539%	3,661,840
Tracy Unified School District	39,640,000	62.608%	24,817,811
Tracy Unified School District School Facilities Improvement District No. 3	65,279,900	92.269%	60,233,111
Banta School District	570,000	25.855%	147,374
Jefferson School District	32,800,865	67.517%	22,146,160
City of Tracy Community Facilities District No. 87-1	4,850,000	100%	4,850,000
City of Tracy Community Facilities District No. 89-1	3,585,000	100%	3,585,000
City of Tracy Community Facilities District No. 93-1	2,525,000	100%	2,525,000
City of Tracy Community Facilities District No. 98-1	44,965,000	100%	44,965,000
City of Tracy Community Facilities District No. 98-3	1,890,000	100%	1,890,000
City of Tracy Community Facilities District No. 99-1	4,275,000	100%	4,275,000
City of Tracy Community Facilities District No. 99-2	8,455,000	100%	8,455,000
City of Tracy Community Facilities District No. 2000-1	11,355,000	100%	11,355,000
City of Tracy Community Facilities District No. 2006-1	10,075,000	100%	10,075,000
City of Tracy 1915 Act Bonds	6,045,000	100%	6,045,000
California Statewide Community Development Authority 1915 Act Bonds	6,933,356	100%	6,933,356
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 232,974,171</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	124,925,000	14.673%	\$ 18,330,245
Lammersville Joint Unified School District General Fund Obligations	\$ 10,735,000	92.269%	9,905,077
Byron -Bethany Irrigation District General Fund Obligation	4,460,000	13.664%	609,414
<b>City of Tracy General Fund Obligations</b>	<b>22,153,552</b>	<b>100%</b>	<b>22,153,552</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b>\$ 50,929,736</b>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>	<b>\$ 33,340,000</b>	<b>100%</b>	<b>\$ 33,340,000</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 22,153,552</b>
<b>TOTAL OVERLAPPING DEBT:</b>			<b>\$ 295,158,908</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 317,312,460</b> (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 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.39%
<b>Total Direct Debt (\$22,153,552).....</b>	<b>0.23%</b>
Combined Total Debt.....	3.25%

Ratios to redevelopment Incremental Valuation (\$1,006,506,090)

Total Overlapping Tax Increment Debt.....	3.31%
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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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed Value	\$ 10,495	\$ 8,941	\$ 8,387	\$ 7,341	\$ 6,757	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132	\$ 9,898
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,624	2,235	2,097	1,835	1,689	1,707	1,827	1,835	2,283	2,475
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	394	335	315	275	253	256	274	275	342	371
Total net debt applicable to limit	58	60	63	65	69	71	121	122	138	132
Legal debt margin	<u>\$ 336</u>	<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>\$ 239</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.

Sources:

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water revenue bonds/EDA note										
Water revenue	\$ 15,433,348	\$ 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
Less: Operating Expenses	(13,671,219)	(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)
Net available revenue	<u>1,762,129</u>	<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>
Debt service:										
Principal	968,269	946,002	924,248	902,995	882,230	4,128,612	1,099,165	1,035,686	964,703	878,166
Interest	289,651	186,921	466,171	354,924	465,690	531,639	637,999	665,810	731,215	850,589
Total Debt Service	<u>1,257,920</u>	<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>
Coverage	1.40	1.82	2.66	4.71	1.89	0.51	1.27	2.52	3.23	2.93
Wastewater revenue bonds:										
Wastewater revenue	14,434,402	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
Less: Operating expenses	(8,003,091)	(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)
Net available revenue	<u>6,431,311</u>	<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>
Debt service:										
Principal	745,000	720,000	695,000	1,015,000	985,000	950,000	993,010	911,535	885,000	910,000
Interest	1,153,480	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
Total Debt Service	<u>1,898,480</u>	<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>
Coverage	3.39	3.49	3.54	2.58	2.49	1.81	1.82	2.39	2.31	3.56
Tax allocation bonds:										
Tax increment	-	-	-	-	-	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405
Debt service:										
Principle	-	-	-	-	-	1,195,000	1,145,000	1,105,000	1,065,000	1,035,000
Interest	-	-	-	-	-	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489
Total Debt Service	<u>-</u>	<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>
Coverage	-	-	-	-	-	1.77	2.04	2.38	2.75	2.73

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 Department



**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)
2008	81,548	34,100	32,000	6.2%	2,100	N/A	N/A	672,388	293,000	262,700	9.50%	30,300
2009	81,714	34,169	28,872	15.5%	5,297	N/A	N/A	674,860	298,200	252,600	14.80%	45,600
2010	81,519	32,800	29,600	9.7%	3,200	N/A	N/A	685,306	298,900	247,200	16.40%	51,800
2011	83,418	32,900	29,800	9.6%	3,100	0.116975	0.068724	682,660	295,300	244,000	16.70%	51,300
2012	83,900	32,900	29,800	9.5%	3,100	N/A	N/A	695,750	300,300	254,800	15.10%	45,500
2013	84,060	32,700	29,600	9.5%	3,100	0.116975	0.068724	692,997	298,500	253,200	15.20%	45,300
2014	85,146	33,100	30,500	8.0%	2,600	0.134925	0.112106	701,745	298,800	260,400	12.80%	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
2017	90,890	42,100	39,200	6.8%	2,900	N/A	N/A	733,709	318,000	293,700	7.60%	24,168

Sources:

1. California Employment Development Department-Labor Market Information
2. Finance Department, City of Tracy

**CITY OF TRACY  
PRINCIPAL EMPLOYERS  
CURRENT FISCAL YEAR AND ELEVEN YEARS AGO**

Taxpayer Name	2017			2007		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
GOLDEN STATE FC LLC (AMAZON)	3,777	1	9.64%			
GOLDEN STATE FC LLC (AMAZON)	942	2	2.40%			
TAYLOR FARMS PACIFIC INC	755	3	1.93%			
BARBOSA CABINETS INC	523	4	1.33%	370	1	2.62%
MEDLINE INDUSTRIES INC	507	5	1.29%			
RESTORATION HARDWARE	486	6	1.24%	50	25	0.35%
FEDEX GROUND PACKAGE SYSTEM	333	7	0.85%			
THE HOME DEPOT #5641	329	8	0.84%			
LEPRINO FOODS	309	9	0.76%			
ORCHARD SUPPLY HARDWARE	297	10	0.76%			
WAL-MART STORES INC #2025	233	11	0.59%	234	2	1.66%
PACIFIC MEDICAL INC	210	12	0.54%	120	8	0.85%
COSTCO WHOLESALE	188	13	0.48%	136	11	0.96%
BEST BUY	173	14	0.44%			
YRC	162	15	0.41%	200	6	1.42%
MC LANE FOODSERVICE INC	160	16	0.41%			
INTERNATIONAL PAPER	138	17	0.35%	231	5	1.63%
BEST BUY STORES LP #391	138	18	0.35%			
GLASSFAB TEMPERING	136	19	0.35%			
TEXAS ROADHOUSE	131	20	0.33%	92	14	0.65%
EVERGREEN NEW HOPE	128	21	0.33%	105	20	0.74%
LYNX INDUSTRIES INC	107	22	0.27%	59	22	0.42%
THE PERMENENTE MEDICAL	105	23	0.27%			
SAFEWAY INC #2600	103	24	0.26%	125	6	0.88%
APL LOGISTICS	102	25	0.26%	121	7	0.86%
YELLOW TRANSPORTATION, IN	-	-		200	3	1.42%
BED BATH & BEYOND	-	-		159	4	1.13%
GEHRIG COMPONENT FRAMING	-	-		125	5	0.88%
SNELLING STAFF 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	-	-		72	17	0.51%
PHILLIPS DELIVERY	-	-		59	21	0.42%
TRACY PRESS	-	-		54	23	0.38%
TRACY DISPOSAL SERVICE	-	-		51	24	0.36%
<b>Total Top 25 Employers</b>	<b>10,472</b>		<b>26.68%</b>	<b>1,886</b>		<b>13.34%</b>
<b>Total Citywide Employees</b>	<b>39,200</b>		<b>100.00%</b>	<b>14,133</b>		<b>100.00%</b>

Source: Finance Department, City of Tracy

Note: No information is available for 2008, therefore 2007 is reported.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	4	4	4	5	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	8	7	7	7	7	7	7	7	16	17
Human Resources	9	6	6	5	5	6	6	6	9	9
Finance & Information Systems	32	26	27	24	23	23	23	23	26	27
Police	139	133	136	135	135	134	133	135	154	155
Fire	81	80	79	78	80	82	78	78	85	84
Economic Development	3	3	3	2	2	4	8	6	6	5
Development and Engineering	61	39	37	40	38	48	41	44	55	55
Public Works	84	61	46	46	46	59	59	66	71	74
Parks and Community Services	13	23	38	35	41	50	59	50	48	49
Water	30	35	39	39	39	40	40	41	44	44
Wastewater	25	26	26	27	26	28	28	29	29	29
Airport	2	2	2	2	2	1	2	2	2	2
Solid waste	1	1	1	1	1	2	1	1	1	1
Transit	3	3	2	2	2	2	2	2	2	2
Drainage	3	3	3	3	3	2	2	2	2	2
<b>Total</b>	<b>504*</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>

Note: \*Amounts prior to 2017 do not include vacant positions.

Source: Finance Department, City of Tracy

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Building Permits Issued	2,904	2,736	2,852	1,924	1,435	1,293	915	844	898	774
Building Inspections requested	16,260	17,025	13,824	9,128	6,189	4,568	2,975	3,377	2,859	5,334
Police:										
Arrests	2,894	2,732	2,502	2,541	2,765	2,896	2,941	3,415	4,435	4,450
Parking citations issued	1,335	1,685	1,160	1,454	1,472	2,196	3,153	4,704	2,948	2,916
Traffic violations	4,630	6,341	5,450	3,798	3,519	5,281	6,668	7,347	7,007	6,867
Fire:										
Number of emergency calls	7,351	6,924	6,811	6,443	6,322	5,951	5,570	5,717	6,159	6,165
Inspections	3,785	5,164	4,071	3,333	3,114	3,416	2,383	1,614	3,776	3,814
Water:										
Water Mains (miles)	431	426	426	420	410	410	402	402	402	402
New connections	1,173	228	74	45	23	20	20	22	25	40
Maximum Daily Capacity (gallons) (millions of gallons)	57	57	57	57	57	57	57	57	57	57
Average daily consumptions (gallons) (millions of gallons)	16	13	14	15	15	15	14	16	16	16
Sewer:										
Sanitary Sewer (miles)	426	421	421	415	410	410	400	400	400	400
New connections	650	227	74	45	22	14	20	22	25	40
Average daily treatment (gallons) (millions of gallons)	9.75	10	9.5	9.5	9.5	9	9	9	9	9
Airport:										
Hangar rentals	76	62	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	264	252	221	211	205	198	194	227	339	342
Recyclables collected (tons per day)	86	76	69	66	65	64	66	49	26	28
Transit:										
Average daily passengers	585	505	519	444	418	357	325	334	323	329
Total fixed route miles	302,039	594,997	313,380	228,817	237,089	226,808	152,284	158,211	154,937	236,684

Source: City of Tracy Departments

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	6	6	7	7	7	7	7	7	7	7
Public works:										
Number of street lights	6,110	6,110	6,004	5,430	5,430	5,430	5,430	4,781	4,770	4,763
Number of traffic signals	85	85	84	84	78	78				
Parks and recreation:										
Number of parks	77	77	76	76	76	76	76	76	76	76
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	431	426	426	420	410	410	395	395	395	395
Wastewater										
Sanitary sewers (miles)	426	421	421	415	410	410	395	395	395	395
Airport:										
Number of hangars	76	75	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	18	15	15	15	15	15	15	14	13	13

Source: Development Services Department, City of Tracy

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