



CITY OF TRACY

Tracy, California



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018

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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the
CITY OF TRACY, CALIFORNIA

For the fiscal year ended
June 30, 2018

Prepared by the
Finance Department

KARIN SCHNAIDER
Finance Director

MARTHA GARCIA
Finance Manager

THOMAS HEDEGARD
Budget Officer

ROBERT HARMON, CPA
Senior Accountant

FELICIA GALINDO
Accountant

GUADALUPE PENA
Accountant

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Introductory Section



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CITY OF TRACY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

INTRODUCTORY SECTION:

Table of Contents..... i

Organization Chart..... v

List of Elected Officials..... vi

List of Other Officials..... vii

GFOA Certificate of Achievement..... viii

Letter of Transmittal ix

FINANCIAL SECTION:

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis 5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position..... 23

Statement of Activities 24

Fund Financial Statements:

Governmental Funds:

Balance Sheet..... 28

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position..... 31

Statement of Revenues, Expenditures, and Changes in Fund Balances 32

Reconciliation of the Net Change in Fund Balances Governmental
Funds with the Change in Net Position Governmental Activities 34

CITY OF TRACY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

Proprietary Funds:

Statement of Net Position.....	36
Statement of Revenues, Expenses and Changes in Fund Net Position.....	38
Statement of Cash Flows	40

Fiduciary Funds:

Statements of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position	45

Notes to Basic Financial Statements	47
--	-----------

Required Supplementary Information:

Modified Approach to Reporting Street Pavement Costs.....	103
Schedule of Changes in Net Pension Liability and Related Ratios – Miscellaneous Plan.....	105
Schedule of Contributions – Miscellaneous Plan	106
Schedule of Changes in Net Pension Liability and Related Ratios – Safety Plan.....	107
Schedule of Contributions – Safety Plan	108
Postemployment Benefit Plan Other Than Pensions (OPEB) Schedule of Changes in Total OPEB Liability and Related Ratios	109
Postemployment Benefit Plans Other Than Pensions (OPEB) - Schedule of Contributions.....	110
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	111
Housing Successor Fund	112
TEA Grant Fund.....	113
South County Fire Authority Fund	114
Community Development Fees Fund	115
Notes to Required Supplementary Information	116

CITY OF TRACY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

Supplemental Information:

Major Governmental Funds, Other Than the General Fund and Special Revenue Funds:

2008 Lease Revenue Bonds Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	121
---	-----

Non-major Governmental Funds:

Combining Balance Sheet	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	132
Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual	138

Internal Service Funds:

Combining Statement of Net Position	144
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	145
Combining Statement of Cash Flows	146

Fiduciary Funds:

Combining Statement of Changes in Assets and Liabilities – Agency Funds	149
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STATISTICAL SECTION:

Financial Trends:

Net Position by Component – Last Ten Fiscal Years	161
Changes in Net Position – Last Ten Fiscal Years	162
Program Revenues by Function/Program – Last Ten Fiscal Years	164
Fund Balance of Governmental Funds – Last Ten Fiscal Years	165
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	166
Tax Revenues by Source – Last Ten Fiscal Years	167

CITY OF TRACY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

STATISTICAL SECTION (Continued)

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	168
Direct and Overlapping Property Tax Rates- Last Ten Fiscal Years.....	169
Principal Property Taxpayers – Current Fiscal Year and Nine Years Ago	170
Property Tax Levies and Collections – Last Ten Fiscal Years	171
Sales Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years.....	172
Taxable Sales by Category – Last Ten Calendar Years.....	173
Principal Sales Tax Producers – Current Fiscal Year and Ten Years Ago.....	174
Water and Wastewater Rates – Last Ten Fiscal Years	175

Debt Capacity:

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	176
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	177
Direct and Overlapping Governmental Activities Debt.....	178
Legal Debt Margin Information – Last Ten Fiscal Years.....	179
Pledged Revenue Coverage – Last Ten Fiscal Years	180

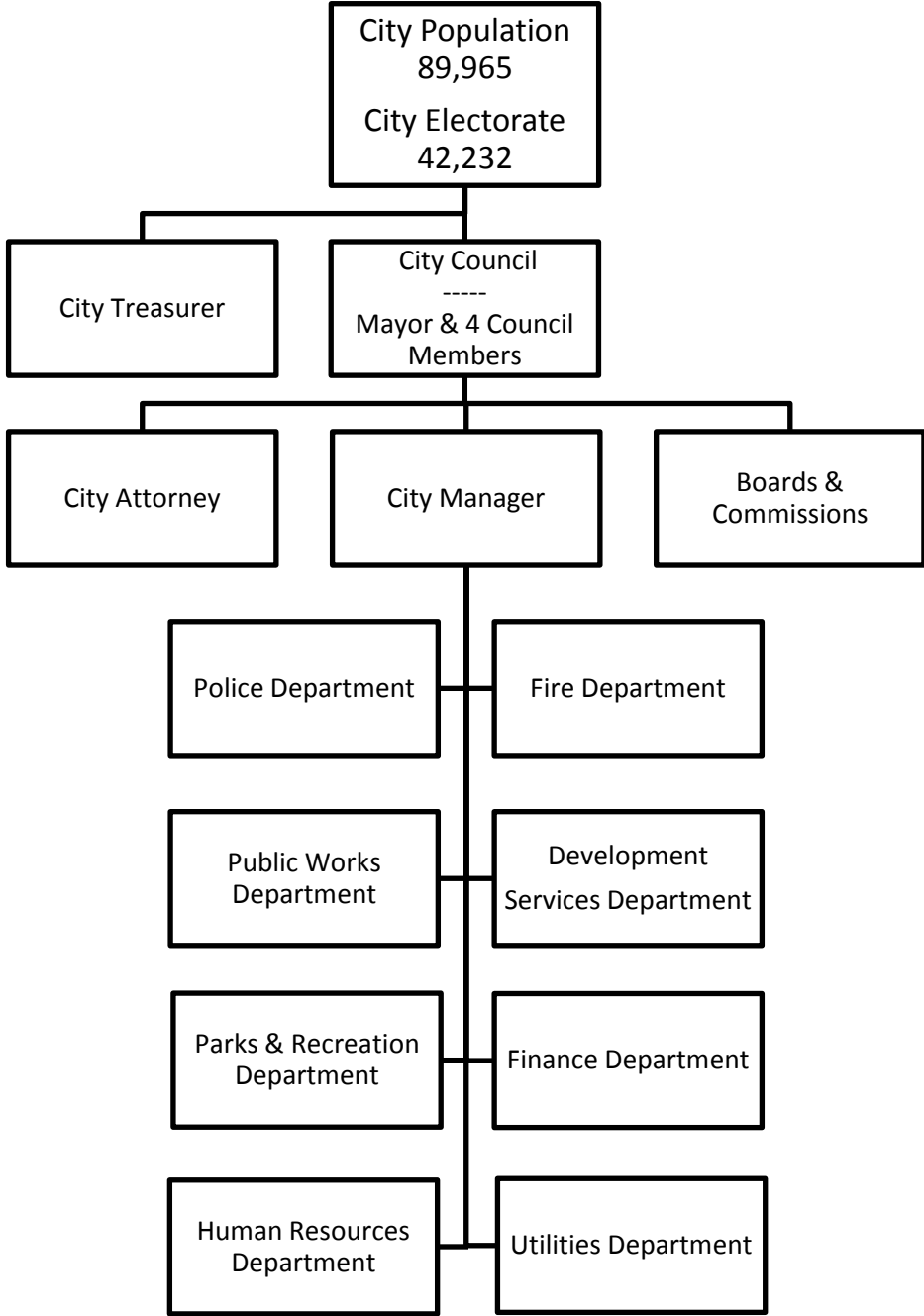
Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Years.....	181
Principal Employers – Current Fiscal Year and Twelve Years Ago	182

Operating Information:

Full-Time and Part-Time City Employees by Function – Last Ten Fiscal Years.....	183
Operating Indicators by Function – Last Ten Fiscal Years	184
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	185

City of Tracy
ORGANIZATION CHART



CITY OF TRACY, CALIFORNIA

COUNCIL – MANAGER FORM OF GOVERNMENT

June 30, 2018

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

Midori Lichtwardt

Interim Assistant City Manager

Thomas Watson

City Attorney

Karin Schnaider

Finance Director

Larry Esquivel

Police Chief

David Bramell

Interim Fire Chief

Andrew Malik

Development Services Director

Don Scholl

Public Works Director

Kul Sharma

Utilities Director

Brian McDonald

Parks & Recreation Director

Kimberly Murdaugh

Interim Human Resources Director



Government Finance Officers
Association

**Certificate of
Achievement
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**City of Tracy
California**

For its Comprehensive
Annual Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



"Think Inside the Triangle"

CITY OF TRACY

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

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

December 31, 2018

Honorable Mayor and City Council Members
Citizens of the City of Tracy:

We are pleased to present the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report fulfills that requirement for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The data in this report is presented in a manner that is designed to fairly set forth the financial position and results of operations of the City of Tracy (the City). It contains the disclosures necessary to promote in-depth understanding of the City's financial affairs and evaluate its financial condition. The City annually publishes a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by an independent, certified public accounting firm.

The City's financial statements have been audited by Maze & Associates Accountancy Corporation located in Pleasant Hill, California. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year (FY) ended June 30, 2018 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is the first item presented in the financial section of this report.

In addition to the financial audit, each year the City is required to undergo an audit of federal grant expenditures. That report is commonly referred to as a Single Audit report and is issued as a separate document and is not included herein. The Single Audit report includes the Schedule of Expenditures of Federal Awards, Findings and Recommendations, and an auditor's report on the internal control structure and compliance with applicable laws and regulations.

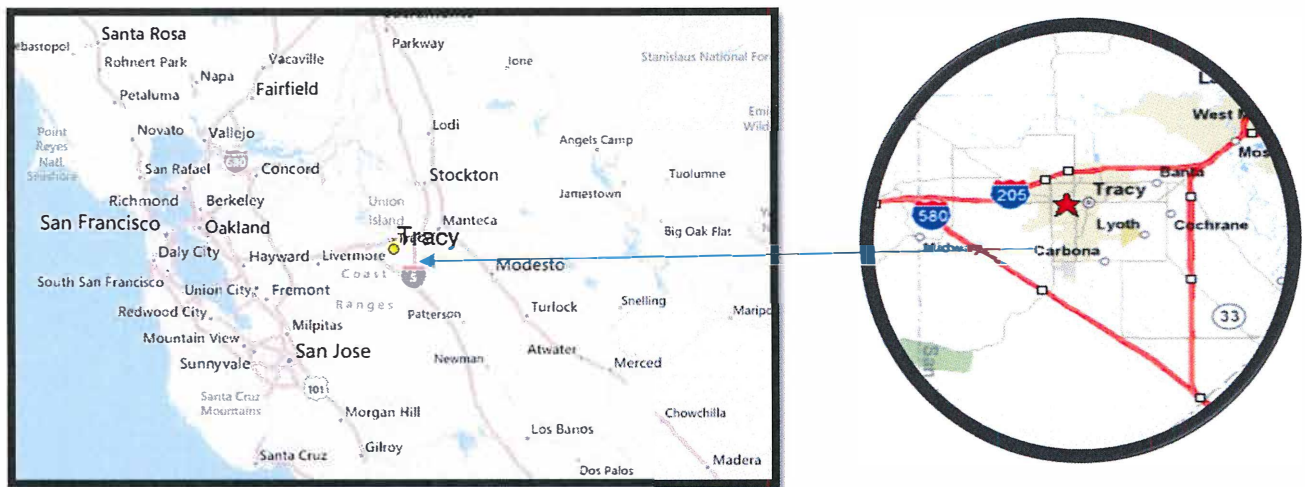
Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements entitled, "Management's Discussion & Analysis" (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A, which can be found

immediately following the report of the independent auditors in the financial section of the CAFR.

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 and was incorporated as a city in 1910. For many decades, it served both as a railroad center and farm market town. After World War II, the US Army opened and continues to operate a defense supply center; which shifted transportation of goods and people from railway to highways as the interstate system was developed. By 1960, the City's employment base included a few food-processing plants and small-related manufacturing operations. Over the decades, the City saw growth that has reflected the growth of suburban areas in the Bay Area; with large growth in the 1980's, 2000's and now again as the housing markets are beginning to rebound after the Great Recession. The City's economy has diversified into local and international manufacturing, commercial and distribution centers.

The City's proximity to three major highway systems has promoted the City's motto of "work, play, and live within the Triangle" where Interstate 5, 580, and 205 create a triangle of transportation around the city's sphere of influence.



Situated as the first major city east of the Altamont Pass, Tracy is considered an outer suburb of the Bay Area. It is the second largest City in the San Joaquin County after Stockton. The population and size of Tracy has increased from 18,428 and 7.0 square miles in 1980 to over 92,000 and 29.1 square miles in 2018. The San Joaquin Council of Governments (SJCOG) forecasts that Tracy's population is anticipated to 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.

Economic Conditions and Outlook: 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 that have diversified the City's growing tax base. Working with our local and regional partners, we actively promote the City as an ideal place for residential and commercial investment. The City's economic development efforts continued to bear fruit with the expansion of several businesses and construction of new distribution facilities. In addition, the City's housing stock is growing as multiple housing developments are currently under construction. 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 has 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 Tracy slightly lower than their western neighbors in the Bay Area, but higher than median housing prices of the San Joaquin County and eastern neighbors of the Central Valley. This trend provides a constant buyers' market from the Bay Area to more affordable housing in Tracy.

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 has 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. In Fiscal Year 2019-2020, the City is poised to bring in a second manufacturing business and hotels that will potentially boost the sales tax and transient occupancy tax by an additional 2-3%.

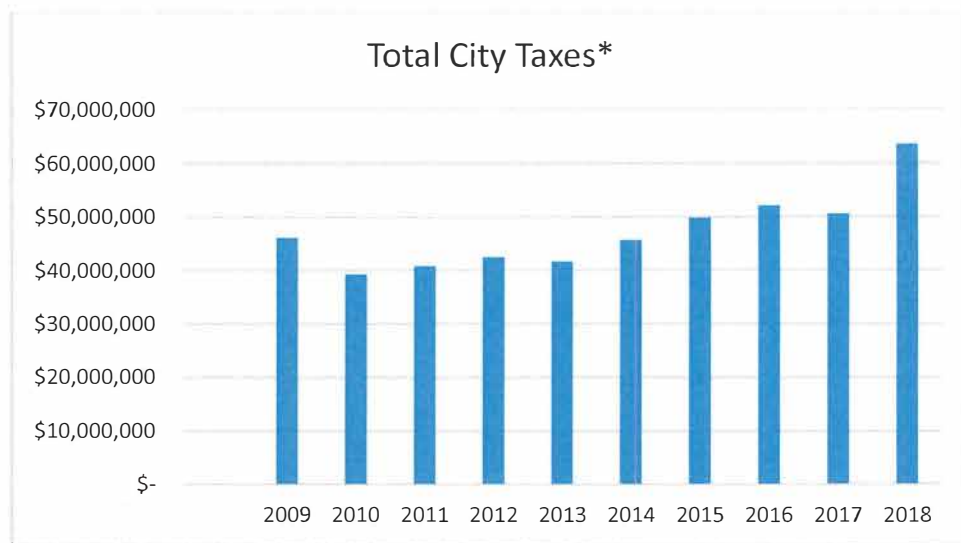
In addition, the City has increased new warehouse and commercial spaces throughout the City. The City is growing exponentially in the commercial-industrial markets. Major industrial developers such as Majestic Realty, Industrial Property Trust, Seefried Properties, Scannell Properties and Prologis are investing millions of dollars into infrastructure and building construction for new companies locating in Tracy. Highlights of business locations for 2018 include: Fischer Scientific occupying 225,000 square feet, Lindt-Ghirardelli occupying more than 708,000 square feet, System Services of America occupying 154,500 square feet, and Zinus in more than 664,000 square feet. Katerra, a manufacturer of pre-fabricated residential and commercial office space, is currently constructing a new 577,000 square foot build for its west coast manufacturing plant. Combined, these facilities will bring more than 2,000 jobs and enhance property taxes from the industrial areas of the City.

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 City estimates it will grow 5% annually over the next 3-5 years in property tax.

In addition to the growth in commercial and residential, the City Council and voters passed in November 2016 an additional ½ cent local sales tax (known as Measure V). This measure replaced a prior ½ cent sales tax measure that expired earlier in the calendar year. The City implemented the half-cent Measure V sales tax in April of 2017 for a term of 20 years. It is expected to generate approximately \$8 million annually for the City of Tracy's General Fund. With the strong economic growth occurring in other aspects of the City's resources, the City Council has dedicated the resources of Measure V to amenitizing the City with future plans to build a new aquatic center, community center, continued expansion of Tracy's Legacy Fields, and other parks and improvements throughout the City.

The Council has been committed to having development pay its own way. The City continues to review and update the developer impact fees throughout the City to ensure adequate infrastructure is in place to meet the demands of an ever-growing city. The Council also adopted a Citywide Services Community Facilities District, CFD 2018-1, in January of 2018. Any new subdivision of 5 or more units is expected to join or mitigate the costs associated with the Police and Public Works services demands connected to new development. The CFD taxes are set at \$68 per parcel per year and has an inflation rate set to the Consumer Price Index; and will offset the costs associated with adding personnel to meet future population growth in the developing communities of Tracy.



See **Statistical Section for more data on the City's economic influences*

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'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

Strategic Priorities and Long-term Fiscal Planning: 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. In 2017, the Council identified desired outcomes related to the City's social, economic, organizational and environmental landscape. The Council adopted a governance strategy 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. The plan includes 16 specific action items that address Public Safety, Quality of Life, Governance and Economic Development.

In response, a set of strategic priorities, goals and objectives were adopted to carry out the vision of the City Council. The City prepares a ten-year fiscal plan annually as a tool for the Council to meet these strategic priorities. 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. As part of building the multi-year forecast, the City uses information based on past, current, and projected financial conditions. As part of the strategic planning and long-term forecasts, the City has developed and maintains several tools to provide analytic measurements of future fiscal impacts. First, the ten-year forecast includes two separate studies to analyze the impacts of employee retirement benefits. One is focused on the fiscal impacts of pension and one on retiree medical costs. Secondly, the City has three separate studies on revenue forecasts based on economic trends surrounding short and long-term retail and housing markets. The City overlays each of these studies into the planning documents to create a multi-faceted approach to fiscal analysis.

This has helped 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 City uses the five-year financial forecast as a management tool to best anticipate inflows and outflows of City resources in the short-term, then projects out these trends into the longer ten-year model to ensure budget sustainability. Modeling of long-term strategies also allows marginal shifts to occur over time to maintain healthy reserves while still actively improving services to the public. The forecast has become an integral part of the annual and mid-budget process.

With the continued growth in development and population, the demand for City services has also increased. The Council recognizes the dedication and professionalism of the City staff and the importance of attracting and retaining a highly skilled workforce to serve the public. Beginning July 1, 2018, the City entered into three-year labor contracts that provided an annual salary increase of 4%; or 12% over three years. In addition, staffing levels continue to expand by an average of 3% annually throughout the organization. Many of these staffing positions are a shift from temporary contract services to permanent staff as staffing levels begin to return to pre-recession levels, such as in Parks, Public Works, and Development Services. Other areas of Administration and Public Safety are increasing to respond to a growing population and demand for services from the community. The City has strategically leveraged both one-time reserves and economic growth in the financial forecast to accommodate the short-term and long-term demands on resources. By doing so, the City is expected to maintain reserves in excess of the Council's 30% reserve policy.

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.

Major Initiatives in 2017-2018:

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

- 11th Street Bridge Replacement – Originally built in 1936 with two lanes, the bridge was later widened to four lanes in 1960. The condition of the bridge had 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 the bridge re-opened in 2018. The City received several Local, State, and Federal grants to fund these improvements. The City also successfully completed an exhaustive audit review from Cal Trans related to these grants in 2018. *This project was featured on the City's CAFR cover.
- Legacy Fields Phase 1C – This phase completed five baseball fields within the western wagon wheel with new fencing, warning tracks and sod. Improvements also included the installation of two restroom/concession buildings with plaza areas, a stand-alone restroom building, shade structures, and an enclosed maintenance yard for staff and equipment. The Council committed Measure V Sales Tax revenues to the completion of these improvements. In addition, 250 community volunteers planted 150 new trees at Legacy Fields at the City's 4th Annual Arbor Day celebration. The City received a grant for the trees from Cal Fire.
- The Lolly Hansen Senior Center Upgrade/Expansion- This project expands the Senior Center from 5,137 sqft. To 7,360 sqft. and is located in the Civic Center Plaza. The expansion adds additional classroom space, storage capacity, and increases the size of the multi-purpose room. Funding was provided from CDBG grants and Measure V Sales Tax revenues.
- Lowell Avenue Sidewalk- The City received a grant to install of 8,000 sqft. of sidewalk along Lowell Avenue from Tracy Boulevard to Joe Wilson Pool in Powers Park. Design began in 2018 and construction is expected to be completed by summer 2019. The funding was an Active Transportation Program (ATP) Grant (a State-Gas Tax grant).
- 11th Street Median Renovation Project- Located at one of the City's main points of entry, this project focused on providing median improvements to enhance the aesthetic features portraying a much more inviting atmosphere for residents and visitors of Tracy. The project included landscape improvements in the median from Corral Hollow to Lammers Road with low flow irrigation style sprinklers and drought tolerant plants. Funded by the General Fund; it was completed in October of 2018.
- Expansion of Corral Hollow- Corral Hollow Road is a major thoroughfare in the City and is heavily travelled during both peak and non-peak hours. The road widening project significantly improves the traffic circulation on Corral Hollow Road within this segment of the road. This project includes multiple projects including demolition of approximately 4,500 linear feet of existing median islands, landscaping, roadway excavation, grading, paving and striping. Funding was provided by Developer Impact Fees.
- The Downtown Festival Lighting Project- Completed in Fall 2018. The project consists of the installation of 3500 linear feet of permanent LED festival lighting strung between existing streetlights in the Downtown Business District. This project supports the numerous City festivals throughout the year where citizens will enjoy community events held in Downtown. Funding was provided from the City's General Fund.

- Boyd Service Center (BSC) Phase II Project - Started in spring 2018, the BSC renovation will accommodate additional shop space for Public Works Maintenance Staff at the Corp Yard to meet increased service level demands and to comply with State Health and Safety Standards. Funding has been provided through a combination of Developer Impact Fees and City contributions.
- Fleet and Equipment Investments- The City has invested in numerous new vehicles and equipment in the last year to accommodate the growth of the City personnel and to invest in new technologies to increase staff transparency, effectiveness, and efficiency. Funding is collected through Internal Service Charges in the Fleet, Equipment, and Technology funds.

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 committed or assigned 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 and revised the policy in June 2017. Please refer to Note # 9 for more information.

Summary of the General Fund Reserves as of June 30, 2018

Non-spendable	Advances To Other Funds	\$ 1,042,000
	Loans Receivable	482,841
Committed	20% reserve	14,960,997
Assigned	10% reserve (Economic Stability)	7,480,499
	Measure V	7,550,250
	Prior Year Re-Appropriations	1,594,000
	2019 Budget Appropriations	4,350,000
	Animal Control	22,193
Uncommitted	Uncommitted	842,109
		<u>\$38,324,889</u>

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 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 affected 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.

GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

The City has implemented GASB 75 in FY 2017-2018.

GASB 81 – Irrevocable Split-Interest Agreements: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB 85 – Omnibus 2017: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB 86 – Certain Debt Extinguishment Issues: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The City does not have any transactions related to GASB 81, GASB 85, or GASB 86.

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 2017-18 amounted to \$57,836,561 and \$49,258,574 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, 2017. This was the 30th 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.

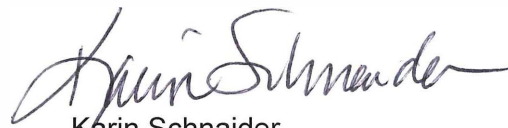
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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. We would also like to recognize the Mayor and City Council for their guidance and support in the City's pursuit of excellence in financial reporting.

Respectfully submitted,



Randall Bradley
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, 2018, 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, 2018, 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, business-type activities and internal service funds related to capital assets and accumulated depreciation.

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

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 9E.

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 December 28, 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.



Pleasant Hill, California
December 28, 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, 2018. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards 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 2017-18 fiscal year by \$1,190 million Net Position. Of this amount, \$38 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 \$56 million, with \$46 million attributable to governmental activities and \$10 million attributable business-type activities. During fiscal year 2018, the City adopted revised accounting policies and made other corrections that resulted in restatements to beginning net position. The governmental activities increased \$20 million related to growth in tax revenues, along with continued growth in development related fees. In addition, the City's governmental activities net position increased due to developer dedicated infrastructure of \$4 million.
 - 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 and the analysis continued into fiscal year 2018. As a result, governmental activities net capital assets were restated and increased \$1.9 million and business-type activities were restated and decreased \$1.2 million.
 - Restatement due to OPEB - Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. Refer to Notes 6 and 9 in the financial statements for the restatements.
- As of June 30, 2018, the City's combined governmental funds reported fund balance of \$189.6 million, of which \$188.1 million is available to meet the City's current and future needs.
- As of June 30, 2018 the fund balance for the General Fund was \$38.3 million of which \$1.5 million is designated as Non-Spendable for items such as deposits, prepaid assets, inter-fund advances, and inventory. Committed fund balance was \$15 million, designated for Contingency/Emergency. Assigned fund balance was \$21 million, designated for items such as economic revitalization and public facilities oversizing, and the unassigned balance was \$.8 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 36 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 I 26 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, total OPEB liability and contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – The net position for the City as a whole increased by \$54 million or 4.8%, from \$1,136 million at June 30, 2017 to \$1,190 million at June 30, 2018. In addition, during fiscal year 2018, the City adopted revised accounting policies and made other corrections that resulted in restatements (see Note 9) to beginning net position. Including these restatements, net position increased by \$56 million. 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. Restricted net position accounted for \$183.6 million restricted for capital projects, debt service and legally segregated taxes, grants, and fees. The unrestricted net position decreased by \$2.4 million, from \$40.4 million in at June 30, 2017 to \$38 million at June 30, 2018 and 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 \$80.8 million in accordance with Generally Accepted Accounting Principles.

The following table reflects the Summary of Net Position for the fiscal year ended June 30, 2018 with comparative data for the fiscal year ended June 30, 2017. The 2017 amounts are as originally presented and have not been restated for the current fiscal year implementation of GASB Statement No. 75 or the other restatements discussed in Note 9E.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Cash and Investments	\$ 208,992	\$ 170,298	\$ 49,815	\$ 49,213	\$ 258,807	\$ 219,511
Other Assets	51,566	58,249	12,541	4,406	64,106	62,655
Capital Assets	630,800	603,549	393,568	393,399	1,024,368	996,946
Total Assets	891,358	832,094	455,924	447,018	1,347,282	1,279,112
Deferred Outflows						
Related to Pensions & OPEB	24,453	18,156	2,786	2,169	27,240	20,325
Current Liabilities	26,651	18,618	8,278	6,753	34,929	25,371
Non-Current Liabilities	100,826	85,911	42,298	41,861	143,124	127,772
Total Liabilities	127,478	104,529	50,576	48,614	178,053	153,143
Deferred Inflows						
Related to Pensions & OPEB	6,236	9,653	305	938	6,541	10,591
Net Investment in Capital						
Assets	609,080	581,394	359,213	357,628	968,293	939,022
Restricted	183,594	155,946	-	350	183,594	156,296
Unrestricted	(10,576)	(1,272)	48,616	41,657	38,040	40,385
Total Net Position	\$ 782,098	\$ 736,068	\$ 407,829	\$ 399,635	\$ 1,189,927	\$ 1,135,703

The City's Government-wide Net Position as of June 30, 2018, comprised the following:

- Cash and investments combined increased by \$39.3 million or 17.9%, from \$220 million at June 30, 2017 to \$259 million at June 30, 2018. Of the \$259 million in the City cash and investments, \$254.7 million is in the city treasury and investments, and \$4.2 million is restricted cash held by fiscal agents. The increase is primarily attributable to capital projects activity.
- Governmental receivables decreased by \$1.9 million or 4.3%, from \$44.2 million at June 30, 2017 to \$42.2 million at June 30, 2018. Receivables were comprised of \$18.9 million of current receivables and \$23.3 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.
- Capital assets increased by \$27.4 million or 2.8%, from \$996.9 million at June 30, 2017 to \$1024.4 million at June 30, 2018. Net capital assets of \$1024.1 million include the City's infrastructure in addition to all other City assets. Governmental activities net capital assets were restated and increased by \$1.9 million and business-type activities were restated and decreased by \$1.2 million, as discussed in Note 6E to the financial statements.
- Restricted Net Position increased \$27.3 million or 17.5%, from \$156.3 million at June 30, 2017 to \$183.6 million at June 30, 2018. Restricted Net Position is restricted for capital projects \$143.3 million; low-moderate income housing projects \$16.6 million; debt service \$9.4 million; and \$14.3 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position decreased by \$2.3 million or 5.8%, from \$40.4 million at June 30, 2017 to \$38 million at June 30, 2018. 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 \$10.6 million in Governmental Activities reflects the prior year implementation of GASB Statement No. 68 and the related Net Pension Liability of \$72.2 million.

The Change in Net Position expressed as the change in revenues and expenses through June 30, 2018 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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 19,520	\$ 13,996	\$ 53,656	\$ 53,540	\$ 73,176	\$ 67,536
Operating Contributions and Grants	14,191	12,680	6,397	1,516	20,588	14,196
Capital Grants and Contributions	68,535	39,966	9,181	4,268	77,716	44,234
Total Program Revenues	102,246	66,642	69,234	59,324	171,480	125,966
General Revenues:						
Property Taxes	20,857	20,393			20,857	20,393
Other Taxes	38,075	28,838			38,075	28,838
Other General Revenues and Transfers	(6,173)	(2,470)	9,307	5,617	3,134	3,147
Special Item	(3,347)	-			(3,347)	-
Total General Revenues and Special Item	49,412	46,761	9,307	5,617	58,719	52,378
Total Revenues	151,658	113,403	78,541	64,941	230,199	178,344
Expenses						
General Government	13,479	12,413			13,479	12,413
Police	29,141	23,477			29,141	23,477
Fire	23,644	17,849			23,644	17,849
Development & Engineering	13,833	8,414			13,833	8,414
Public Works	20,351	17,916			20,351	17,916
Parks & Community Services	3,395	2,830			3,395	2,830
Interest on Long-term Debt	1,288	1,304			1,288	1,304
Water			19,087	18,980	19,087	18,980
Wastewater			18,601	15,079	18,601	15,079
Solid Waste			20,958	20,541	20,958	20,541
Storm Drainage			2,791	3,027	2,791	3,027
Airport			1,475	901	1,475	901
Transit			5,571	3,953	5,571	3,953
Total Expenses	105,131	84,203	68,483	62,481	173,614	146,684
Change in Net Position	46,527	29,200	10,058	2,460	56,585	31,660
Net Position, Beginning (July 1, 2017 Restated)	735,571	706,868	397,771	397,175	1,133,342	1,104,043
Net Position, Ending	\$ 782,098	\$ 736,068	\$ 407,829	\$ 399,635	\$ 1,189,927	\$ 1,135,703

Revenues

Total revenues increased \$51.9 million or 29.1%, from \$178.3 million at June 30, 2017 to \$230.2 million at June 30, 2018. Total governmental activity revenues increased by \$38.2 million. This increase is primarily attributable to increased capital grants and contributions, and charges for services. Total governmental general revenues increased by \$2.7 million related to other general revenues and transfers.

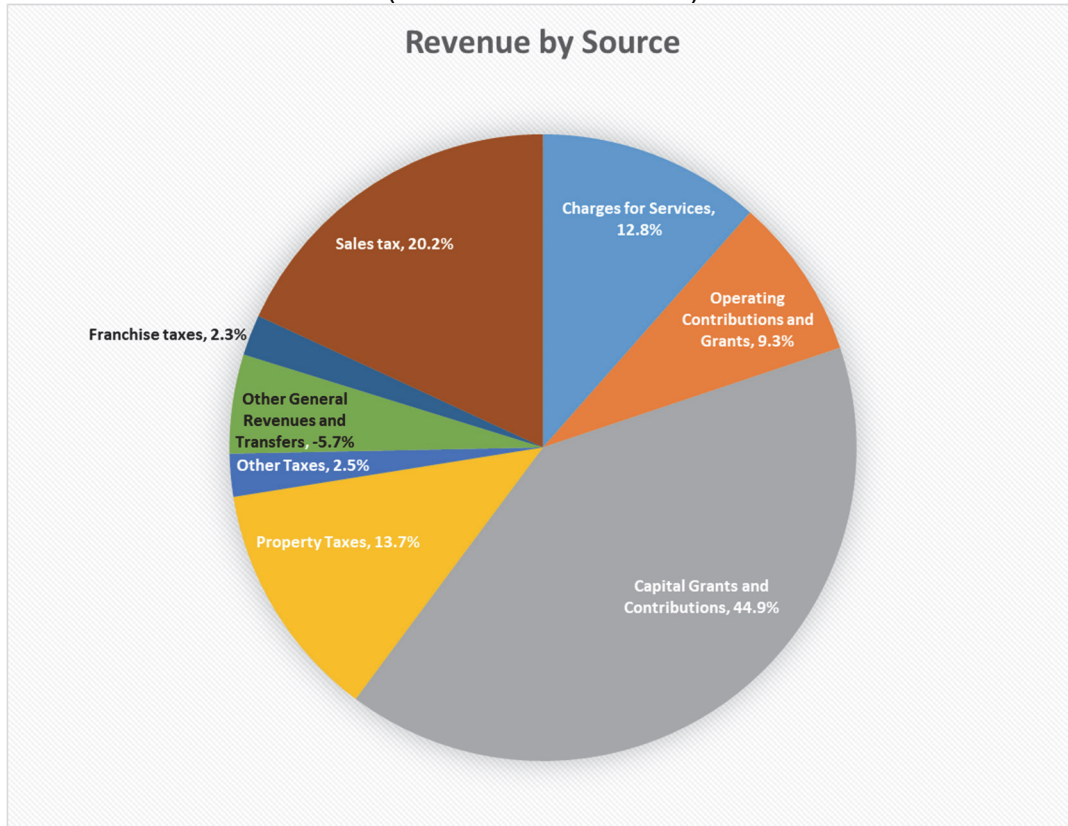
Expenses

Expenses for the City increased by \$26.9 million or 18.4%, from \$146.7 million at June 30, 2017 to \$173.6 million at June 30, 2018. Governmental activities incurred \$105.1 million of expenses while business-type activities incurred \$68.5 million. Of the Governmental Activities, the largest expenses were in Public Safety \$52.8 million; Public Works \$20.4 million; and Development & Engineering \$13.8 million.

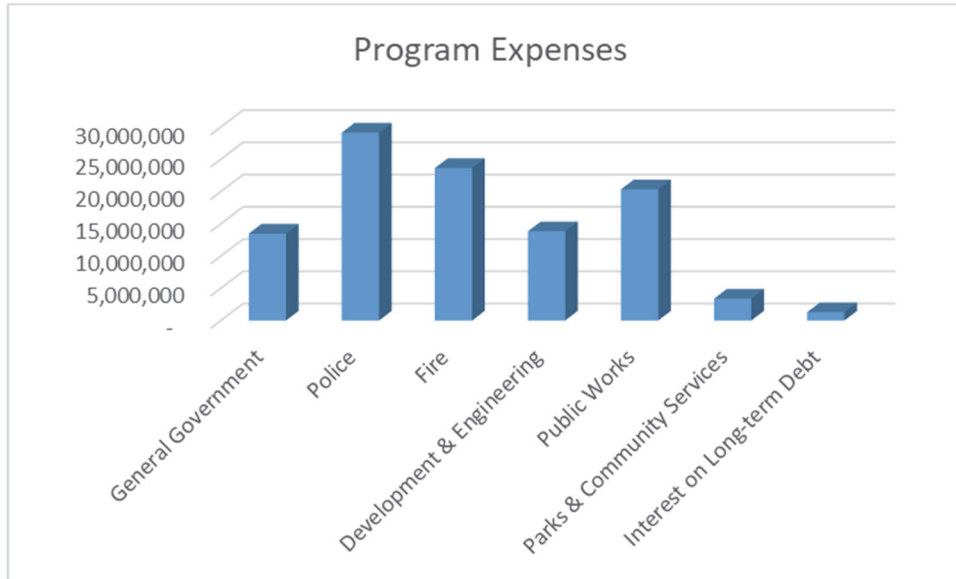
Governmental Activities

Total resources available during the year to finance governmental operations were \$887.2 million consisting of net position at June 30, 2017 of \$735.6 million, program revenues of \$102.2 million and general revenues and transfers of \$49.4 million. Government 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, 2018
(in thousands of dollars)



Cost of Services by Program - Governmental Activities
Fiscal Year Ended June 30, 2018
(in thousands of dollars)



The change in net position of Government Activities increased by \$17.3 million or 59.2%, from \$29.2 million at June 30, 2017 to \$46.5 million at June 30, 2018, largely due to increased revenues of \$35.6 million and an increase in expenses of \$19.3 million in Public Safety, Public Ways and Facilities/Transportation, and Development Services. This increased revenue is related to the General Fund and special revenue funds, for future capital projects.

Business-Type Activities

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

	Business-type Activities	
	2018	2017
Net Revenue (Expense) from Business-type Activities		
Water	\$2,310	(\$3,760)
Wastewater	(1,991)	(273)
Airport	1,430	612
Solid Waste	15	2,813
Transit	970	(166)
Drainage	(1,983)	(2,383)
Total Business-type Activities	\$751	(\$3,157)

Net revenues of Business-type Activities increased \$3.9 million or 124%, from a negative total of \$3.2 million at June 30, 2017 to positive total of \$.8 million at June 30, 2018. This was a result of increased revenues related to Charges for Services including a water rate increase, and the receipt of grants for transit services and capital projects.

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, 2018, the City's governmental funds reported combined fund balances of \$189.6 million, which is an increase of \$20 million or 11.8%, from \$169.6 million at June 30, 2017. Governmental fund revenues, increased \$31.4 million or 25%, from \$124.9 million at June 30, 2017 to \$156.4 million at June 30, 2018. The General Fund accounted for \$74.8 million of this total. The increase in revenues came from Measure V general sales tax, special assessment property taxes, developer fees and intergovernmental revenue or grants. Expenditures increased by \$22 million or 20.4%, from \$107.7 million at June 30, 2017 to \$129.7 million at June 30, 2018. Of this total, \$62.5 million was in the General Fund. Expenditures increased in relation to capital outlay for capital improvement projects and the addition of City staff.

General Fund

At June 30, 2018, the General Fund balance of \$38.3 million, was comprised of \$1.5 million in non-spendable balances, \$15 million committed funds for contingency/emergency reserve, and \$21 million in assigned funds. The remaining \$.8 million is unassigned. 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. The City and Tracy Rural Fire District entered into a new agreement, resulting in a loan write-off of \$3.3 million in the General Fund at June 30, 2018.

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, 2018, the fund balance of the Housing Successor Special Revenue Fund was comprised of \$1.4 million in cash and investments and \$2.8 million in loans to the Successor Agency.

TEA Grant Fund

The TEA Grant Fund had revenues of \$7.1 million and expenses of \$13.4 million, all for capital projects. The fund balance decreased from to (\$0.3) million at June 30, 2017 to (\$0.6) million at June 30, 2018 as a result of the late collection of grants receivable.

South County Fire Authority Fund

The South County Fire Authority Fund had revenues of \$7.2 million and expenses of \$8.9 million. The fund balance of \$62 thousand was a decrease of \$1.6 million over the prior year. The loan balance of \$3.3 million from the General Fund was written-off at June 30, 2018.

Community Development Fees Special Revenue Fund

The Community Development Fees Special Revenue Fund had revenues of \$8.8 million and expenses of \$11.2 million. This includes a transfer of \$1.2 million in from the General Fund. 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 \$0.7 million at June 30, 2017 comparable to \$0.7 million at June 30, 2018.

General Projects Fund

The General Projects Fund had revenues of \$0.2 million, transfers in of \$7.5 million, and expenditures and transfers out of \$6.7 million. The fund balance increased \$1.1 million or 19%, from \$5.6 million at June 30, 2017 to \$6.8 million at June 30, 2018. Capital project expenses included Airport Pavement Maintenance (CIP 77037), 11th Street Beautification (CIP 73162), Community Center Upgrades (CIP 71092), and Legacy Fields (CIP 78153).

Tracy Infrastructure Master Plan Fund

The Tracy Infrastructure Master Plan (TIMP) Fund had revenues of \$20.9 million and expenses of \$8.8 million. The fund balance increased \$12.1 million or 44%, from \$27.7 million at June 30, 2017 to \$39.8 million at June 30, 2018. TIMP Funds cover areas of the City not covered by their own financing plan. Project expenses included, Widening of Corral Hollow Rd (CIP 73102), New Wastewater Lines at Corral Hollow Rd (CIP 74118) and Booster Pump Station at the Water Treatment Plant (CIP 75121).

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 \$407.8 million at June 30, 2018. Enterprise operating revenues were \$53.7 million and operating expenses were \$67.1 million in fiscal year 2018. Operating expenses includes \$12.7 million in depreciation recognition.

Water Fund

The net position of the Water Fund at June 30, 2018 was \$181.8 million. Approximately \$1.5 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$180.3 million. Activities for the year were comprised of \$16.3 million in operating revenues for the current year and \$18.8 million in operating expenses. Revenue increased in 2018 due to a water rate increase of 25%.

Wastewater Fund

The net position of the Wastewater Fund at June 30, 2018 was \$136.5 million. Approximately \$29.4 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$107.1 million. Activities for the year were comprised of \$14.8 million in operating revenues for the current year and \$17.6 million in operating expenses.

Solid Waste Fund

The net position of the Solid Waste Fund at June 30, 2018 was \$17.8 million. Approximately \$17.8 million of the Fund's net position was unrestricted at the fiscal year end. Activities for the year were comprised of \$21 million in operating revenues for the current year and \$21 million in operating expenses.

Drainage Fund

The net position of the Drainage Fund at June 30, 2018 was \$43.9 million. Approximately \$(0.3) million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$44.1 million. Activities for the year were comprised of \$.7 million in operating revenues for the current year and \$2.8 million in operating expenses.

Airport Fund

The net position of the Airport Fund at June 30, 2018 was \$12.9 million. Approximately \$(0.2) million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$13 million. Activities for the year were comprised of \$7.7 million in operating revenues, grants and transfers-in for the current year and \$1.5 million in operating expenses. Revenues included \$.7 million in charges for services, \$3.3 million in grants and \$3.7 million in transfers-in. Refer to Note 4 for a discussion of the transfers.

Transit Fund

The net position of the Transit Fund at June 30, 2018 was \$14.9 million. Approximately \$0.3 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$14.6 million. Activities for the year were comprised of \$6.5 million in operating revenues and grants for the current year and \$5.6 million in operating expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget for the General Fund totaled \$68 million. The difference in appropriations between the original budget and the final amended budget was \$2.6 million, largely due to the addition of City staff and capital outlay approved throughout the year. At the end of the fiscal year, the total actual expenses of the General Fund were \$62.5 million; however the General Fund's assigned fund balance reappropriates \$1.6 million in items that began in 2018 but remain in progress in 2019. An additional, \$4.35 million will be appropriated in 2019 for additional capital and staff costs.

CAPITAL ASSETS

At the end of fiscal 2018 the City had \$968 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below. 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 and the analysis continued into fiscal year 2018. As a result, governmental activities net capital assets were restated and increased \$1,939,882 and business-type activities were restated and decreased \$1,162,487.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets						
Land	\$ 174,200	\$ 170,622	\$ 11,841	\$ 11,841	\$ 186,041	\$ 182,463
Streets and Roads	249,137	234,378			249,137	234,378
Construction in-Progress	77,141	52,824	29,662	25,798	106,803	78,622
Total	500,478	457,824	41,503	37,639	541,981	495,463
Depreciable assets						
Buildings and Improvements	120,705	88,792	166,821	137,789	287,526	226,581
Improvements	46,556	88,698	3,571	88,026	50,127	176,724
Grading, Curbs & Gutters						
Sidewalks & Driveway Approaches	31,353	28,977			31,353	28,977
Traffic Signals	22,096	22,654			22,096	22,654
Equipment	33,662	27,851	44,937	46,221	78,599	74,072
Infrastructure	10,666	18,415	317,947	251,577	328,613	269,992
Intangible Assets	610	356	72,883	76,635	73,493	76,991
Less: accumulated depreciation	(135,326)	(130,021)	(254,094)	(244,488)	(389,420)	(374,508)
Net depreciable assets	130,322	145,722	352,065	355,760	482,387	501,482
Total Capital Assets	\$ 630,800	\$ 603,546	\$ 393,568	\$ 393,399	\$ 1,024,368	\$ 996,945

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 2018, the City expended \$2,825,868 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 2019 to maintain its roads at a condition level of 69.

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 \$.5 million or 1.96%, from \$22.2 million at June 30, 2017 to \$21.7 million at June 30, 2018, in debt associated with Governmental Activities. The City long debt outstanding decreased by \$1.7 million or 4.89%, from \$36.1 million at June 30, 2017 to \$34.4 million at June 30, 2018, in debt associated with Business-Type Activities.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
2008 Lease Revenue Bonds	\$ 18,180	\$ 18,430	\$ -	\$ -	\$ 18,180	\$ 18,430
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	850	965			850	965
PG&E LED Street Light Program		69			-	69
2004 Wastewater Revenue Bonds			23,695	24,470	23,695	24,470
State of California-Department of Health Services Loan			10,660	11,651	10,660	11,651
Total Long Term Liabilities	\$ 21,720	\$ 22,154	\$ 34,355	\$ 36,121	\$ 56,075	\$ 58,275

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$204,816,558	\$49,814,608	\$254,631,166
Restricted cash and investments (Note 3)	10,000		10,000
Cash and investments with fiscal agents (Note 3)	4,166,165	25	4,166,190
Accounts receivable	17,858,555	17,162,248	35,020,803
Inventory (Note 1H)		570,994	570,994
Interest receivable	1,050,012	247,008	1,297,020
Prepaid items (Note 1H)		68,175	68,175
Internal balances (Note 4)	5,507,420	(5,507,420)	
Deposits (Note 5I)	1,000,000		1,000,000
Loans receivable (Note 5)	23,345,848		23,345,848
Advances to CDA successor agency (Note 5)	2,803,520		2,803,520
Capital assets, not being depreciated (Note 6)	500,477,589	41,503,305	541,980,894
Capital assets, being depreciated, net of accumulated depreciation (Note 6)	130,322,475	352,064,732	482,387,207
Total Assets	891,358,142	455,923,675	1,347,281,817
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 10)	24,300,355	2,765,336	27,065,691
Related to OPEB (Note 11)	152,926	21,188	174,114
Total Deferred Outflows	24,453,281	2,786,524	27,239,805
LIABILITIES			
Accounts payable	15,062,678	3,233,388	18,296,066
Accrued interest payable	305,314	91,927	397,241
Deposits payable	9,534,383	1,915,481	11,449,864
Unearned revenue	150,824	1,013,111	1,163,935
Compensated absences (Note 1G):			
Due within one year	1,193,203	204,316	1,397,519
Due in more than one year	2,138,023	425,625	2,563,648
Long-term debt (Note 7):			
Due within one year	405,000	1,819,385	2,224,385
Due in more than one year	21,315,000	32,535,194	53,850,194
Net pension liability - due in more than one year (Note 10)	72,163,991	8,615,150	80,779,141
Total OPEB liability - due in more than one year (Note 11)	5,209,656	721,866	5,931,522
Total Liabilities	127,478,072	50,575,443	178,053,515
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 10)	5,970,644	268,542	6,239,186
Related to OPEB (Note 11)	265,197	36,745	301,942
Total Deferred Inflows	6,235,841	305,287	6,541,128
NET POSITION (Note 9)			
Net investment in capital assets	609,080,064	359,213,483	968,293,547
Restricted for:			
Debt service	9,400,442	25	9,400,467
Public safety	1,606,834		1,606,834
Streets and roads	5,262,762		5,262,762
Community development	1,701,502		1,701,502
Special districts	5,662,113		5,662,113
Projects	143,331,758		143,331,758
Housing	16,628,233		16,628,233
Total Restricted Net Position	183,593,644	25	183,593,669
Unrestricted	(10,576,198)	48,615,961	38,039,763
Total Net Position	\$782,097,510	\$407,829,469	\$1,189,926,979

See accompanying notes to basic financial statements

CITY OF TRACY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government				
Economic development	\$1,186,839	\$230	\$285,514	\$4,001,566
General government	7,502,026	6,226,206		113,912
Finance	4,118,283			
Non-departmental	672,803	432,617		143,350
Public safety				
Police	29,140,535	307,532	1,429,200	1,348,074
Fire	23,644,044	285,767	6,886,539	
Public ways and facilities/transportation				
Development and engineering	13,832,817	8,784,283	59,061	519,880
Public works	20,350,724	2,721,640	5,530,668	62,057,433
Culture and leisure				
Parks and community services	3,394,691	761,257		350,923
Interest and fiscal charges	1,288,283			
Total Governmental Activities	105,131,045	19,519,532	14,190,982	68,535,138
Business-type Activities:				
Water	19,087,055	16,306,635		5,090,502
Wastewater	18,600,736	14,835,954		1,774,263
Airport	1,475,587	732,545		2,172,983
Solid waste	20,957,779	20,973,264		
Transit	5,570,708	117,184	6,397,395	25,836
Drainage	2,791,176	690,774		117,139
Total Business-type Activities	68,483,041	53,656,356	6,397,395	9,180,723
Total	\$173,614,086	\$73,175,888	\$20,588,377	\$77,715,861
General revenues:				
Taxes:				
Property taxes				
Franchise taxes				
Sales and use taxes				
Transient occupancy tax				
Business license tax				
Transfer tax				
Motor vehicle in lieu, unrestricted				
Gain from sale of property				
Other revenue				
Interest income				
Transfers (Note 4)				
Special Item:				
SCFA loan write off (Note 15)				
Total general revenues, transfers and special item				
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
\$3,100,471		\$3,100,471
(1,161,908)		(1,161,908)
(4,118,283)		(4,118,283)
(96,836)		(96,836)
(26,055,729)		(26,055,729)
(16,471,738)		(16,471,738)
(4,469,593)		(4,469,593)
49,959,017		49,959,017
(2,282,511)		(2,282,511)
(1,288,283)		(1,288,283)
<u>(2,885,393)</u>		<u>(2,885,393)</u>
	\$2,310,082	2,310,082
	(1,990,519)	(1,990,519)
	1,429,941	1,429,941
	15,485	15,485
	969,707	969,707
	<u>(1,983,263)</u>	<u>(1,983,263)</u>
	<u>751,433</u>	<u>751,433</u>
<u>(2,885,393)</u>	<u>751,433</u>	<u>(2,133,960)</u>
20,856,946		20,856,946
3,558,658		3,558,658
30,760,699		30,760,699
1,597,341		1,597,341
847,027		847,027
1,311,406		1,311,406
47,843		47,843
350,022		350,022
1,576,271	83,885	1,660,156
545,115	531,223	1,076,338
(8,692,015)	8,692,015	
<u>(3,347,410)</u>		<u>(3,347,410)</u>
<u>49,411,903</u>	<u>9,307,123</u>	<u>58,719,026</u>
46,526,510	10,058,556	56,585,066
<u>735,571,000</u>	<u>397,770,913</u>	<u>1,133,341,913</u>
<u>\$782,097,510</u>	<u>\$407,829,469</u>	<u>\$1,189,926,979</u>

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2018. 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, 2018

	<u>General</u>	<u>Housing Successor</u>	<u>TEA Grant</u>	<u>South County Fire Authority</u>	<u>Community Development Fees</u>
ASSETS					
Cash and investments (Note 3)	\$17,957,628	\$1,391,724		\$348,738	\$5,081,425
Restricted cash and investments (Note 3)					
Cash and investments with fiscal agents (Note 3)					
Accounts receivable	7,502,054		\$6,781,751		
Interest receivable	302,454	6,399		14,730	
Due from other funds (Note 4)	13,510,793				
Deposits					
Loans receivable (Note 5)	506,111	12,426,590			
Advances to CDA successor agency (Note 5)		2,803,520			
Advances to other funds (Note 4)	1,042,000				
Total Assets	<u>\$40,821,040</u>	<u>\$16,628,233</u>	<u>\$6,781,751</u>	<u>\$363,468</u>	<u>\$5,081,425</u>
LIABILITIES					
Accounts payable	\$2,214,888		\$326,913	\$274,571	\$1,308,401
Due to other funds (Note 4)			6,298,791		1,455,953
Deposits payable	182,066			25,925	3,773,023
Advances from other funds (Note 4)					
Unearned revenue	75,927				
Total Liabilities	<u>2,472,881</u>		<u>6,625,704</u>	<u>300,496</u>	<u>6,537,377</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable			6,717,727		
Unavailable revenue - loans	23,270	\$12,426,590			
Total Deferred Inflows of Resources	<u>23,270</u>	<u>12,426,590</u>	<u>6,717,727</u>		
FUND BALANCES					
Fund balance (Note 9):					
Nonspendable					
Advances	1,042,000				
Loans receivable	482,841				
Restricted		4,201,643	156,047	62,972	
Committed	14,960,997				
Assigned	20,996,942				
Unassigned	842,109		(6,717,727)		(1,455,952)
Total Fund Balances	<u>38,324,889</u>	<u>4,201,643</u>	<u>(6,561,680)</u>	<u>62,972</u>	<u>(1,455,952)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$40,821,040</u>	<u>\$16,628,233</u>	<u>\$6,781,751</u>	<u>\$363,468</u>	<u>\$5,081,425</u>

See accompanying notes to basic financial statements

<u>2008 Lease Revenue Bonds</u>	<u>General Projects</u>	<u>Tracy Infrastructure Master Plans</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$648,411	\$12,282,508	\$41,834,292	\$109,622,218	\$189,166,944
			10,000	10,000
374	770,377		3,395,414	4,166,165
			3,574,750	17,858,555
3,099		222,989	500,341	1,050,012
				13,510,793
			1,000,000	1,000,000
8,400,000			2,013,147	23,345,848
				2,803,520
				1,042,000
<u>\$9,051,884</u>	<u>\$13,052,885</u>	<u>\$42,057,281</u>	<u>\$120,115,870</u>	<u>\$253,953,837</u>
	\$4,373,698	\$2,250,740	\$4,006,927	\$14,756,138
			248,629	8,003,373
	2,000,000		3,553,369	9,534,383
			1,042,000	1,042,000
			74,897	150,824
	<u>6,373,698</u>	<u>2,250,740</u>	<u>8,925,822</u>	<u>33,486,718</u>
\$8,400,000			1,250,000	7,967,727
			2,013,147	22,863,007
<u>8,400,000</u>			<u>3,263,147</u>	<u>30,830,734</u>
				1,042,000
651,884	770,377	39,806,541	107,945,633	153,595,097
				14,960,997
	5,908,810			26,905,752
			(18,732)	(7,350,302)
<u>651,884</u>	<u>6,679,187</u>	<u>39,806,541</u>	<u>107,926,901</u>	<u>189,636,385</u>
<u>\$9,051,884</u>	<u>\$13,052,885</u>	<u>\$42,057,281</u>	<u>\$120,115,870</u>	<u>\$253,953,837</u>

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CITY OF TRACY
 Reconciliation of the
 GOVERNMENTAL FUNDS-- BALANCE SHEET
 to the
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund balances of Governmental Funds \$189,636,385

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. 620,494,753

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	15,649,614
Capital assets (net of accumulated depreciation)	10,305,311
Accounts payable	(306,540)
Compensated absences	(234,992)
Net pension liability and pension-related deferred outflows/inflows of resources	(1,698,832)
Net OPEB liability and pension-related deferred outflows/inflows of resources	(204,201)

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. 30,830,734

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	(21,720,000)
Interest payable	(305,314)
Compensated absences	(3,096,234)
Net pension liability and pension-related deferred outflows/inflows of resources	(52,135,448)
Total OPEB liability and OPEB-related deferred outflows/inflows of resources	<u>(5,117,726)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$782,097,510

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, 2018

	General	Housing Successor	TEA Grant	South County Fire Authority	Community Development Fees
REVENUES					
Taxes	\$55,155,390				
Licenses, permits and fees	3,694,142				\$3,813,574
Fines and penalties	220,087				
Use of money and property	672,721	\$112,963		\$14,727	(23,956)
Intergovernmental	1,583,991		\$7,117,353	6,886,539	
Charges for current services	11,340,010			285,767	4,986,160
Special assessments	421,006				
Contributions	143,350				
Other revenue	1,574,278				8,505
Total Revenues	74,804,975	112,963	7,117,353	7,187,033	8,784,283
EXPENDITURES					
Current:					
General government					
Economic development	763,391	1,709			
General government	6,538,415			273,484	
Finance	4,091,660				
Non-departmental	268,301				551,463
Public safety					
Police	26,539,255				
Fire	13,701,292			8,549,935	
Public ways and facilities/transportation					
Development and engineering	972,497				10,609,430
Public works	6,249,178				
Culture and leisure					
Cultural arts					
Parks and community services	2,682,569				
Capital outlay	660,507		13,391,997	33,158	63,338
Debt service:					
Principal	68,552				
Interest and fiscal charges					
Total Expenditures	62,535,617	1,709	13,391,997	8,856,577	11,224,231
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,269,358	111,254	(6,274,644)	(1,669,544)	(2,439,948)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	500				
Transfers in (Note 4)	1,250,000		935,657		1,180,000
Transfers (Note 4)	(12,618,396)		(902,760)		
Total Other Financing Sources (Uses)	(11,367,896)		32,897		1,180,000
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	901,462	111,254	(6,241,747)	(1,669,544)	(1,259,948)
SPECIAL ITEM					
SCFA Loan Write-Off (Note 15)	(3,347,410)				
NET CHANGE IN FUND BALANCES	(2,445,948)	111,254	(6,241,747)	(1,669,544)	(1,259,948)
FUND BALANCES, JULY 1, 2017	40,770,837	4,090,389	(319,933)	1,732,516	(196,004)
FUND BALANCES, JUNE 30, 2018	\$38,324,889	\$4,201,643	(\$6,561,680)	\$62,972	(\$1,455,952)

See accompanying notes to basic financial statements

2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
			\$4,682,882	\$59,838,272
			283,990	7,791,706
			1,338,688	1,558,775
\$1,779	\$4,963	\$121,834	557,098	1,462,129
400,000			5,138,846	21,126,729
	8,183	20,684,578	16,964,500	54,269,198
			3,176,095	3,597,101
	235,000	50,029	4,692,075	5,120,454
			6,136	1,588,919
<u>401,779</u>	<u>248,146</u>	<u>20,856,441</u>	<u>36,840,310</u>	<u>156,353,283</u>
			355,525	1,120,625
				6,811,899
				4,091,660
			735,248	1,555,012
			538,769	27,078,024
				22,251,227
			1,966,820	13,548,747
			3,907,427	10,156,605
				2,682,569
	5,374,424	8,776,060	10,331,173	38,630,657
250,000			115,000	433,552
1,127,238			164,780	1,292,018
<u>1,377,238</u>	<u>5,374,424</u>	<u>8,776,060</u>	<u>18,114,742</u>	<u>129,652,595</u>
<u>(975,459)</u>	<u>(5,126,278)</u>	<u>12,080,381</u>	<u>18,725,568</u>	<u>26,700,688</u>
	20,301		329,221	350,022
958,300	7,533,322		1,182,860	13,040,139
	(1,339,777)		(1,869,800)	(16,730,733)
<u>958,300</u>	<u>6,213,846</u>		<u>(357,719)</u>	<u>(3,340,572)</u>
(17,159)	1,087,568	12,080,381	18,367,849	23,360,116
				(3,347,410)
(17,159)	1,087,568	12,080,381	18,367,849	20,012,706
669,043	5,591,619	27,726,160	89,559,052	169,623,679
<u>\$651,884</u>	<u>\$6,679,187</u>	<u>\$39,806,541</u>	<u>\$107,926,901</u>	<u>\$189,636,385</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, 2018

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 \$20,012,706

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.	28,194,931
Developer dedicated infrastructure is added to fund balance	4,061,120
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,932,009 which has already been allocated to serviced funds).	(8,089,839)

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	433,552
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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	(245,291)
Interest payable	3,735
Accrued interest receivable on loans	(2,674,075)
Unavailable revenue	4,233,063
Compensated absences	(447,883)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Position - All Internal Service Funds	1,044,491
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$46,526,510
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See accompanying notes to basic financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City has determined all of its enterprise funds to be major funds in fiscal 2018, 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, 2018

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
ASSETS					
Current assets					
Cash and investments (Note 3)	\$4,859,099	\$27,822,326	\$1	\$16,321,874	
Cash and investments with fiscal agents (Note 3)		25			
Accounts receivable	3,519,180	3,048,517	1,956,809	3,135,299	\$5,428,250
Inventory	570,994				
Interest receivable	26,159	134,759		79,541	3,328
Prepaid expenses					
Total current assets	<u>8,975,432</u>	<u>31,005,627</u>	<u>1,956,810</u>	<u>19,536,714</u>	<u>5,431,578</u>
Non-current assets					
Advances to other funds (Note 4)		2,036,000			
Capital assets, not being depreciated (Note 6)	7,771,139	21,291,233	4,896,365		1,427,226
Capital assets, being depreciated (Note 6)	183,186,604	109,495,059	8,164,114		13,194,778
Total non-current assets	<u>190,957,743</u>	<u>132,822,292</u>	<u>13,060,479</u>		<u>14,622,004</u>
Total Assets	<u>199,933,175</u>	<u>163,827,919</u>	<u>15,017,289</u>	<u>19,536,714</u>	<u>20,053,582</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 10)	1,351,621	1,056,442	52,920	87,546	99,518
Related to OPEB (Note 11)	7,922	9,349	401	1,515	748
Total deferred outflows of resources	<u>1,359,543</u>	<u>1,065,791</u>	<u>53,321</u>	<u>89,061</u>	<u>100,266</u>
LIABILITIES					
Current liabilities					
Accounts payable	739,937	685,154	36,799	1,431,626	273,315
Accrued interest payable		91,927			
Deposit payable	927,798	4,500	51,428		
Due to other funds (Note 4)			1,906,088		3,601,332
Unearned revenue				22,464	990,647
Current portion- compensated absences (Note 1G)	75,933	89,743	6,776	14,374	4,588
Current portion- long-term debt (Note 7)	1,014,385	805,000			
Total current liabilities	<u>2,758,053</u>	<u>1,676,324</u>	<u>2,001,091</u>	<u>1,468,464</u>	<u>4,869,882</u>
Noncurrent liabilities					
Advances from other funds (Note 4)	2,036,000				
Notes payable (Note 7)	9,645,194				
Compensated absences (Note 1G)	159,510	188,519	16,271	30,197	4,025
Certificates of participation payable (Note 7)		22,890,000			
Net pension liability (Note 10)	4,380,091	3,250,159	151,191	228,114	317,094
Net OPEB liability (Note 11)	269,884	318,523	13,642	51,604	25,506
Total noncurrent liabilities	<u>16,490,679</u>	<u>26,647,201</u>	<u>181,104</u>	<u>309,915</u>	<u>346,625</u>
Total Liabilities	<u>19,248,732</u>	<u>28,323,525</u>	<u>2,182,195</u>	<u>1,778,379</u>	<u>5,216,507</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 10)	238,303	19,195	1,746		9,298
Related to OPEB (Note 11)	13,738	16,214	694	2,627	1,298
Total deferred inflows of resources	<u>252,041</u>	<u>35,409</u>	<u>2,440</u>	<u>2,627</u>	<u>10,596</u>
NET POSITION (Note 9)					
Net investment in capital assets	180,298,164	107,091,317	13,060,479		14,622,004
Restricted for debt service		25			
Unrestricted	1,493,781	29,443,434	(174,504)	17,844,769	304,741
Total Net Position	<u>\$181,791,945</u>	<u>\$136,534,776</u>	<u>\$12,885,975</u>	<u>\$17,844,769</u>	<u>\$14,926,745</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>	
\$811,308	\$49,814,608	\$15,649,614
	25	
74,193	17,162,248	
	570,994	
3,221	247,008	
68,175	68,175	
<u>956,897</u>	<u>67,863,058</u>	<u>15,649,614</u>
	2,036,000	
6,117,342	41,503,305	
<u>38,024,177</u>	<u>352,064,732</u>	<u>10,305,311</u>
<u>44,141,519</u>	<u>395,604,037</u>	<u>10,305,311</u>
<u>45,098,416</u>	<u>463,467,095</u>	<u>25,954,925</u>
117,289	2,765,336	748,033
1,253	21,188	5,866
<u>118,542</u>	<u>2,786,524</u>	<u>753,899</u>
66,557	3,233,388	306,540
	91,927	
931,755	1,915,481	
	5,507,420	
	1,013,111	
12,902	204,316	67,022
	1,819,385	
<u>1,011,214</u>	<u>13,785,028</u>	<u>373,562</u>
	2,036,000	
	9,645,194	
27,103	425,625	167,970
	22,890,000	
288,501	8,615,150	2,384,734
42,707	721,866	199,892
<u>358,311</u>	<u>44,333,835</u>	<u>2,752,596</u>
<u>1,369,525</u>	<u>58,118,863</u>	<u>3,126,158</u>
	268,542	62,131
2,174	36,745	10,175
<u>2,174</u>	<u>305,287</u>	<u>72,306</u>
44,141,519	359,213,483	10,305,311
	25	
<u>(296,260)</u>	<u>48,615,961</u>	<u>13,205,049</u>
<u>\$43,845,259</u>	<u>\$407,829,469</u>	<u>\$23,510,360</u>

CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
OPERATING REVENUES					
Sales and charges for services	\$16,306,635	\$14,835,954	\$732,545	\$20,973,264	\$117,184
Other operating revenue	5,500	5,000		73,385	
Total Operating Revenues	<u>16,312,135</u>	<u>14,840,954</u>	<u>732,545</u>	<u>21,046,649</u>	<u>117,184</u>
OPERATING EXPENSES					
Purchase of water	4,567,618				
Maintenance and operation	7,831,083	9,475,802	946,071	19,786,898	4,287,502
Administration	1,847,706	2,889,429	193,751	1,170,881	326,440
Insurance costs and claims					
Depreciation	4,543,462	5,214,821	316,372		957,928
Total Operating Expenses	<u>18,789,869</u>	<u>17,580,052</u>	<u>1,456,194</u>	<u>20,957,779</u>	<u>5,571,870</u>
Operating Income (Loss)	<u>(2,477,734)</u>	<u>(2,739,098)</u>	<u>(723,649)</u>	<u>88,870</u>	<u>(5,454,686)</u>
NONOPERATING REVENUES (EXPENSES)					
Operating grants					6,397,395
Interest income	40,774	355,645	3,506	85,497	42,011
Interest (expense)	(302,861)	(1,024,234)	(19,393)		
Gain/loss on disposal of capital assets	5,675	3,550			1,162
Net Nonoperating Revenues (Expenses)	<u>(256,412)</u>	<u>(665,039)</u>	<u>(15,887)</u>	<u>85,497</u>	<u>6,440,568</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(2,734,146)</u>	<u>(3,404,137)</u>	<u>(739,536)</u>	<u>174,367</u>	<u>985,882</u>
Capital contributions and grants	7,910,416	2,746,214	3,300,488		25,836
Transfers in (Note 4)	21,377		3,690,594		
Transfers out (Note 4)			(21,377)		
Net Contributions and Transfers	<u>7,931,793</u>	<u>2,746,214</u>	<u>6,969,705</u>		<u>25,836</u>
Change in net position	5,197,647	(657,923)	6,230,169	174,367	1,011,718
NET POSITION, JULY 1, 2017, as Restated (Note 9E)	<u>176,594,298</u>	<u>137,192,699</u>	<u>6,655,806</u>	<u>17,670,402</u>	<u>13,915,027</u>
NET POSITION, JUNE 30, 2018	<u>\$181,791,945</u>	<u>\$136,534,776</u>	<u>\$12,885,975</u>	<u>\$17,844,769</u>	<u>\$14,926,745</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>	
\$690,774	\$53,656,356	\$12,077,416
	83,885	507,308
<u>690,774</u>	<u>53,740,241</u>	<u>12,584,724</u>
	4,567,618	
1,087,400	43,414,756	6,738,015
57,967	6,486,174	634,014
		3,895,448
<u>1,645,809</u>	<u>12,678,392</u>	<u>1,932,009</u>
<u>2,791,176</u>	<u>67,146,940</u>	<u>13,199,486</u>
<u>(2,100,402)</u>	<u>(13,406,699)</u>	<u>(614,762)</u>
	6,397,395	
3,790	531,223	
	(1,346,488)	
	10,387	102,762
<u>3,790</u>	<u>5,592,517</u>	<u>102,762</u>
<u>(2,096,612)</u>	<u>(7,814,182)</u>	<u>(512,000)</u>
199,190	14,182,144	1,556,491
	3,711,971	
	(21,377)	
<u>199,190</u>	<u>17,872,738</u>	<u>1,556,491</u>
(1,897,422)	10,058,556	1,044,491
<u>45,742,681</u>	<u>397,770,913</u>	<u>22,465,869</u>
<u>\$43,845,259</u>	<u>\$407,829,469</u>	<u>\$23,510,360</u>

CITY OF TRACY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds				
	Water Utility	Wastewater Utility	Municipal Airport	Solid Waste	Municipal Transit
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$15,476,591	\$14,592,999	\$719,062	\$20,486,994	\$117,184
Receipt from interfund charges					
Payments to suppliers	(12,314,672)	(9,322,681)	(920,781)	(19,753,581)	(4,116,130)
Payments to employees	(1,815,320)	(2,714,286)	(187,903)	(1,109,627)	(314,060)
Net cash provided (used) by Operating Activities	<u>1,346,599</u>	<u>2,556,032</u>	<u>(389,622)</u>	<u>(376,214)</u>	<u>(4,313,006)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from grantors					4,551,675
Transfers in	21,377		3,690,594		
Transfers out			(21,377)		
Due to/due from other funds			(1,537,006)		(2,950,002)
Advances to/from other funds	801,351		(1,045,408)		
Net cash provided (used) by Noncapital Financing Activities	<u>822,728</u>		<u>1,086,803</u>		<u>1,601,673</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments- long-term debt	(991,059)	(775,000)			
Interest paid	(287,261)	(1,123,693)	(19,393)		
Capital contributions and grants received	6,700,098	2,501,878	2,403,874		2,128,770
Acquisition of capital assets	(4,770,817)	(4,500,141)	(3,085,167)		(2)
Proceeds from sale of capital assets	5,675	3,550			1,162
Net cash provided (used) by Capital and and Related Financing Activities	<u>656,636</u>	<u>(3,893,406)</u>	<u>(700,686)</u>		<u>2,129,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	25,020	292,608	3,506	55,540	38,683
Net cash provided (used) by Investing Activities	<u>25,020</u>	<u>292,608</u>	<u>3,506</u>	<u>55,540</u>	<u>38,683</u>
Net increase (decrease) in cash and cash equivalents	2,850,983	(1,044,766)	1	(320,674)	(542,720)
Cash and cash equivalents, July 1, 2017	2,008,116	28,867,117		16,642,548	542,720
Cash and cash equivalents, June 30, 2018	<u>\$4,859,099</u>	<u>\$27,822,351</u>	<u>\$1</u>	<u>\$16,321,874</u>	
Reconciliation of cash and cash equivalents to statement of net position					
Cash and investments	\$4,859,099	\$27,822,326	\$1	\$16,321,874	
Cash and investments with fiscal agents		25			
Total cash and investments	<u>\$4,859,099</u>	<u>\$27,822,351</u>	<u>\$1</u>	<u>\$16,321,874</u>	
Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities					
Operating income (loss)	(\$2,477,734)	(\$2,739,098)	(\$723,649)	\$88,870	(\$5,454,686)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	4,543,462	5,214,821	316,372		957,928
Change in assets and liabilities:					
Accounts receivable	(865,706)	(247,955)	(11,818)	(582,119)	
Prepaid items					
Accounts payable	84,029	153,121	25,290	33,317	171,372
Compensated absences	(63,626)	61,732	1,034	42,963	3,250
Deposits payable	30,162		(1,665)		
Unearned revenue				22,464	
Claims payable					
Net pension liability and deferred outflows/inflows	82,798	97,815	4,147	15,764	7,881
Total OPEB liability and deferred outflows/inflows	13,214	15,596	667	2,527	1,249
Net cash provided (used) by Operating Activities	<u>\$1,346,599</u>	<u>\$2,556,032</u>	<u>(389,622)</u>	<u>(376,214)</u>	<u>(4,313,006)</u>
NONCASH TRANSACTIONS:					
Contributions of capital assets	<u>\$1,210,318</u>	<u>\$244,336</u>			

See accompanying notes to basic financial statements

Enterprise Funds		Governmental Activities- Internal Service Funds
Drainage	Totals	
\$665,807	\$52,058,637	
(989,492)	(47,417,337)	\$12,584,793
(21,522)	(6,162,718)	(10,694,367)
		(537,159)
<u>(345,207)</u>	<u>(1,521,418)</u>	<u>1,353,267</u>
	4,551,675	
	3,711,971	
	(21,377)	
	(4,487,008)	
	<u>(244,057)</u>	
	3,511,204	
	(1,766,059)	
	(1,430,347)	
133,739	13,868,359	
(134,189)	(12,490,316)	(1,522,068)
	10,387	102,762
<u>(450)</u>	<u>(1,807,976)</u>	<u>(1,419,306)</u>
4,076	419,433	
4,076	419,433	
(341,581)	601,243	(66,039)
1,152,889	49,213,390	15,715,653
<u>\$811,308</u>	<u>\$49,814,633</u>	<u>\$15,649,614</u>
\$811,308	\$49,814,608	\$15,649,614
	25	
<u>\$811,308</u>	<u>\$49,814,633</u>	<u>\$15,649,614</u>
(\$2,100,402)	(\$13,406,699)	(\$614,762)
1,645,809	12,678,392	1,932,009
(24,967)	(1,732,565)	69
54,545	54,545	34
43,363	510,492	51,556
21,246	66,599	25,841
	28,497	
	22,464	
		(112,494)
13,108	221,513	61,227
2,091	35,344	9,787
<u>(\$345,207)</u>	<u>(\$1,521,418)</u>	<u>\$1,353,267</u>
<u>\$65,451</u>	<u>\$1,520,105</u>	<u>\$1,556,491</u>

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

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

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

CITY OF TRACY
 FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	Successor Agency Private-Purpose Trust Fund	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 3)	\$6,654,541	\$16,103,239
Cash and investments with fiscal agents (Note 3)	25	19,589,502
Accounts receivable		197,975
Interest receivable	31,776	32,620
	<u>6,686,342</u>	<u>35,923,336</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on debt refunding	<u>2,324,950</u>	<u> </u>
Total Deferred Outflows of Resources	<u>2,324,950</u>	<u> </u>
LIABILITIES		
Accounts payable		5,706,165
Accrued interest payable	615,813	
Deposits payable		9,093,838
Due to assessment district bondholders		21,123,333
Noncurrent liabilities (Note 16B):		
Due within one year	2,839,915	
Due in more than one year	<u>45,228,575</u>	<u> </u>
Total Liabilities	<u>48,684,303</u>	<u>\$35,923,336</u>
NET POSITION (DEFICIT) (Note 9)		
Unrestricted	<u>(39,673,011)</u>	
Total Net Position	<u><u>(\$39,673,011)</u></u>	

See accompanying notes to basic financial statements

CITY OF TRACY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Successor Agency Private-Purpose Trust Fund
ADDITIONS	
Taxes and assessments	\$4,405,427
Interest income	13,610
Gain on sale of capital assets	329,221
	4,748,258
DEDUCTIONS	
Administration	358,611
Transfer to the City	2,126,315
Debt Service:	
Interest and fees	1,084,768
	3,569,694
CHANGE IN NET POSITION	1,178,564
Net Position July 1, 2017	(40,851,575)
Net Position June 30, 2018	(\$39,673,011)

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, 2018

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, 2018

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.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

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, 2018

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, 2018

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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

G. Compensated Absences

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

Changes in compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,857,502	\$563,342	\$3,420,844
Additions	3,674,926	643,627	4,318,553
Payments	(3,201,202)	(577,028)	(3,778,230)
Ending Balance	<u>\$3,331,226</u>	<u>\$629,941</u>	<u>\$3,961,167</u>
Current Portion	<u>\$1,193,203</u>	<u>\$204,316</u>	<u>\$1,397,519</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, 2018

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 and the second installment was received in fiscal year 2017. The third installment was received in early fiscal year 2019 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, 2018.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 and Closed Funds*

The FEMA Grant Special Revenue Fund was established during the fiscal year to account for activities relate to the federal grant revenues restricted for FEMA emergency disaster activities.

The 2016-02 Community Facilities District Agency Fund was established during the fiscal year to account for the assets held on behalf of the 2016-02 Community Facilities District property owners until they are remitted to the bond trustee.

The Proposition 1B Special Revenue Fund was closed as of June 30, 2018.

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, 2018

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
General Fund	
Police	\$492,246
Fire	2,600,176
Debt Service	68,552
Housing Successor Fund	
Economic Development	1,709
South County Fire Authority Fund	
General Government	15,384
Fire	1,157,125
Capital Outlay	13,698
2008 Lease Revenue Bonds Debt Service Fund	
Debt Service	18,938
Non-Major Funds:	
Special Revenue Funds	
Business Improvement District	
Economic Development	9,684
Asset Forfeiture	
Police	48,976
Transportation Development	
Non-departmental	30,970
Proposition K Transportation Tax	
Non-departmental	103,155
State Gas Tax Street	
Non-departmental	113,588
Public Works	609,528
Landscaping District	
Non-departmental	94,821
COPS Grant	
Non-departmental	11,349
FEMA Grant	
Non-departmental	96,024

The City's General Fund-Public Safety-Fire and the South County Fire Authority Fund's Public Safety-Fire budgets were understated during FY 2017-2018. The understatement was a combination of not capturing additional positions in the budget total and expenditures exceeding the budget appropriation for Fire's overtime allocation. The City has updated the position control roster to include the added Fire personnel. The Department has committed to reducing overtime expenses in FY 2018-2019.

The City's General Fund appropriation related to Charges for Services Revenues were understated in the budget process. The City adopted a new allocation methodology during the year; however, the budget was not amended to reflect this change. The budget will be amended to reflect this new methodology in future budget cycles.

Sufficient resources were available within the funds to finance these excesses.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. It is the City's intent to hold investments to maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Investments are carried at fair value. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

A. Policies

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

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

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

B. Classification

Cash and investments as of June 30, 2018 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	\$254,631,166
Cash and investments with fiscal agents	4,166,190
Restricted cash and investments	10,000
Total City cash and investments of primary government	258,807,356
Cash and investments in Fiduciary Funds	42,347,307
Total cash and investments	\$301,154,663

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$8,203
Deposits with financial institutions	28,788,775
Investments	272,357,685
Total cash and investments	\$301,154,663

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, 2018

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
Federal Agency Obligations or U.S. Government-Sponsored Enterprise Obligations (GSE)	5 years	None	100%	25%
Municipal Securities	5 years	A	30%	5%
Bankers' Acceptances	180 days	A/A-1 or higher	40%	5%
Commercial Paper	270 days	A/A-1 or higher	25%	5%
Negotiable Certificates of Deposit (NCDs)	5 years	A/A-1 or higher	30% (A)	5%
Federally Insured Non - Negotiable Certificates of Deposit	5 years	None	20% (B)	No Limit
Collateralized Non-Negotiable Certificates of Deposit	5 years	None	20% (B)	No Limit
Certificate of Deposit Placement Service (CDARS)	5 years	None	30% (A)	No Limit
Repurchase Agreements	1 year	None	100%	10%
Local Agency Investment Fund	N/A	None	\$65 million	\$65 million
Local Government Investment Pools	N/A	None	100%	No Limit
Medium-Term Corporate Notes	5 years	A	30%	5%
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations	5 years	A/AA or higher	20%	5% (C)
Mutual Funds	N/A	Highest Category	20%	10%
Money Market Mutual Funds	N/A	Highest Category	20%	20%
Supranational Securities	5 years	AA	30%	10%

(A) Combined limit for NCD and CDARS

(B) Combined limit for Federally Insured and Collateralized Non-Negotiable Certificates of Deposit

(C) No issuer limitation on any mortgage security where the issuer is the U.S. Treasury or a Federal Agency/GSE

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, 2018

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	5 years	AAA
Certificates of Deposit	5 years	Three Highest Categories
Investment Agreements, Short Term	None	Two Highest Categories
Investment Agreements, Long Term	None	Three Highest Categories
Repurchase Agreements	1 year	A-
Money Market Mutual Funds	N/A	Highest Category
Local Agency Investment Fund	N/A	Not rated
California Asset Management Program	N/A	Not rated
Banker's Acceptances	180 days	A-1 or A-1+
Commercial Paper	270 days	A-1 or 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
Held by City:					
U.S. Treasury Notes	\$7,262,414	\$3,423,559	\$11,167,291	\$7,962,586	\$29,815,850
Federal Agency Obligations	16,375,203	26,923,198	8,689,725	8,210,331	60,198,457
Commercial Paper	10,580,914				10,580,914
Negotiable Certificates of Deposit	6,679,491	2,230,767			8,910,258
California Local Agency Investment Fund	64,776,040				64,776,040
Medium Term Corporate Notes	22,586,267	26,166,434	11,633,212	3,490,418	63,876,331
Money Market Funds	1,570,726				1,570,726
Asset-Backed Securities				8,996,728	8,996,728
Held by Trustees:					
Money Market Funds	23,632,381				23,632,381
Total Investments	\$153,463,436	\$58,743,958	\$31,490,228	\$28,660,063	\$272,357,685

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, these investments have an average maturity of 193 days.

Money market funds are available for withdrawal on demand and at June 30, 2018 have an average maturity of 25 to 35 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, 2018 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
<i>Held by City:</i>				
Federal Agency Obligations	\$60,198,457			\$60,198,457
Commercial Paper	2,552,225	\$7,046,399		9,598,624
Medium Term Corporate Notes	16,195,696	42,651,206	\$3,247,788	62,094,690
Asset-Backed Securities			7,733,131	7,733,131
Negotiable Certificates of Deposit	2,649,491	4,030,000		6,679,491
<i>Held by Trustee:</i>				
Money Market Funds			23,632,381	23,632,381
Total Rated Investments	\$81,595,869	\$53,727,605	\$34,613,300	169,936,774
<i>Not rated:</i>				
Negotiable Certificates of Deposit				2,230,767
California Local Agency Investment Fund				64,776,040
Medium Term Corporate Notes				1,781,641
Commercial Paper				982,290
Money Market Funds				1,570,726
Asset-Backed Securities				1,263,597
<i>Exempt from credit rating disclosure:</i>				
U.S. Treasury Notes				29,815,850
Total Investments				\$272,357,685

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018:

Investment Type	Level 2	Total
Investments by Fair Value:		
Held by City:		
U.S. Treasury Notes	\$29,815,850	\$29,815,850
Federal Agency Obligations	60,198,457	60,198,457
Asset-Backed Securities	8,996,728	8,996,728
Commercial Paper	10,580,914	10,580,914
Negotiable Certificates of Deposit	8,910,258	8,910,258
Medium Term Corporate Notes	63,876,331	63,876,331
Subtotal	<u>\$182,378,538</u>	<u>182,378,538</u>
Investments Measured at Amortized Cost:		
Held by City:		
Money Market Funds		1,570,726
Held by Trustee:		
Money Market Funds		23,632,381
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		<u>64,776,040</u>
Total Investments		<u>\$272,357,685</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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

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

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal National Mortgage Association	Federal Agency Obligations	\$14,342,350
	Federal Home Loan Bank	Federal Agency Obligations	20,553,206
	Federal Home Loan Mortgage Corporation	Federal Agency Obligations	19,934,718

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, 2018, the transfers were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
Major Funds:		
General Fund	Comm. Devel. Fees Special Revenue Fund	\$1,180,000 (A)
General Fund	2008 Lease Revenue Bond Debt Service Fund	958,300 (B)
General Fund	General Projects Capital Projects Fund	7,524,529 (A)
General Fund	Municipal Airport Enterprise Fund	2,675,467 (A)
General Fund	2007 Lease Revenue Bond Debt Service Fund	280,100 (B)
TEA Grant Special Revenue Fund	State Gas Tax Street Special Revenue Fund	733,592 (C)
TEA Grant Special Revenue Fund	Infill Projects Capital Projects fund	169,168 (C)
General Projects Capital Projects Fund	TEA Grant Special Revenue Fund	324,650 (C)
General Projects Capital Projects Fund	Municipal Airport Enterprise Fund	1,015,127 (C)
Municipal Airport Enterprise Fund	Water Utility Enterprise Fund	21,377 (D)
NonMajor Funds:		
State Gas Tax Street Special Revenue Fund	TEA Grant Special Revenue Fund	611,007 (C)
Community Development Block Grant Special Revenue Fund	General Projects Capital Projects Fund	8,793 (C)
Capital Projects Deposits Capital Projects Fund	General Fund	1,250,000 (E)
		<u>\$16,752,110</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 fund capital projects.
- (D) To pay interest on interfund loan.
- (E) To transfer developer community benefit funds.

In addition to the transfers above, Governmental Activities transferred \$5,001,421 to Business-Type Activities to fund additions to capital projects.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018 were as follows:

Due From Funds	Due To Funds	Amount
General Fund	TEA Grant Special Revenue Fund	\$6,298,791
	Community Development Fees Special Revenue Fund	1,455,953
	Municipal Airport Enterprise Fund	1,906,088
	Municipal Transit Enterprise Fund	3,601,332
	Business Improvement District Special Revenue Fund	6,461
	Community Development Block Grant Special Revenue Fund	242,168
	Total Current Interfund Balances	<u>\$13,510,793</u>

C. Long-Term Interfund Advances

At June 30, 2018 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
Wastewater Utility Enterprise Fund	Water Utility Enterprise Fund	\$2,036,000
General Fund Reserves Fund	Tracy Gateway Infrastructure Fund	1,042,000
	Total Advances	<u>\$3,078,000</u>

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.

Tracy Gateway Business Park Project advance in December 2017 from the General Fund to the Tracy Gateway Infrastructure Fund, in the amount of \$1,042,000 with interest at the Local Agency Investment Fund (LAIF) rate to be repaid by future development impact fees collected on properties within the gateway project area.

South County Fire Authority dissolved on June 30, 2018 and a new Fire Joint Powers Authority was formed between the City of Tracy and Tracy Rural Fire District, South San Joaquin County Fire Authority, on July 1, 2018. As part of the new agreement, the City agreed to write off the loan that had resulted from the City advancing operational funds to the Authority in the amount of \$4,372,897.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Municipal Airport Fund repaid the loan it received from the Water Utility Enterprise Fund on June 30, 2018 with a balance of \$801,351. In addition, the City agreed to write-off the General Fund loan to the Municipal Airport Fund in 2018 with a balance of \$244,057; as well as, provide a transfer of funds for the existing fund deficit. The Municipal Airport Fund is expected to continue receiving a General Fund transfer annually until revenues are sufficient to cover operational and capital expenses.

Northeast Industrial Plan Area # 1 advance in August 2012 did not bear interest and the balance of \$1,747,454 was repaid during fiscal year 2018. 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, 2018, these loans totaled:

Housing Successor Loans:	
Commercial Rehabilitation Program	\$167,223
Mountain View Townhomes	983,535
Eden Housing Inc.	2,526,118
Habitat for Humanity	54,552
Down Payment Assistance Program	1,264,788
Tracy Place Associates	4,831,139
DHI Tracy Garden Associates, LP	2,599,235
Development Loan	63,270
Housing Loan	442,841
Successor Agency Reimbursement Agreement	8,400,000
Tracy Mall Partners, LP	2,013,147
	<hr/>
Total Loans Receivable	\$23,345,848
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CDA Successor Agency SERAF Loan	\$2,803,520
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CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 \$167,223 at June 30, 2018.

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, 2018, principal and accrued interest totaled \$983,535.

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, 2018, principal and accrued interest totaled \$2,526,118.

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, 2018 is \$54,552.

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, 2018, principal and accrued interest totaled \$1,264,788.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, the developer owes \$4,831,139, 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, 2018 is \$2,599,235.

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, 2018, including principal and accrued interest, is \$63,270.

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, 2018 is \$442,841.

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, 2018 is \$8,400,000.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 2018 did not exceed the threshold, therefore only \$116,983 of the annual repayment was forgiven as of June 30, 2018. The cumulative shortage of sales tax collections was \$164,161 as of June 30, 2018 and the balance of the loan is \$2,013,147 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 was amortizing the receivable over 94 months beginning July 1, 2015. The City and the Tracy Rural Fire District (TRFD) entered into a new agreement, therefore the loan with a balance of \$4,372,897 was written off as of June 30, 2018, as discussed in Note 15.

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 the 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, 2018

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, 2018, there were six loans outstanding in the amount of \$2,333,854, 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, 2018 was \$554,047 and the unused balance of the capitalization contribution was \$445,953.

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 \$2,433,423 to the Corporation during the year ended June 30, 2018.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 Treasurers	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, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2018 were as follows:

Governmental Activities

	Balance at June 30, 2017	Restatements	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:						
Land	\$170,621,886				\$3,577,897	\$174,199,783
Roads accounted for using the modified approach	234,377,941		\$3,917,316		10,841,374	249,136,631
Construction in progress	52,824,729		27,338,601		(3,022,155)	77,141,175
Total capital assets not being depreciated	<u>457,824,556</u>		<u>31,255,917</u>		<u>11,397,116</u>	<u>500,477,589</u>
Capital assets being depreciated:						
Buildings and improvements	88,792,387	(\$99,192)	690,476		31,320,972	120,704,643
Improvements	88,697,960	(891,659)			(41,249,952)	46,556,349
Grading, curb & gutter, sidewalk and driveway approaches	28,977,271		143,804		2,232,420	31,353,495
Traffic signals and street lights	22,653,947				(558,120)	22,095,827
Equipment	27,851,495	(1,334,456)	3,088,327	(\$368,218)	4,425,307	33,662,455
Infrastructure and drainage	18,414,603		104,003		(7,853,009)	10,665,597
Intangibles	355,724	(83,416)	52,082		285,266	609,656
Total capital assets being depreciated	<u>275,743,387</u>	<u>(2,408,723)</u>	<u>4,078,692</u>	<u>(368,218)</u>	<u>(11,397,116)</u>	<u>265,648,022</u>
Less accumulated depreciation for:						
Buildings and improvements	(34,684,227)	30,468	(4,196,227)		(9,241,506)	(48,091,492)
Improvements	(50,534,929)	2,330,571	(1,705,209)		15,124,415	(34,785,152)
Grading, curb & gutter, sidewalk and driveway approaches	(13,767,115)		(639,485)			(14,406,600)
Traffic signals and street lights	(13,551,119)	37,983	(710,316)		(57,630)	(14,281,082)
Equipment	(15,689,551)	573,049	(2,357,292)	368,218	(2,179,530)	(19,285,106)
Infrastructure and drainage	(1,583,074)	1,342,577	(253,007)		(3,514,392)	(4,007,896)
Intangibles	(210,507)	33,957	(160,312)		(131,357)	(468,219)
Total accumulated depreciation	<u>(130,020,522)</u>	<u>4,348,605</u>	<u>(10,021,848)</u>	<u>368,218</u>		<u>(135,325,547)</u>
Net capital assets being depreciated	<u>145,722,865</u>	<u>1,939,882</u>	<u>(5,943,156)</u>		<u>(11,397,116)</u>	<u>130,322,475</u>
Governmental activities capital assets, net	<u>\$603,547,421</u>	<u>\$1,939,882</u>	<u>\$25,312,761</u>			<u>\$630,800,064</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type activities

	Balance at June 30, 2017	Restatements	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:						
Land	\$11,841,043					\$11,841,043
Construction in progress	25,797,784		\$11,311,534		(\$7,447,056)	29,662,262
Total capital assets not being depreciated	<u>37,638,827</u>		<u>11,311,534</u>		<u>(7,447,056)</u>	<u>41,503,305</u>
Capital assets being depreciated:						
Infrastructure	251,577,097		1,651,612		64,718,510	317,947,219
Buildings	137,788,814				29,031,999	166,820,813
Improvements	88,025,667	(\$400,167)			(84,054,919)	3,570,581
Equipment	46,220,842		1,047,276	(\$82,372)	(2,248,534)	44,937,212
Intangibles	76,634,848	(3,752,035)				72,882,813
Total capital assets being depreciated	<u>600,247,268</u>	<u>(4,152,202)</u>	<u>2,698,888</u>	<u>(82,372)</u>	<u>7,447,056</u>	<u>606,158,638</u>
Less accumulated depreciation for:						
Infrastructure	(98,913,040)		(6,212,074)		(41,080,497)	(146,205,611)
Buildings	(68,935,666)		(4,616,538)		(13,219,690)	(86,771,894)
Improvements	(55,314,408)	327,386	(224,440)		53,416,092	(1,795,370)
Equipment	(18,639,764)		(1,621,612)	82,372	884,095	(19,294,909)
Intangibles	(2,684,723)	2,662,329	(3,728)			(26,122)
Total accumulated depreciation	<u>(244,487,601)</u>	<u>2,989,715</u>	<u>(12,678,392)</u>	<u>82,372</u>		<u>(254,093,906)</u>
Net capital assets being depreciated	<u>355,759,667</u>	<u>(1,162,487)</u>	<u>(9,979,504)</u>		<u>7,447,056</u>	<u>352,064,732</u>
Total Business-type activities capital assets, net	<u>\$393,398,494</u>	<u>(\$1,162,487)</u>	<u>\$1,332,030</u>			<u>\$393,568,037</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, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Activities	
General government	\$415,938
Police	265,602
Fire	231,290
Development and engineering	75,103
Public works	6,406,168
Parks and community services	695,738
Internal service funds	<u>1,932,009</u>
Total Governmental Activities	<u><u>\$10,021,848</u></u>
Business-Type Activities	
Water utility	\$4,543,462
Wastewater utility	5,214,821
Municipal airport	316,372
Municipal transit	957,928
Drainage	<u>1,645,809</u>
Total Business-Type Activities	<u><u>\$12,678,392</u></u>

D. Roads Covered by the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy is to maintain these roads at an overall condition index level averaging 69%, instead of providing depreciation. During the fiscal year 2018, the City expended \$2,825,868 to preserve its roads. The City estimates that it will be required to expend approximately \$4 million in the fiscal year 2019 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 and the analysis continued into fiscal year 2018. As a result, governmental activities net capital assets were restated and increased \$1,939,882 and business-type activities were restated and decreased \$1,162,487.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2017	Retirements	Balance June 30, 2018	Current Portion
Governmental Activity Debt:					
Lease Revenue Bonds					
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	965,000	\$115,000	850,000	\$120,000
2008 Lease Revenue Bonds, 3% - 6.375%	19,765,000	18,430,000	250,000	18,180,000	285,000
Loan Payable					
PG&E On-Bill Loan, 0%	247,841	68,552	68,552		
Total Governmental Activity Debt		\$22,153,552	\$433,552	\$21,720,000	\$405,000
Business-type Activity Debt:					
Certificates of Participation					
2004 Wastewater Certificates of Participation, 2% - 4.75%	\$30,955,000	\$24,470,000	\$775,000	\$23,695,000	\$805,000
Loans Payable					
State of California Department of Public Health, 2.34%	20,000,000	11,650,638	991,059	10,659,579	1,014,385
Total Business-type Activity Debt		\$36,120,638	\$1,766,059	\$34,354,579	\$1,819,385

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, 2018

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. The final loan payment was made during fiscal year 2018.

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 2018 net revenues amounted to \$2,729,440 which represented coverage of 151% over the \$1,806,765 of debt service. The pledge of net revenues ends upon repayment of the City's repayment of the remaining balance of \$37,893,148 which is scheduled to occur in 2037.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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
2019	\$405,000	\$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	575,000	1,169,625	2,068,312	1,077,472
2024-2028	3,785,000	5,287,267	7,393,213	4,495,875
2029-2033	5,680,000	3,944,733	6,025,000	3,091,891
2034-2038	8,045,000	1,874,283	11,230,000	1,866,991
2039	1,775,000	56,578		
Total	\$21,720,000	\$17,266,077	\$34,354,579	\$15,488,804

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, 2018

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, 2018, is as follows:

Description	Fiscal Year		Underlying Assessment District Bonds	Outstanding June 30, 2018
	Issue Year	Maturity Year		
1996A Tax Bonds (93-1 Community Facilities District - I-205 Parcel GL-17)	1997	2027		\$720,000
2002 Special Tax Bonds (93-1 Community Facilities District - 1-205 Parcel GL-17)	2003	2033		1,710,000
2003-01 Assessment District Limited Obligation Improvement Bonds (Berg Avenue)	2003	2029		580,000
2005A TOP JPA Revenue Bonds (Senior Lien) (98-1 Plan C)	2006	2029		43,225,000
2005B TOP JPA Revenue Bonds (Junior Lien) (98-3 Plan C)	2006	2036		1,770,000
2005C TOP JPA Revenue Bonds	2006	2036		11,220,000
2006 Special Tax Bonds (2006-1 Community Facilities District - NE Industrial Phase II)	2007	2037		9,920,000
2011A TOP JPA Revenue Bonds:				
98-4 Morrison Homes and 2000-02 Heartland Three	2011	2026	\$1,295,000	
2011-1 Reassessment Bonds	2011	2027	280,000	
99-2 South MacArthur Plan Area (2000 and 2002)	2011	2028	7,930,000	
Total 2011A TOP JPA Revenue Bonds				9,505,000
2014A Tracy Public Financing Authority Revenue Bonds:				
89-1 Community Facilities District	2014	2021	2,740,000	
99-1 Community Facilities District - Northeast Industrial Area	2014	2025	3,825,000	
2014-1 Reassessment Bonds	2014	2023	3,155,000	
Total 2014A Tracy Public Financing Authority Revenue Bonds				9,720,000
	Total			<u>\$88,370,000</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, 2018

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, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Special Revenue			Community Development Fees
		Housing Successor Fund	TEA Grant	South County Fire Authority	
Nonspendable:					
Items not in spendable form:					
Advances	\$1,042,000				
Loans receivable	482,841				
Total Nonspendable Fund Balances	1,524,841				
Restricted for:					
Housing		\$4,201,643			
Special area projects					
Public safety					
Debt service					
Community development					
Asset forfeiture					
Streets and roads			\$156,047		
Landscaping district					
Fire authority				\$62,972	
Cable TV					
Tracy GROW					
Total Restricted Fund Balances		4,201,643	156,047	62,972	
Committed to:					
Contingency/Emergency	14,960,997				
Total Committed Fund Balances	14,960,997				
Assigned to:					
Animal Control Trust	22,193				
Measure V	7,550,250				
Economic/Budget Stability	7,480,499				
Prior year reappropriations	1,594,000				
2019 budget appropriations	4,350,000				
Capital Projects					
Total Assigned Fund Balances	20,996,942				
Unassigned:					
Unassigned	842,109		(6,717,727)		(\$1,455,952)
Total Unassigned Fund Balances	842,109		(6,717,727)		(1,455,952)
Total Fund Balances	\$38,324,889	\$4,201,643	(\$6,561,680)	\$62,972	(\$1,455,952)

(Continued)

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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		
Nonspendable:					
Items not in spendable form:					
Advances					\$1,042,000
Loans receivable					482,841
Total Nonspendable Fund Balances					1,524,841
Restricted for:					
Housing					4,201,643
Special area projects		\$770,377	\$39,806,541	\$93,585,733	134,162,651
Public safety				416,727	416,727
Debt service	\$651,884			348,558	1,000,442
Community development				201,993	201,993
Asset forfeiture				1,124,285	1,124,285
Streets and roads				5,106,715	5,262,762
Landscaping district				5,662,113	5,662,113
Fire authority					62,972
Cable TV				499,509	499,509
Tracy GROW				1,000,000	1,000,000
Total Restricted Fund Balances	651,884	770,377	39,806,541	107,945,633	153,595,097
Committed to:					
Contingency/Emergency					14,960,997
Total Committed Fund Balances					14,960,997
Assigned to:					
Animal Control Trust					22,193
Measure V					7,550,250
Economic/Budget Stability					7,480,499
Prior year reappropriations					1,594,000
2019 budget appropriations					4,350,000
Capital Projects		5,908,810			5,908,810
Total Assigned Fund Balances		5,908,810			26,905,752
Unassigned:					
Unassigned				(18,732)	(7,350,302)
Total Unassigned Fund Balances				(18,732)	(7,350,302)
Total Fund Balances	\$651,884	\$6,679,187	\$39,806,541	\$107,926,901	\$189,636,385

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 June 2018 with Resolution 2018-118 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 \$14,960,997 at June 30, 2018, 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 and may be authorized and expended only when certain specific circumstances exist within 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. This may be due to a loss in housing values, a loss of a major employer, a loss of a major retailer, a sudden spike in unemployment or inflation, and/or other major economic factors. This may also be due to state and/or voter initiatives; including changes in legislation, revenue sources that sunset or expire, or other political impacts to revenues that are outside of the control of the City Council.
 - a. Projected General Fund revenue totals in aggregate are anticipated to decrease by 5% (or more) over the prior year or decrease 10% (or more) cumulative over three years; excluding one-time revenue sources.
 - b. Projected General Fund revenues from a single revenue source are anticipated to decrease by 10% (or more) over the prior year or decrease by 15% over three years; excluding one-time revenue sources.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

2. Expenditure risks: The City may require a source of supplemental funding for uncontrollable costs or contractually obligated costs. Such costs may include maintaining service levels.
 - a. Projected General Fund expenditure totals (in aggregate) increase by 10% (or more) over the prior year or increase 15% (or more) over three years; excluding one-time expenditure requests.
 - b. Projected General Fund expenditures from a single source are anticipated to increase by 10% (or more) over the prior year or increase by 15% over three years.
3. Structural deficit risk: Economic factors may create a structural deficit when revenue growth does not keep pace with expenditure growth. The City may elect to use the Economic/Budget Stability Reserve for up to 24 months while a plan is developed to correct the deficit.
 - a. Projected General Fund expenditure totals (in aggregate) exceed incoming revenues by 5% (or more) over the prior year or exceed by 10% over three years; excluding one-time expenditure requests.
 - b. Need funding for an unanticipated major repair, purchase or other maintenance charge creating a deficit of 5% of incoming revenues.

The nature of these reserves is intended to stabilize the General Fund budget in the short-term to address non-routine or unanticipated changes in economic position. A regular 5-year forecast should be used to identify foreseeable changes in revenues and/or expenditures. However, not all changes in economic and fiscal position are known. In those cases, 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 \$7,480,499 at June 30, 2018, which is a component of assigned fund balance of the General Fund.

The City Manager must present a report to the City Council to justify the use of the Contingency Reserve and Economic/Budget Stability Reserve and the circumstances of the catastrophic and/or fiscal emergency. All uses of the Contingency Reserve and Economic/Budget Stability Reserve must be approved by Resolution of the City Council with a four-fifths vote. Any such uses are to be repaid to the respective reserve 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.

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, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

D. Deficit Fund Balances and Accumulated Deficits

At June 30, 2018, the TEA Grant, Community Development Fees, Business Improvement District and Community Development Block Grant Special Revenue Funds had deficit fund balances of \$6,561,680, \$1,455,952, \$5,346 and \$13,386, 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 \$39,673,011, which will be eliminated by future revenues.

E. Restatement of Net Position and Fund Balance

During fiscal year 2018, 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 in the following table:

	Governmental Activities	Business-Type Activities	Internal Service Funds
Beginning balances as previously reported	\$736,068,545	\$399,635,478	\$23,525,155
Restatements:			
Capital Assets (Note 6E)	1,939,882	(1,162,487)	(864,872)
OPEB (Note 11)	(2,437,427)	(702,078)	(194,414)
Beginning balance, as restated	<u>\$735,571,000</u>	<u>\$397,770,913</u>	<u>\$22,465,869</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.

Restatement due to OPEB – Management adopted the provisions of the following Governmental Accounting Standards Board (GABS) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GABS issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reporters of governments whose employees—both active employees and inactive employees—are provided with the postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense. The implementation of the Statement required the City to make prior periods adjustments to remove the prior net OPEB obligation, record the beginning total OPEB liability and beginning deferred outflows of resources, as noted in the table above.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, are summarized as follows:

	Miscellaneous		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to October 9, 2011	After October 9, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	2.0-2.5%	1.0% - 2.5%
Required employee contribution rates	7%	8%	6.25%
Required employer contribution rates	8.632%	8.632%	8.632%
Required UAL contribution	\$2,130,284		

	Safety - Police		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to April 8, 2012	After April 8, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	19.637%	19.637%	19.637%
Required UAL contribution (Police and Fire)	\$1,941,295		

	Safety - Fire	
	<u>Classic Tier I</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	32.082%	32.082%
Required UAL contribution (Police and Fire)	Included in Safety-Police total above	

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 - PENSION PLANS (Continued)

Beginning in fiscal year 2018, CalPERS collects employer contributions for the Plans as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded accrued liability (UAL). The dollar amounts are billed on an annual basis. The City's required contributions for the unfunded liability for Miscellaneous and Safety Plans were \$2,130,284 and \$1,941,295, respectively, in fiscal year 2018, as shown in the tables above.

Employees Covered – At the June 30, 2016 valuation date, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	268	146
Inactive employees entitled to but not yet receiving benefits	243	52
Active employees	279	145
Total	<u>790</u>	<u>343</u>

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

The City's contributions to the Miscellaneous and Safety Plans were \$4,050,711 and \$5,148,037, respectively, for the year ended June 30, 2018.

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2018

NOTE 10 - PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous and Safety (1)
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase-Miscellaneous	3.2% - 12.2% (2)
Projected Salary Increase-Safety	3.4% - 20.0% (2)
Investment Rate of Return	7.15% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II, and PEPRA)
- (2) Depending on age, service and type of employment
- (3) Net of pension plan investment and administrative expenses, including inflation
- (4) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of projected mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

Change of Assumptions - For the measurement date of June 30, 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

All other actuarial assumptions used in the June 30, 2016 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 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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, 2018

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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(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, 2018

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)
Balance at June 30, 2016	\$130,403,601	\$97,864,589	\$32,539,012
Changes in the year:			
Service cost	3,555,373		3,555,373
Interest on the total pension liability	9,859,228		9,859,228
Differences between actual and expected experience	70,396		70,396
Changes in assumptions	8,362,562		8,362,562
Changes in benefit terms			
Contribution - employer		3,873,007	(3,873,007)
Contribution - employee		1,552,617	(1,552,617)
Net investment income		10,997,746	(10,997,746)
Administrative expenses		(144,490)	144,490
Benefit payments, including refunds of employee contributions	(5,445,878)	(5,445,878)	
Net changes	<u>16,401,681</u>	<u>10,833,002</u>	<u>5,568,679</u>
Balance at June 30, 2017	<u>\$146,805,282</u>	<u>\$108,697,591</u>	<u>\$38,107,691</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$150,613,610	\$116,422,667	\$34,190,943
Changes in the year:			
Service cost	4,863,739		4,863,739
Interest on the total pension liability	11,508,306		11,508,306
Differences between actual and expected experience	433,771		433,771
Changes in assumptions	10,655,271		10,655,271
Changes in benefit terms			
Contribution - employer		4,604,350	(4,604,350)
Contribution - employee		1,590,493	(1,590,493)
Net investment income		12,957,627	(12,957,627)
Administrative expenses		(171,890)	171,890
Benefit payments, including refunds of employee contributions	(6,358,409)	(6,358,409)	
Net changes	<u>21,102,678</u>	<u>12,622,171</u>	<u>8,480,507</u>
Balance at June 30, 2017	<u>\$171,716,288</u>	<u>\$129,044,838</u>	<u>\$42,671,450</u>
Total Balance at June 30, 2017 (Miscellaneous and Safety Plans)	<u>\$318,521,570</u>	<u>\$237,742,429</u>	<u>\$80,779,141</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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	6.15%	6.15%	6.15%
Net Pension Liability	\$58,568,846	\$69,249,577	\$127,818,423
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$38,107,691	\$42,671,450	\$80,779,141
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$21,215,496	\$21,145,940	\$42,361,436

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, 2018, the City recognized pension expense of \$4,880,347 and \$7,275,216 for the miscellaneous and safety plans, respectively. At June 30, 2018, 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	\$4,050,711	
Differences between actual and expected experience	49,064	(\$1,513,837)
Changes in assumptions	5,828,452	(205,562)
Net differences between projected and actual earnings on plan investments	1,404,261	
Total	<u>\$11,332,488</u>	<u>(\$1,719,399)</u>

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,148,037	
Differences between actual and expected experience	345,246	(\$3,243,639)
Changes in assumptions	8,480,726	(1,276,148)
Net differences between projected and actual earnings on plan investments	1,759,194	
Total	<u>\$15,733,203</u>	<u>(\$4,519,787)</u>
Total Miscellaneous and Safety Plans	<u>\$27,065,691</u>	<u>(\$6,239,186)</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 - PENSION PLANS (Continued)

\$9,198,748 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, 2019. 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
2019	\$1,103,488	\$620,727	\$1,724,215
2020	3,904,903	2,545,894	6,450,797
2021	1,355,934	1,896,149	3,252,083
2022	(801,947)	1,002,609	200,662
2023	0	0	0
Thereafter	0	0	0
Total	\$5,562,378	\$6,065,379	\$11,627,757

NOTE 11 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City administers a single employer defined benefit (implicit subsidy) healthcare plan. No assets have been accumulated in a trust for the payment of benefits that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

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, 2018, those costs for 85 retirees totaled \$595,343 and the total liability amount in the medical leave bank is \$3,333,130.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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.

Membership in the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Active plan members	203
Inactive employees or beneficiaries currently receiving benefit payments	22
Inactive employees entitled to but not yet receiving benefit payments	36
Total	261

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.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total OPEB liability. The June 30, 2017 total OPEB liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.25%
Healthcare Trend	8.50% in 2018, declining to 5.0% for 2025 and beyond
Mortality	Bickmore Scale 2017 applied generationally (1)

(1) Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future.

D. Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The City’s funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. The City is currently financing its OPEB liability on a pay-as-you-go basis, the discount rate used in the June 30, 2017 valuation is based on the S&P Municipal Bond 20 year high grade index.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

E. Changes in Total OPEB Liability

The changes in the Total OPEB Liability is as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2016 (Valuation Date)	\$5,907,872
Changes Recognized for the Measurement Period:	
Service Cost	343,641
Interest on the total OPEB liability	153,933
Changes in benefit terms	
Difference between expected and actual experience	
Changes of assumptions	(334,977)
Contributions from the employer	
Net investment income	
Administrative expenses	
Benefit payments and refunds	(138,947)
Net Changes during July 1, 2016 to June 30, 2017	23,650
Balance at June 30, 2017 (Measurement Date)	\$5,931,522

F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

Plan's Total OPEB Liability/(Asset)		
Discount Rate -1% (2.13%)	Current Discount Rate (3.13%)	Discount Rate +1% (4.13%)
\$6,530,690	\$5,931,522	\$5,388,866

G. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates:

Plan's Total OPEB Liability/(Asset)		
Healthcare Cost Trend Rates -1%	Current Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
\$5,322,199	\$5,931,522	\$6,693,782

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

G. *Deferred Outflows and Inflows of Resources*

The components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$174,114	
Changes of assumptions		\$301,942
Total	\$174,114	\$301,942

\$174,114 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$33,035)
2020	(33,035)
2021	(33,035)
2022	(33,035)
2023	(33,035)
Thereafter	(136,767)

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
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)	1,000,000,000
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, 2018, the City contributed \$3,895,448 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, 2018

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, 2018 has reserve deposits which cover claims and IBNRs.

For the Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2016	\$112,494	\$0	\$0	\$112,494
2017	112,494	0	0	112,494
2018	112,494	(112,494)	0	0

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, 2018

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, 2018 were as follows:

	Amount
General Fund	\$595,425
TEA Grant Special Revenue Fund	2,088,169
Community Development Fees Special Revenue Fund	424,098
General Projects Capital Projects Fund	5,918,999
Tracy Infrastructure Master Plan Capital Projects Fund	3,074,055
Non-Major Governmental Funds	6,801,559
	\$18,902,305

D. Measure V Sales Tax Revenues

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, 2018 was \$9,022,126. 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, 2018

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 began amortizing the receivable over 94 months beginning July 1, 2015. The balance due from the District was 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 would pay the City \$100,000 per year toward the compensated absences balances. As of July 1, 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 had made payments to date under the funding agreement of \$727,154, leaving an unreimbursed balance of \$746,100 as of July 1, 2017, which was previously included in accounts receivable in the South County Fire Authority Special Revenue Fund.

In February 2018, the City and the Tracy Rural Fire Protection District established the South San Joaquin County Fire Authority with an effective date of March 1, 2018 and an implementation date of July 1, 2018. With the implementation the new authority, the City and the Tracy Rural Fire Protection District entered into an agreement to resolve the outstanding financial obligations of the South County Fire Authority and dissolve the South County Fire Authority on June 30, 2018. Under the terms of the agreement, the City and the District paid \$957,168 and \$233,215, respectively, to fund the outstanding balance of the compensated absences and the City agreed to reduce the loan receivable to \$1,025,487 and that balance was considered satisfied as of June 30, 2018.

As a result of those transactions, the loan receivable from the District and the advance payable to the General Fund in the South County Fire Authority Special Revenue Fund were written off. The reduction of the loan balance that had resulted from the City advancing operational funds to the Authority in the amount of \$3,347,410 was then reported as a special item in the General Fund as of June 30, 2018.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018

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, 2018 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

**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, 2018 consisted of the following:

	Original Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Current Portion
2016 Refunding Tax Allocation Bonds, 2% - 5%	\$33,720,000	\$33,340,000	\$1,350,000	\$31,990,000	\$1,385,000
Add: Unamortized bond premium		5,179,656	304,686	4,874,970	
Reimbursement Agreement, 0%	12,200,000	8,800,000	400,000	8,400,000	400,000
Loans from Housing Successor, 0%	2,803,520	2,803,520		2,803,520	1,054,915
Total		<u>\$50,123,176</u>	<u>\$2,054,686</u>	<u>\$48,068,490</u>	<u>\$2,839,915</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, 2018

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, 2017 or 2018, but payments were expected to begin in fiscal year 2019. In September 2017, the Successor Agency submitted a revised Loan Repayment Schedule to the State of California Department of Finance, which was subsequently approved; however, the City's annual payment for fiscal year 2018 was denied.

In February 2018, 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 2019, \$1,054,915 in fiscal year 2020 and \$693,690 in fiscal year 2021.

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 \$53,123,825 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 2018 calculated by the County Auditor-Controller was \$7,578,868 and the total received by the Successor Agency for fiscal year 2018 debt service was \$4,405,427, which the Agency used to pay the \$3,248,200 of fiscal year debt service.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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
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	2,060,000	1,154,300
2024-2028	11,570,000	4,412,750
2029-2033	14,110,000	1,741,300
2034-2038	4,730,000	40,950
2039	400,000	
Total	40,390,000	\$12,733,825
Plus Loan from Housing Successor	2,803,520	
Plus Unamortized Bond Premium	4,874,970	
Gross Long-Term Debt	\$48,068,490	

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.

D. San Joaquin Countywide Consolidated Oversight Board

On July 1, 2018, the duties of the Tracy Oversight Board transferred to a new San Joaquin Countywide Consolidated Oversight Board, which will now be responsible for overseeing the winddown affairs of all Successor Agencies in San Joaquin County, including the Successor Agency to the Tracy Community Development Agency.

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 17 – SUBSEQUENT EVENTS

Effective July 1, 2018, the City entered into three-year contracts with all employee groups. The contract included a 4% annual salary increase for each year, or 12% total increase. There are sufficient resources to meet these obligations.

In September 2018, the City issued infrastructure financing bonds for 2006-1 Community Facilities District, Tracy Hills Phase I. The CFD is expected to issue additional parity bonds during calendar year 2019. The bonds will be repaid through tax increment collected on parcels within the district.

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).

REQUIRED SUPPLEMENTARY INFORMATION

Modified Approach to Reporting Street Pavement Costs (Continued)

The City's preservation costs are budgeted to be \$4,039,845 in fiscal year 2019. 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	2,825,868
2019	69	4,039,845	

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 \$2,825,868 for street preservation for fiscal year 2018.

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	June 30, 2017
Total Pension Liability				
Service Cost	\$3,019,742	\$2,892,504	\$2,910,705	\$3,555,373
Interest	8,760,895	9,030,774	9,339,655	9,859,228
Differences between expected and actual experience	-	(3,592,113)	(3,013,865)	70,396
Changes in assumptions	-	(2,261,183)	-	8,362,562
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)	(4,956,786)	(5,445,878)
Net change in total pension liability	7,332,910	1,265,058	4,279,709	16,401,681
Total pension liability - beginning	117,525,924	124,858,834	126,123,892	130,403,601
Total pension liability - ending (a)	\$124,858,834	\$126,123,892	\$130,403,601	\$146,805,282
Plan fiduciary net position				
Contributions - employer	\$2,699,952	\$2,793,345	\$3,466,879	\$3,873,007
Contributions - employee	1,374,066	1,346,337	1,461,861	1,552,617
Net investment income (1)	14,281,310	2,132,844	487,393	10,997,746
Benefit payments, including refunds of employee contributions	(4,447,727)	(4,804,924)	(4,956,786)	(5,445,878)
Plan to Plan Resource Movement	-	8,501	-	-
Administrative Expense	-	(109,805)	(59,400)	(144,490)
Net change in plan fiduciary net position	13,907,601	1,366,298	399,947	10,833,002
Plan fiduciary net position - beginning	82,190,743	96,098,344	97,464,642	97,864,589
Plan fiduciary net position - ending (b)	\$96,098,344	\$97,464,642	\$97,864,589	\$108,697,591
Net pension liability - ending (a)-(b)	\$28,760,490	\$28,659,250	\$32,539,012	\$38,107,691
Plan fiduciary net position as a percentage of the total pension liability	76.97%	77.28%	75.05%	74.04%
Covered payroll	\$19,129,759	\$19,031,601	\$19,352,925	\$20,465,522
Net pension liability as percentage of covered payroll	150.34%	150.59%	168.13%	186.20%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Changes in assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

SCHEDULE OF CONTRIBUTIONS

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

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$3,460,280	\$3,499,868	\$3,873,007	\$4,050,711
Contributions in relation to the actuarially determined contributions	<u>(3,460,280)</u>	<u>(3,499,868)</u>	<u>(3,873,007)</u>	<u>(4,050,711)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$19,031,601</u>	<u>\$19,352,925</u>	<u>\$20,465,522</u>	<u>\$23,989,506</u>
Contributions as a percentage of covered payroll	18.18%	18.08%	18.92%	16.89%
Notes to Schedule:				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 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 and administrative expenses, including inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
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 and 2018. 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

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Safety Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years*

Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Total Pension Liability				
Service Cost	\$4,767,092	\$4,491,843	\$4,239,783	\$4,863,739
Interest	9,861,726	10,281,540	10,762,768	11,508,306
Differences between expected and actual experience	-	(3,530,865)	(2,662,887)	433,771
Changes in assumptions	-	(2,807,525)	-	10,655,271
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)	(5,917,646)	(6,358,409)
Net change in total pension liability	9,612,475	2,964,816	6,422,018	21,102,678
Total pension liability - beginning	131,614,301	141,226,776	144,191,592	150,613,610
Total pension liability - ending (a)	\$141,226,776	\$144,191,592	\$150,613,610	\$171,716,288
Plan fiduciary net position				
Contributions - employer	\$4,341,816	\$4,171,390	\$4,433,276	\$4,604,350
Contributions - employee	1,458,951	1,380,651	1,421,949	1,590,493
Net investment income (1)	16,826,945	2,531,449	584,528	12,957,627
Benefit payments, including refunds of employee contributions	(5,016,343)	(5,470,177)	(5,917,646)	(6,358,409)
Plan to Plan resource movement	-	-	-	-
Administrative Expenses	-	(130,531)	(70,678)	(171,890)
Net change in plan fiduciary net position	17,611,369	2,482,782	451,429	12,622,171
Plan fiduciary net position - beginning	95,877,087	113,488,456	115,971,238	116,422,667
Plan fiduciary net position - ending (b)	\$113,488,456	\$115,971,238	\$116,422,667	\$129,044,838
Net pension liability - ending (a)-(b)	\$27,738,320	\$28,220,354	\$34,190,943	\$42,671,450
Plan fiduciary net position as a percentage of the total pension liability	80.36%	80.43%	77.30%	75.15%
Covered payroll	\$15,506,642	\$15,225,341	\$15,414,995	\$15,512,824
Net pension liability as percentage of covered payroll	178.88%	185.35%	221.80%	275.07%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

Pensions (Continued)

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

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$3,522,006	\$4,477,450	\$4,604,350	\$5,148,037
Contributions in relation to the actuarially determined contributions	(3,522,006)	(4,477,450)	(4,604,350)	(5,148,037)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
 Covered payroll	 \$15,225,341	 \$15,414,995	 \$15,512,824	 \$16,743,454
 Contributions as a percentage of covered payroll	 23.13%	 29.05%	 29.68%	 30.75%
 Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	27 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 and administrative expenses, including inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. 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 and 2018. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
Mortality	

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Benefit Plan Other Than Pensions (OPEB)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	Last Ten Fiscal Years Other Post-Employment Benefits (OPEB)
Measurement period	2016-17
Total OPEB liability	
Service cost	\$ 343,641
Interest	153,933
Differences between expected and actual experience	-
Assumption changes	(334,977)
Benefit payments, including refunds of employee contributions	(138,947)
Net change in total OPEB liability	23,650
Total OPEB liability - beginning	5,907,872
Total OPEB liability - ending	\$ 5,931,522
Covered-employee payroll	\$ 23,997,600
Plan total OPEB liability as a percentage of covered-employee payroll	24.72%

* Fiscal year 2018 was the first year of implementation

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Benefit Plan Other Than Pensions (OPEB)

SCHEDULE OF CONTRIBUTIONS

**Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)**

	2018
Actuarially determined contribution	\$ 764,705
Contributions in relation to the actuarially determined contribution	174,114
Contribution deficiency (excess)	\$ 590,591
Covered-employee payroll	\$ 30,826,991
Contributions as a percentage of covered-employee payroll	0.56%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level Percentage of Projected Payroll on an Open Basis
Remaining Amortization	28 years remaining as of June 30, 2018
Asset Valuation Method	Market value of assets (\$0, no OPEB Trust has been established)
Discount Rate	3.13%
General Inflation	2.75% per year
Mortality, Retirement, Disability, Termination	Same as June 30, 2016 actuarial valuation
Mortality Improvement	Bickmore Scale 2017 applied generationally
Salary Increases	3.25% per year, used only to allocate the cost of benefits between service years

*Fiscal year 2018 was the first year of implementation.

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$51,514,245	\$51,514,245	\$55,155,390	\$3,641,145
Licenses, permits and fees	2,968,400	2,968,400	3,694,142	725,742
Fines and forfeitures	270,810	270,810	220,087	(50,723)
Use of money and property	733,686	733,686	672,721	(60,965)
Intergovernmental	1,245,370	1,245,370	1,583,991	338,621
Charges for current services	4,514,850	4,514,850	11,340,010	6,825,160
Special assessments	400,000	400,000	421,006	21,006
Contributions	158,720	138,720	143,350	4,630
Other revenue	30,600	50,600	1,574,278	1,523,678
Total Revenues	61,836,681	61,836,681	74,804,975	12,968,294
EXPENDITURES:				
Current:				
General government				
Economic development	1,253,108	1,401,470	763,391	638,079
General government	7,526,902	7,828,815	6,538,415	1,290,400
Finance	5,007,736	5,408,329	4,091,660	1,316,669
Non-departmental	802,286	802,286	268,301	533,985
Public safety				
Police	24,990,729	26,047,009	26,539,255	(492,246)
Fire	9,977,928	11,101,116	13,701,292	(2,600,176)
Public works				
Development and engineering	983,155	1,332,667	972,497	360,170
Public works	9,085,313	9,171,285	6,249,178	2,922,107
Culture and leisure				
Parks and community services	4,975,311	3,918,839	2,682,569	1,236,270
Capital outlay	773,786	997,371	660,507	336,864
Debt service:				
Principal			68,552	(68,552)
Total Expenditures	65,376,254	68,009,187	62,535,617	5,473,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,539,573)	(6,172,506)	12,269,358	18,441,864
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,040	2,040	500	(1,540)
Transfers in	1,250,000	1,250,000	1,250,000	
Transfers (out)	(3,524,322)	(3,509,400)	(12,618,396)	(9,108,996)
Total Other Financing Sources (Uses)	(2,272,282)	(2,257,360)	(11,367,896)	(9,110,536)
NET CHANGE IN FUND BALANCE BEFORE SPECIAL ITEM	(5,811,855)	(8,429,866)	901,462	9,331,328
SPECIAL ITEM - SCFA Loan Write-Off			(3,347,410)	(3,347,410)
NET CHANGE IN FUND BALANCE	(\$5,811,855)	(\$8,429,866)	(2,445,948)	\$5,983,918
BEGINNING FUND BALANCE			40,770,837	
ENDING FUND BALANCE			\$38,324,889	

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING SUCCESSOR
FOR THE YEAR ENDED JUNE 30, 2018

	<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>\$112,963</u>	<u>\$45,963</u>
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>112,963</u>	<u>45,963</u>
EXPENDITURES:				
General government				
Economic development			<u>1,709</u>	<u>(1,709)</u>
Total Expenditures			<u>1,709</u>	<u>(1,709)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$67,000</u></u>	<u><u>\$67,000</u></u>	111,254	<u>\$44,254</u>
BEGINNING FUND BALANCE			<u>4,090,389</u>	
ENDING FUND BALANCE			<u><u>\$4,201,643</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, 2018

	<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			\$7,117,353	\$7,117,353
Total Revenues			7,117,353	7,117,353
EXPENDITURES:				
Capital outlay	\$6,000,389	\$17,589,722	13,391,997	4,197,725
Total Expenditures	6,000,389	17,589,722	13,391,997	4,197,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,000,389)	(17,589,722)	(6,274,644)	11,315,078
OTHER FINANCING SOURCES (USES)				
Transfers in			935,657	935,657
Transfers out			(902,760)	(902,760)
Total Other Financing Sources (Uses)			32,897	32,897
NET CHANGE IN FUND BALANCE	<u>(\$6,000,389)</u>	<u>(\$17,589,722)</u>	(6,241,747)	<u>\$11,347,975</u>
BEGINNING FUND BALANCE (DEFICIT)			(319,933)	
ENDING FUND BALANCE (DEFICIT)			<u>(\$6,561,680)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property			\$14,727	\$14,727
Intergovernmental	\$6,300,000	\$6,300,000	6,886,539	586,539
Charges for current services	262,000	262,000	285,767	23,767
Total Revenues	<u>6,562,000</u>	<u>6,562,000</u>	<u>7,187,033</u>	<u>625,033</u>
EXPENDITURES:				
Current:				
General government	258,100	258,100	273,484	(15,384)
Public safety				
Fire	7,218,594	7,392,810	8,549,935	(1,157,125)
Capital outlay	19,460	19,460	33,158	(13,698)
Total Expenditures	<u>7,496,154</u>	<u>7,670,370</u>	<u>8,856,577</u>	<u>(1,186,207)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(934,154)</u>	<u>(1,108,370)</u>	<u>(1,669,544)</u>	<u>(561,174)</u>
NET CHANGE IN FUND BALANCE	<u>(\$934,154)</u>	<u>(\$1,108,370)</u>	<u>(1,669,544)</u>	<u>(\$561,174)</u>
BEGINNING FUND BALANCE			<u>1,732,516</u>	
ENDING FUND BALANCE			<u>\$62,972</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, 2018

	<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	\$2,983,000	\$2,983,000	\$3,813,574	\$830,574
Use of money and property			(23,956)	(23,956)
Charges for current services	8,747,700	8,747,700	4,986,160	(3,761,540)
Other revenue			8,505	8,505
	<u>11,730,700</u>	<u>11,730,700</u>	<u>8,784,283</u>	<u>(2,946,417)</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government				
Non-departmental	1,180,557	1,180,557	551,463	629,094
Public works				
Development and engineering	11,585,094	12,256,800	10,609,430	1,647,370
Public works				
Capital outlay	<u>143,000</u>	<u>167,661</u>	<u>63,338</u>	<u>104,323</u>
	<u>12,908,651</u>	<u>13,605,018</u>	<u>11,224,231</u>	<u>2,380,787</u>
Total Expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,177,951)	(1,874,318)	(2,439,948)	(565,630)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,180,000</u>	
NET CHANGE IN FUND BALANCE	<u>\$2,049</u>	<u>(\$694,318)</u>	(1,259,948)	<u>(\$565,630)</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(196,004)</u>	
ENDING FUND BALANCE (DEFICIT)			<u>(\$1,455,952)</u>	

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Data

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures, and controls that permit the evaluation and adjustment of the City's performance.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of committees and workshops and the final adoption of the budget is scheduled for June of each year.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public meeting is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund where an expenditure control budget policy allows departments to carryover a portion of the unexpended amounts into the next fiscal year.
5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

6. Legally adopted budget appropriations are set for the General, Special Revenue, and Debt Service Funds.
 7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.
 8. Budgets for General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as 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.

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

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
2008 LEASE REVENUE BONDS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Use of money and property		\$1,779	\$1,779
Intergovernmental		400,000	400,000
		<u>401,779</u>	<u>401,779</u>
Total Revenues			
EXPENDITURES:			
Debt service:			
Principal	\$220,000	250,000	(30,000)
Interest and fiscal charges	1,138,300	1,127,238	11,062
		<u>1,358,300</u>	<u>(18,938)</u>
Total Expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,358,300)	(975,459)	382,841
OTHER FINANCING SOURCES (USES)			
Transfers in		958,300	958,300
NET CHANGE IN FUND BALANCE	<u>(\$1,358,300)</u>	(17,159)	<u>\$382,841</u>
BEGINNING FUND BALANCE		<u>669,043</u>	
ENDING FUND BALANCE		<u><u>\$651,884</u></u>	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:**BUSINESS IMPROVEMENT DISTRICT FUND**

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

ASSET FORFEITURE FUND

Established to account for the revenues that occur from asset seizures. They are specifically restricted for the purchase of law enforcement equipment and supplies.

PROPOSITION 1B FUND

Established to account for the revenues from the State of California generated by the issuance of general obligation bonds. The revenues are to be used for highway safety, traffic reduction, and air quality.

TRANSPORTATION DEVELOPMENT FUND

Established to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The tax first goes to the Transportation Development Fund.

PROPOSITION K TRANSPORTATION FUND

Established to account for the City's share of the half cent transportation sales tax of San Joaquin County. It is used for street maintenance and repairs.

STATE GAS TAX STREET FUND

Established to account for the City's share of State-Imposed motor vehicle gas taxes, which are legally restricted to acquisition, construction, improvement, and maintenance of the City's streets.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

Established to account for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants.

LANDSCAPING DISTRICT FUND

Established to account for transactions of the City's landscaping benefit assessment districts.

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND

Used to account for Department of Housing and Urban Development Fund (HUD) trust monies which are used for low interest loans to qualified borrowers for inner city rehabilitation projects in accordance with HUD agreements.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

COMMUNITY ACCESS CTV FUND

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

GROW TRACY FUND

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

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.

FEMA GRANT FUND

The FEMA Grant Special Revenue Fund was established during the fiscal year to account for activities relate to the federal grant revenues restricted for FEMA emergency disaster activities.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

URBAN MANAGEMENT PLAN FACILITIES FUND

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

CAPITAL PROJECTS DEPOSIT FUND

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

SOUTH MACARTHUR PLAN AREA FUND

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

INDUSTRIAL SPECIFIC PLAN SOUTH FUND

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

PRESIDIO PLAN AREA FUND

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

REDEVELOPMENT OBLIGATIONS FUND

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

TRACY GATEWAY AREA FUND

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

PLAN C FUND

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

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND

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

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, 2018

	SPECIAL REVENUE FUNDS			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
ASSETS				
Cash and investments		\$1,149,124		\$2,048,666
Restricted cash and investments		10,000		
Cash and investments with fiscal agents				
Accounts receivables	\$1,115			248,318
Interest receivable		5,360		10,605
Deposits				
Loans receivable				
Total Assets	\$1,115	\$1,164,484		\$2,307,589
LIABILITIES				
Accounts payable		\$40,199		\$78,400
Due to other funds	\$6,461			
Advances from other funds				
Deposits payable				
Unearned revenue				74,897
Total Liabilities	6,461	40,199		153,297
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- accounts receivable				
Unavailable revenue- loans				
Total Deferred Inflows of Resources				
FUND BALANCE				
Fund balance:				
Restricted		1,124,285		2,154,292
Unassigned	(5,346)			
Total Fund Balances (Deficit)	(5,346)	1,124,285		2,154,292
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,115	\$1,164,484		\$2,307,589

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
\$649,065	\$2,040,883		\$5,906,780	\$201,033	\$458,287
364,381 3,098	79,036 9,680	\$238,856	14,958 28,213	960	40,181 1,923
<u>\$1,016,544</u>	<u>\$2,129,599</u>	<u>\$238,856</u>	<u>\$5,949,951</u>	<u>\$201,993</u>	<u>\$500,391</u>
\$164,917	\$28,803	\$10,074 242,168	\$287,838		\$882
<u>164,917</u>	<u>28,803</u>	<u>252,242</u>	<u>287,838</u>		<u>882</u>
851,627	2,100,796	(13,386)	5,662,113	\$201,993	499,509
<u>851,627</u>	<u>2,100,796</u>	<u>(13,386)</u>	<u>5,662,113</u>	<u>201,993</u>	<u>499,509</u>
<u>\$1,016,544</u>	<u>\$2,129,599</u>	<u>\$238,856</u>	<u>\$5,949,951</u>	<u>\$201,993</u>	<u>\$500,391</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>
	<u>Grow Tracy</u>	<u>COPS Grant</u>	<u>FEMA Grant</u>	<u>2007 Lease Revenue Bonds</u>	<u>North East Industrial Plan Area # 1</u>
ASSETS					
Cash and investments		\$373,662	\$2,836	\$346,902	\$3,231,790
Restricted cash and investments					
Cash and investments with fiscal agents				1	
Accounts receivables		43,065			
Interest receivable			14	1,655	23,194
Deposits	\$1,000,000				
Loans receivable					
Total Assets	<u>\$1,000,000</u>	<u>\$416,727</u>	<u>\$2,850</u>	<u>\$348,558</u>	<u>\$3,254,984</u>
LIABILITIES					
Accounts payable					\$1,127
Due to other funds					
Advances from other funds					
Deposits payable					
Unearned revenue					
Total Liabilities					<u>1,127</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue- accounts receivable					
Unavailable revenue- loans					
Total Deferred Inflows of Resources					
FUND BALANCE					
Fund balance:					
Restricted	\$1,000,000	\$416,727	\$2,850	\$348,558	3,253,857
Unassigned					
Total Fund Balances (Deficit)	<u>1,000,000</u>	<u>416,727</u>	<u>2,850</u>	<u>348,558</u>	<u>3,253,857</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,000,000</u>	<u>\$416,727</u>	<u>\$2,850</u>	<u>\$348,558</u>	<u>\$3,254,984</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
\$6,535,382	\$3,253,190	\$11,773,234	\$7,325,208	\$7,223,606	\$10,479,187
3,136,591					253,715
22,760	17,723	57,094	44,840 3,208	2,500,000 34,401	50,038
<u>\$9,694,733</u>	<u>\$3,270,913</u>	<u>\$11,830,328</u>	<u>\$7,373,256</u>	<u>\$9,758,007</u>	<u>\$10,782,940</u>
\$6,401	\$675	\$30,522	\$3,347,504	\$1,886	\$520
35,844		905,072	1,008,811	775,642	
<u>42,245</u>	<u>675</u>	<u>935,594</u>	<u>4,356,315</u>	<u>777,528</u>	<u>520</u>
				1,250,000	
				1,250,000	
9,652,488	3,270,238	10,894,734	3,016,941	7,730,479	10,782,420
<u>9,652,488</u>	<u>3,270,238</u>	<u>10,894,734</u>	<u>3,016,941</u>	<u>7,730,479</u>	<u>10,782,420</u>
<u>\$9,694,733</u>	<u>\$3,270,913</u>	<u>\$11,830,328</u>	<u>\$7,373,256</u>	<u>\$9,758,007</u>	<u>\$10,782,940</u>

(Continued)

CITY OF TRACY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations	Tracy Gateway Area
ASSETS				
Cash and investments	\$1,910,095	\$6,103,930	\$2,403,630	\$1,501,066
Restricted cash and investments				
Cash and investments with fiscal agents		5,107		
Accounts receivables				
Interest receivable	16,670	29,136	11,478	6,972
Deposits				
Loans receivable				
Total Assets	<u>\$1,926,765</u>	<u>\$6,138,173</u>	<u>\$2,415,108</u>	<u>\$1,508,038</u>
LIABILITIES				
Accounts payable	\$878	\$488	\$840	
Due to other funds				
Advances from other funds				\$1,042,000
Deposits payable		825,000	3,000	
Unearned revenue				
Total Liabilities	<u>878</u>	<u>825,488</u>	<u>3,840</u>	<u>1,042,000</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue- accounts receivable				
Unavailable revenue- loans				
Total Deferred Inflows of Resources				
FUND BALANCE				
Fund balance:				
Restricted	1,925,887	5,312,685	2,411,268	466,038
Unassigned				
Total Fund Balances (Deficit)	<u>1,925,887</u>	<u>5,312,685</u>	<u>2,411,268</u>	<u>466,038</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,926,765</u>	<u>\$6,138,173</u>	<u>\$2,415,108</u>	<u>\$1,508,038</u>

CAPITAL PROJECTS FUND

<u>Plan "C"</u>	<u>Residential Specific Plan Project</u>	<u>Ellis Area</u>	<u>Total Nonmajor Governmental Funds</u>
\$23,607,860	\$2,938,247	\$8,158,555	\$109,622,218
			10,000
			3,395,414
			3,574,750
112,908	14,030	39,221	500,341
			1,000,000
	2,013,147		2,013,147
<u>\$23,720,768</u>	<u>\$4,965,424</u>	<u>\$8,197,776</u>	<u>\$120,115,870</u>
	\$4,973		\$4,006,927
			248,629
			1,042,000
			3,553,369
			74,897
	4,973		8,925,822
			1,250,000
	2,013,147		2,013,147
	2,013,147		3,263,147
23,720,768	2,947,304	\$8,197,776	107,945,633
			(18,732)
<u>23,720,768</u>	<u>2,947,304</u>	<u>8,197,776</u>	<u>107,926,901</u>
<u>\$23,720,768</u>	<u>\$4,965,424</u>	<u>\$8,197,776</u>	<u>\$120,115,870</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, 2018

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>Business Improvement District</u>	<u>Asset Forfeiture</u>	<u>Proposition 1B</u>	<u>Transportation Development</u>
REVENUES				
Taxes				\$3,207,870
Licenses, permits and fees	\$116,907			
Fines and penalties		\$1,338,688		
Use of money and property		2,451	\$2	(3,882)
Intergovernmental				
Charges for current services				
Special assessments				
Contributions				
Other revenue	1,993			
Total Revenues	<u>118,900</u>	<u>1,341,139</u>	<u>2</u>	<u>3,203,988</u>
EXPENDITURES				
Current:				
General government				
Economic development	123,884			
Non-departmental				86,795
Public safety				
Police		538,769		
Public ways and facilities/transportation				
Development and engineering				4,269
Public works				
Capital outlay		83,434	271	1,290,697
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>123,884</u>	<u>622,203</u>	<u>271</u>	<u>1,381,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,984)</u>	<u>718,936</u>	<u>(269)</u>	<u>1,822,227</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(4,984)	718,936	(269)	1,822,227
BEGINNING FUND BALANCES (DEFICITS)	<u>(362)</u>	<u>405,349</u>	<u>269</u>	<u>332,065</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>(\$5,346)</u></u>	<u><u>\$1,124,285</u></u>	<u><u>269</u></u>	<u><u>\$2,154,292</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
\$1,475,012					\$167,083
5,308	\$2,446 2,316,260 3,037	\$401,848	\$24,891 3,176,095	\$998	1,569 768
<u>1,480,320</u>	<u>2,321,743</u>	<u>401,848</u>	<u>3,201,386</u>	<u>998</u>	<u>169,420</u>
103,155	177,011	134,190	260,914		
1,168,256	1,195,788 1,085,844	271,269	2,711,639 116,485		56,653
<u>1,271,411</u>	<u>2,458,643</u>	<u>405,459</u>	<u>3,089,038</u>		<u>56,653</u>
<u>208,909</u>	<u>(136,900)</u>	<u>(3,611)</u>	<u>112,348</u>	<u>998</u>	<u>112,767</u>
	733,592 (611,007)	(8,793)			
	<u>122,585</u>	<u>(8,793)</u>			
208,909	(14,315)	(12,404)	112,348	998	112,767
<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>\$851,627</u>	<u>\$2,100,796</u>	<u>(\$13,386)</u>	<u>\$5,662,113</u>	<u>\$201,993</u>	<u>\$499,509</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, 2018

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUND
	Grow Tracy	COPS Grant	FEMA Grant	2007 Lease Revenue Bonds	North East Industrial Plan Area #1
REVENUES					
Taxes					
Licenses, permits and fees					
Fines and penalties					
Use of money and property		(\$1,848)		\$1,829	\$14,980
Intergovernmental		195,549	\$98,874		
Charges for current services					2,494,236
Special assessments					
Contributions					
Other revenue					
Total Revenues		193,701	98,874	1,829	2,509,216
EXPENDITURES					
Current:					
General government					
Economic development					
Non-departmental		11,349	96,024		
Public safety					
Police					
Public ways and facilities/transportation					
Development and engineering					
Public works					
Capital outlay		140,000			19,634
Debt service:					
Principal payments				115,000	
Interest and fiscal charges				164,780	
Total Expenditures		151,349	96,024	279,780	19,634
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		42,352	2,850	(277,951)	2,489,582
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets					
Transfers in				280,100	
Transfers (out)					
Total Other Financing Sources (Uses)				280,100	
NET CHANGE IN FUND BALANCES		42,352	2,850	2,149	2,489,582
BEGINNING FUND BALANCES (DEFICITS)	\$1,000,000	374,375		346,409	764,275
ENDING FUND BALANCES (DEFICITS)	\$1,000,000	\$416,727	\$2,850	\$348,558	\$3,253,857

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
\$59,590	\$16,003	\$18,631	\$18,858	\$34,338	\$53,139
110,392	774,406	6,237,742	1,525,898		
			1,593,810 3,743	3,098,265	
<u>169,982</u>	<u>790,409</u>	<u>6,256,373</u>	<u>3,142,309</u>	<u>3,132,603</u>	<u>53,139</u>
			1,962,551		
242,773	1,113,965	1,065,957			160,296
<u>242,773</u>	<u>1,113,965</u>	<u>1,065,957</u>	<u>1,962,551</u>		<u>160,296</u>
<u>(72,791)</u>	<u>(323,556)</u>	<u>5,190,416</u>	<u>1,179,758</u>	<u>3,132,603</u>	<u>(107,157)</u>
		329,221			
	169,168			(1,250,000)	
	<u>169,168</u>	<u>329,221</u>		<u>(1,250,000)</u>	
(72,791)	(154,388)	5,519,637	1,179,758	1,882,603	(107,157)
<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>\$9,652,488</u>	<u>\$3,270,238</u>	<u>\$10,894,734</u>	<u>\$3,016,941</u>	<u>\$7,730,479</u>	<u>\$10,782,420</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, 2018

	<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>
REVENUES				
Taxes				
Licenses, permits and fees				
Fines and penalties				
Use of money and property	\$17,106	\$30,347	\$7,556	\$10,379
Intergovernmental			2,126,315	
Charges for current services	81,697			
Special assessments				
Contributions				
Other revenue				
Total Revenues	<u>98,803</u>	<u>30,347</u>	<u>2,133,871</u>	<u>10,379</u>
EXPENDITURES				
Current:				
General government				
Economic development				
Non-departmental				
Public safety				
Police				
Public ways and facilities/transportation				
Development and engineering				
Public works				
Capital outlay	1,610,126		840	1,698,116
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>1,610,126</u>	<u>30,347</u>	<u>840</u>	<u>1,698,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,511,323)</u>	<u>30,347</u>	<u>2,133,031</u>	<u>(1,687,737)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	(1,511,323)	30,347	2,133,031	(1,687,737)
BEGINNING FUND BALANCES (DEFICITS)	<u>3,437,210</u>	<u>5,282,338</u>	<u>278,237</u>	<u>2,153,775</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>\$1,925,887</u></u>	<u><u>\$5,312,685</u></u>	<u><u>\$2,411,268</u></u>	<u><u>\$466,038</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>
			\$4,682,882
			283,990
			1,338,688
\$110,633	\$112,742	\$19,032	557,098
			5,138,846
1,479,361		4,256,963	16,964,500
			3,176,095
			4,692,075
			6,136
<u>1,589,994</u>	<u>112,742</u>	<u>4,275,995</u>	<u>36,840,310</u>
			355,525
	97,451		735,248
			538,769
			1,966,820
657	172,466	33,434	3,907,427
			10,331,173
			115,000
			164,780
<u>657</u>	<u>269,917</u>	<u>33,434</u>	<u>18,114,742</u>
<u>1,589,337</u>	<u>(157,175)</u>	<u>4,242,561</u>	<u>18,725,568</u>
			329,221
			1,182,860
			(1,869,800)
			(357,719)
1,589,337	(157,175)	4,242,561	18,367,849
<u>22,131,431</u>	<u>3,104,479</u>	<u>3,955,215</u>	<u>89,559,052</u>
<u>\$23,720,768</u>	<u>\$2,947,304</u>	<u>\$8,197,776</u>	<u>\$107,926,901</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, 2018

	BUSINESS IMPROVEMENT DISTRICT			ASSET FORFEITURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees	\$123,700	\$116,907	\$6,793			
Fines and penalties				\$50,000	\$1,338,688	\$1,288,688
Use of money and property					2,451	2,451
Intergovernmental						
Charges for current services						
Special assessments						
Other revenue		1,993	(1,993)			
Total Revenues	<u>123,700</u>	<u>118,900</u>	<u>4,800</u>	<u>50,000</u>	<u>1,341,139</u>	<u>1,291,139</u>
EXPENDITURES						
Current:						
General government						
Economic development	114,200	123,884	(9,684)			
General government						
Non-departmental						
Public safety						
Police				489,793	538,769	(48,976)
Public works						
Development and engineering						
Public works						
Capital outlay				163,857	83,434	80,423
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>114,200</u>	<u>123,884</u>	<u>(9,684)</u>	<u>653,650</u>	<u>622,203</u>	<u>31,447</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,500</u>	<u>(4,984)</u>	<u>(14,484)</u>	<u>(603,650)</u>	<u>718,936</u>	<u>1,322,586</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$9,500</u>	<u>(4,984)</u>	<u>(\$14,484)</u>	<u>(\$603,650)</u>	<u>718,936</u>	<u>\$1,322,586</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(362)</u>			<u>405,349</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$5,346)</u>			<u>\$1,124,285</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	\$3,207,870	\$1,682,870	\$1,300,000	\$1,475,012	\$175,012			
	(3,882)	(3,882)		5,308	5,308	\$2,549,615	\$2,446 2,316,260 3,037	\$2,446 (233,355) 3,037
<u>1,525,000</u>	<u>3,203,988</u>	<u>1,678,988</u>	<u>1,300,000</u>	<u>1,480,320</u>	<u>180,320</u>	<u>2,549,615</u>	<u>2,321,743</u>	<u>(227,872)</u>
55,825	86,795	(30,970)		103,155	(103,155)	63,423	177,011	(113,588)
16,330	4,269	12,061						
375,740		375,740				586,260	1,195,788	(609,528)
1,693,401	1,290,697	402,704	2,544,918	1,168,256	1,376,662	3,346,750	1,085,844	2,260,906
<u>2,141,296</u>	<u>1,381,761</u>	<u>759,535</u>	<u>2,544,918</u>	<u>1,271,411</u>	<u>1,273,507</u>	<u>3,996,433</u>	<u>2,458,643</u>	<u>1,537,790</u>
<u>(616,296)</u>	<u>1,822,227</u>	<u>2,438,523</u>	<u>(1,244,918)</u>	<u>208,909</u>	<u>1,453,827</u>	<u>(1,446,818)</u>	<u>(136,900)</u>	<u>1,309,918</u>
							733,592	733,592
							(611,007)	(611,007)
							122,585	122,585
<u>(\$616,296)</u>	1,822,227	<u>\$2,438,523</u>	<u>(\$1,244,918)</u>	208,909	<u>\$1,453,827</u>	<u>(\$1,446,818)</u>	(14,315)	<u>\$1,432,503</u>
	<u>332,065</u>			<u>642,718</u>			<u>2,115,111</u>	
	<u>\$2,154,292</u>			<u>\$851,627</u>			<u>\$2,100,796</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, 2018

	COMMUNITY DEVELOPMENT BLOCK GRANT			LANDSCAPING DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and penalties						
Use of money and property				\$35,000	\$24,891	(\$10,109)
Intergovernmental	\$368,600	\$401,848	\$33,248			
Charges for current services				2,701,000	3,176,095	475,095
Special assessments					400	400
Other revenue						
Total Revenues	<u>368,600</u>	<u>401,848</u>	<u>33,248</u>	<u>2,736,000</u>	<u>3,201,386</u>	<u>465,386</u>
EXPENDITURES						
Current:		-				
General government						
Economic development	551,603	134,190	417,413			
General government						
Non-departmental				166,093	260,914	(94,821)
Public safety						
Police						
Public works						
Development and engineering						
Public works				3,645,405	2,711,639	933,766
Capital outlay	651,151	271,269	379,882	2,625,447	116,485	2,508,962
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>1,202,754</u>	<u>405,459</u>	<u>797,295</u>	<u>6,436,945</u>	<u>3,089,038</u>	<u>3,347,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(834,154)</u>	<u>(3,611)</u>	<u>830,543</u>	<u>(3,700,945)</u>	<u>112,348</u>	<u>3,813,293</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out		(8,793)	(8,793)			
Total Other Financing Sources (Uses)		<u>(8,793)</u>	<u>(8,793)</u>			
NET CHANGE IN FUND BALANCES	<u><u>(\$834,154)</u></u>	<u>(12,404)</u>	<u>\$821,750</u>	<u><u>(\$3,700,945)</u></u>	<u>112,348</u>	<u><u>\$3,813,293</u></u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(982)</u>			<u>5,549,765</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>(\$13,386)</u></u>			<u><u>\$5,662,113</u></u>	

COMMUNITY ACCESS CTV			COPS GRANT			FEMA GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$215,000	\$167,083	(\$47,917)						
	1,569	1,569	\$140,000	(\$1,848)	(\$1,848)		\$98,874	\$98,874
500	768	268		195,549	55,549			
<u>215,500</u>	<u>169,420</u>	<u>(46,080)</u>	<u>140,000</u>	<u>193,701</u>	<u>53,701</u>		<u>98,874</u>	<u>98,874</u>
149,984		149,984		11,349	(11,349)		96,024	(96,024)
548,110	56,653	491,457	280,000	140,000	140,000			
<u>698,094</u>	<u>56,653</u>	<u>641,441</u>	<u>280,000</u>	<u>151,349</u>	<u>128,651</u>		<u>96,024</u>	<u>(96,024)</u>
<u>(482,594)</u>	<u>112,767</u>	<u>595,361</u>	<u>(140,000)</u>	<u>42,352</u>	<u>182,352</u>		<u>2,850</u>	<u>2,850</u>
<u><u>(\$482,594)</u></u>	<u>112,767</u>	<u>\$595,361</u>	<u>(\$140,000)</u>	<u>42,352</u>	<u>\$182,352</u>		<u>2,850</u>	<u>\$2,850</u>
	<u>386,742</u>			<u>374,375</u>				
	<u>\$499,509</u>			<u>\$416,727</u>			<u>\$2,850</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, 2018

	2007 LEASE REVENUE BONDS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Licenses, permits and fees			
Fines and penalties			
Use of money and property		\$1,829	\$1,829
Intergovernmental			
Charges for current services			
Special assessments			
Other revenue			
Total Revenues		1,829	1,829
EXPENDITURES			
Current:			
General government			
Economic development			
General government			
Non-departmental			
Public safety			
Police			
Public works			
Development and engineering			
Public works			
Capital outlay			
Debt service:			
Principal payments	\$115,000	115,000	
Interest and fiscal charges	175,100	164,780	10,320
Total Expenditures	290,100	279,780	10,320
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(290,100)	(277,951)	12,149
OTHER FINANCING SOURCES (USES)			
Transfers in		280,100	280,100
Transfers out			
Total Other Financing Sources (Uses)		280,100	280,100
NET CHANGE IN FUND BALANCES	(\$290,100)	2,149	\$292,249
BEGINNING FUND BALANCES (DEFICITS)		346,409	
ENDING FUND BALANCES (DEFICITS)		\$348,558	

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, 2018

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
ASSETS						
Current Assets:						
Cash and investments	\$746,682	\$1,044,995	\$9,365,112	\$1,361,645	\$3,131,180	\$15,649,614
Total Current Assets	<u>746,682</u>	<u>1,044,995</u>	<u>9,365,112</u>	<u>1,361,645</u>	<u>3,131,180</u>	<u>15,649,614</u>
Depreciables:						
Capital assets (net of accumulated depreciation)	8,859		10,292,077	4,375		10,305,311
Total capital assets	<u>8,859</u>		<u>10,292,077</u>	<u>4,375</u>		<u>10,305,311</u>
Total Assets	<u>755,541</u>	<u>1,044,995</u>	<u>19,657,189</u>	<u>1,366,020</u>	<u>3,131,180</u>	<u>25,954,925</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	137,381	335,515		174,263	100,874	748,033
Related to OPEB	<u>1,288</u>	<u>2,368</u>		<u>1,427</u>	<u>783</u>	<u>5,866</u>
Total Deferred Outflows of Resources	<u>138,669</u>	<u>337,883</u>		<u>175,690</u>	<u>101,657</u>	<u>753,899</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	44,280	26,121	178,626	9,170	48,343	306,540
Compensated absences	<u>15,623</u>	<u>28,322</u>		<u>14,970</u>	<u>8,107</u>	<u>67,022</u>
Total Current Liabilities	<u>59,903</u>	<u>54,443</u>	<u>178,626</u>	<u>24,140</u>	<u>56,450</u>	<u>373,562</u>
Long-term Liabilities:						
Compensated absences	41,213	77,786		37,499	11,472	167,970
Net pension liabilities	425,840	1,039,419		539,281	380,194	2,384,734
Net OPEB liability	<u>43,893</u>	<u>80,669</u>		<u>48,639</u>	<u>26,691</u>	<u>199,892</u>
Total Long-Term Liabilities	<u>510,946</u>	<u>1,197,874</u>		<u>625,419</u>	<u>418,357</u>	<u>2,752,596</u>
Total Liabilities	<u>570,849</u>	<u>1,252,317</u>	<u>178,626</u>	<u>649,559</u>	<u>474,807</u>	<u>3,126,158</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	207	33,072		8,958	19,894	62,131
Related to OPEB	<u>2,234</u>	<u>4,106</u>		<u>2,476</u>	<u>1,359</u>	<u>10,175</u>
Total Deferred Inflows of Resources	<u>2,441</u>	<u>37,178</u>		<u>11,434</u>	<u>21,253</u>	<u>72,306</u>
NET POSITION						
Net investment in capital assets	8,859		10,292,077	4,375		10,305,311
Unrestricted	<u>312,061</u>	<u>93,383</u>	<u>9,186,486</u>	<u>876,342</u>	<u>2,736,777</u>	<u>13,205,049</u>
Total Net Position	<u>\$320,920</u>	<u>\$93,383</u>	<u>\$19,478,563</u>	<u>\$880,717</u>	<u>\$2,736,777</u>	<u>\$23,510,360</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Central Garage</u>	<u>Central Services</u>	<u>Equipment Acquisition</u>	<u>Building Maintenance</u>	<u>Insurance</u>	<u>Total</u>
REVENUES						
Charges for services	\$1,875,451	\$1,997,111	\$2,183,282	\$2,000,515	\$4,021,057	\$12,077,416
Other revenues	133				507,175	507,308
Total Operating Revenues	<u>1,875,584</u>	<u>1,997,111</u>	<u>2,183,282</u>	<u>2,000,515</u>	<u>4,528,232</u>	<u>12,584,724</u>
EXPENSES						
Maintenance and operation	1,813,351	1,866,103	841,686	1,030,310	1,186,565	6,738,015
Administration	102,449	111,607	139,571	64,508	215,879	634,014
Insurance costs and claims					3,895,448	3,895,448
Depreciation	499		1,931,249	261		1,932,009
Total Expenses	<u>1,916,299</u>	<u>1,977,710</u>	<u>2,912,506</u>	<u>1,095,079</u>	<u>5,297,892</u>	<u>13,199,486</u>
Operating Income (Loss)	(40,715)	19,401	(729,224)	905,436	(769,660)	(614,762)
NONOPERATING REVENUES (EXPENSES)						
Gain/loss on disposal			102,762			102,762
Total Nonoperating Revenues (Expenses)			<u>102,762</u>			<u>102,762</u>
Income (Loss) Before Capital Contributions and Transfers	(40,715)	19,401	(626,462)	905,436	(769,660)	(512,000)
Capital Contributions			1,556,491			1,556,491
Change in Net Position	(40,715)	19,401	930,029	905,436	(769,660)	1,044,491
BEGINNING NET POSITION, as Restated	<u>361,635</u>	<u>73,982</u>	<u>18,548,534</u>	<u>(24,719)</u>	<u>3,506,437</u>	<u>22,465,869</u>
ENDING NET POSITION	<u>\$320,920</u>	<u>\$93,383</u>	<u>\$19,478,563</u>	<u>\$880,717</u>	<u>\$2,736,777</u>	<u>\$23,510,360</u>

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Central Garage	Central Services	Equipment Acquisition	Building Maintenance	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/interfund charges	\$1,875,584	\$1,997,111	\$2,183,282	\$2,000,515	\$4,528,301	\$12,584,793
Payments to suppliers and users	(1,815,632)	(1,853,539)	(804,393)	(1,030,610)	(5,190,193)	(10,694,367)
Payments to employees	(81,238)	(65,885)	(139,571)	(37,991)	(212,474)	(537,159)
Net cash provided (used by) Operating Activities	<u>(21,286)</u>	<u>77,687</u>	<u>1,239,318</u>	<u>931,914</u>	<u>(874,366)</u>	<u>1,353,267</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets			(1,522,068)			(1,522,068)
Proceeds from sale of capital assets			102,762			102,762
Net cash used by Capital and Related Financing Activities			<u>(1,419,306)</u>			<u>(1,419,306)</u>
Net increase (decrease) in cash and cash equivalents	(21,286)	77,687	(179,988)	931,914	(874,366)	(66,039)
Cash and cash equivalents, July 1, 2017	<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>
Cash and cash equivalents, June 30, 2018	<u>\$746,682</u>	<u>\$1,044,995</u>	<u>\$9,365,112</u>	<u>\$1,361,645</u>	<u>\$3,131,180</u>	<u>\$15,649,614</u>
Reconciliation of cash and cash equivalents to statement of net position						
Cash and investments	<u>\$746,682</u>	<u>\$1,044,995</u>	<u>\$9,365,112</u>	<u>\$1,361,645</u>	<u>\$3,131,180</u>	<u>\$15,649,614</u>
Total cash and investments	<u>\$746,682</u>	<u>\$1,044,995</u>	<u>\$9,365,112</u>	<u>\$1,361,645</u>	<u>\$3,131,180</u>	<u>\$15,649,614</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	(\$40,715)	\$19,401	(\$729,224)	\$905,436	(\$769,660)	(\$614,762)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	499		1,931,249	261		1,932,009
Change in assets, deferred inflows, liabilities and deferred outflows:						
Accounts receivable					69	69
Prepaid expenses		34				34
Accounts payable	(2,281)	12,530	37,293	(300)	4,314	51,556
Compensated absences	5,622	17,049		9,286	(6,116)	25,841
Claims payable					(112,494)	(112,494)
Net pension liability and deferred outflows/inflows	13,440	24,723		14,850	8,214	61,227
Total OPEB liability and deferred outflows/inflows	<u>2,149</u>	<u>3,950</u>		<u>2,381</u>	<u>1,307</u>	<u>9,787</u>
Net cash provided (used) by Operating Activities	<u>(\$21,286)</u>	<u>\$77,687</u>	<u>\$1,239,318</u>	<u>\$931,914</u>	<u>(\$874,366)</u>	<u>\$1,353,267</u>
NONCASH TRANSACTIONS:						
Contributions of capital assets			<u>\$1,556,491</u>			<u>\$1,556,491</u>

AGENCY FUNDS

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

The City's Agency funds include the following:

89-1 COMMUNITY FACILITIES DISTRICT FUND

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

94-1 ASSESSMENT DISTRICT FUND

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

93-1 COMMUNITY FACILITIES DISTRICT FUND

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

98-1 COMMUNITY FACILITIES DISTRICT FUND

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

98-3 COMMUNITY FACILITIES DISTRICT FUND

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

99-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-01 Assessment District property owners until they are remitted to the bond trustee.

2006-01 NE INDUSTRIAL # 2 FUND

Established to account for the assets held on behalf of the 2006-01 Assessment District property owners until they are remitted to the bond trustee.

AGENCY FUNDS

1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND

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

2000-03 ASSESSMENT DISTRICT FUND

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

2003-01 ASSESSMENT DISTRICT FUND

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

CULTURAL ARTS FUND

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

REGIONAL TRANSPORTATION IMPACT FUND

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

MEDICAL LEAVE BANK FUND

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

POSTEMPLOYMENT BENEFIT TRUST FUND

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

2011 TOP JPA REVENUE BONDS FUND

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 FUND

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.

2016-02 COMMUNITY FACILITIES DISTRICT FUND

The 2016-02 Community Facilities District Agency Fund was established during the fiscal year to account for the assets held on behalf of the 2016-02 Community Facilities District property owners until they are remitted to the bond trustee.

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>89-1 Community Facilities District</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	\$575,306	\$2,067,638	\$1,065,192	\$1,577,752
Cash and investments with fiscal agents	1,539,746		433,784	1,105,962
Accounts receivable		37,531		37,531
Interest receivable	4,868	3,213	4,868	3,213
Total Assets	<u>\$2,119,920</u>	<u>\$2,108,382</u>	<u>\$1,503,844</u>	<u>\$2,724,458</u>
Liabilities				
Accounts payable	\$21		\$21	
Due to assessment district bond holders	2,119,899	\$2,108,382	1,503,823	\$2,724,458
Total Liabilities	<u>\$2,119,920</u>	<u>\$2,108,382</u>	<u>\$1,503,844</u>	<u>\$2,724,458</u>
 <u>94-1 Assessment District</u>				
Assets				
Cash and investments	\$669,500	(\$734)	\$1,099	\$667,667
Cash and investments with fiscal agents	432,780	288,460		721,240
Accounts receivable		17,103		17,103
Interest receivable		3,198		3,198
Total Assets	<u>\$1,102,280</u>	<u>\$308,027</u>	<u>\$1,099</u>	<u>\$1,409,208</u>
Liabilities				
Due to assessment district bondholders	\$1,102,280	\$308,027	\$1,099	\$1,409,208
Total Liabilities	<u>\$1,102,280</u>	<u>\$308,027</u>	<u>\$1,099</u>	<u>\$1,409,208</u>
 <u>93-1 Community Facilities District</u>				
Assets				
Cash and investments	\$3,322,131	\$378,255	\$3,608,934	\$91,452
Cash and investments with fiscal agents	829,609		51,629	777,980
Interest receivable	9,804	15,863	9,804	15,863
Total Assets	<u>\$4,161,544</u>	<u>\$394,118</u>	<u>\$3,670,367</u>	<u>\$885,295</u>
Liabilities				
Due to assessment district bond holders	\$4,161,544	\$394,118	\$3,670,367	\$885,295
Total Liabilities	<u>\$4,161,544</u>	<u>\$394,118</u>	<u>\$3,670,367</u>	<u>\$885,295</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>98-1 Community Facilities District</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	\$22,288	\$1,973,418	\$1,995,706	
Cash and investments with fiscal agents	5,338,232	3,422,761		\$8,760,993
Accounts receivable		7,307		7,307
Total Assets	<u>\$5,360,520</u>	<u>\$5,403,486</u>	<u>\$1,995,706</u>	<u>\$8,768,300</u>
Liabilities				
Accounts payable	\$168,200	\$3,611,739	\$168,200	\$3,611,739
Due to assessment district bondholders	5,192,320	1,791,747	1,827,506	5,156,561
Total Liabilities	<u>\$5,360,520</u>	<u>\$5,403,486</u>	<u>\$1,995,706</u>	<u>\$8,768,300</u>
 <u>98-3 Community Facilities District</u>				
Assets				
Cash and investments	\$360,261	\$538,739	\$328,052	\$570,948
Cash and investments with fiscal agents	107,952	60		108,012
Interest receivable	1,067	1,480	1,067	1,480
Total Assets	<u>\$469,280</u>	<u>\$540,279</u>	<u>\$329,119</u>	<u>\$680,440</u>
Liabilities				
Accounts payable	\$136		\$136	
Due to assessment district bond holders	469,144	\$540,279	328,983	\$680,440
Total Liabilities	<u>\$469,280</u>	<u>\$540,279</u>	<u>\$329,119</u>	<u>\$680,440</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>99-1 Community Facilities District</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments with fiscal agents	\$900,556	\$918,225	\$1,200,703	\$618,078
Total Assets	<u>\$900,556</u>	<u>\$918,225</u>	<u>\$1,200,703</u>	<u>\$618,078</u>
Liabilities				
Accounts payable	\$207,346		\$207,346	
Due to assessment district bond holders	693,210	\$918,225	993,357	\$618,078
Total Liabilities	<u>\$900,556</u>	<u>\$918,225</u>	<u>\$1,200,703</u>	<u>\$618,078</u>
 <u>2000-01 Assessment District</u>				
Assets				
Cash and investments	\$147,496	\$1,040,925	\$565,074	\$623,347
Cash and investments with fiscal agents	801,403		440,339	361,064
Accounts receivable		942		942
Interest receivable	434	659	434	659
Total Assets	<u>\$949,333</u>	<u>\$1,042,526</u>	<u>\$1,005,847</u>	<u>\$986,012</u>
Liabilities				
Accounts payable	\$292		\$292	
Due to assessment district bond holders	949,041	\$1,042,526	1,005,555	\$986,012
Total Liabilities	<u>\$949,333</u>	<u>\$1,042,526</u>	<u>\$1,005,847</u>	<u>\$986,012</u>
 <u>2006-01 NE Industrial # 2</u>				
Assets				
Cash and investments	\$108	\$778,687	\$449,108	\$329,687
Cash and investments with fiscal agents	2,676,883		305,304	2,371,579
Total Assets	<u>\$2,676,991</u>	<u>\$778,687</u>	<u>\$754,412</u>	<u>\$2,701,266</u>
Liabilities				
Accounts payable	\$17,859		\$17,859	
Due to assessment district bond holders	2,659,132	\$778,687	736,553	\$2,701,266
Total Liabilities	<u>\$2,676,991</u>	<u>\$778,687</u>	<u>\$754,412</u>	<u>\$2,701,266</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>1999 I205 Residential Reassessment District</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments		\$973,116	\$812,987	\$160,129
Cash and investments with fiscal agents	\$3,558,229		712,067	2,846,162
Accounts receivable		288		288
Interest receivable		5,176		5,176
Total Assets	<u>\$3,558,229</u>	<u>\$978,580</u>	<u>\$1,525,054</u>	<u>\$3,011,755</u>
Liabilities				
Accounts payable	\$869,037		\$869,037	
Due to assessment district bondholders	2,689,192	\$978,580	656,017	\$3,011,755
Total Liabilities	<u>\$3,558,229</u>	<u>\$978,580</u>	<u>\$1,525,054</u>	<u>\$3,011,755</u>
<hr/> 2000-03 Assessment District <hr/>				
Assets				
Cash and investments	\$16,693	\$52		\$16,745
Interest receivable	49	80	\$49	80
Total Assets	<u>\$16,742</u>	<u>\$132</u>	<u>\$49</u>	<u>\$16,825</u>
Liabilities				
Due to assessment district bond holders	\$16,742	\$132	\$49	\$16,825
Total Liabilities	<u>\$16,742</u>	<u>\$132</u>	<u>\$49</u>	<u>\$16,825</u>
<hr/> 2003-01 Assessment District <hr/>				
Assets				
Cash and investments		\$73,521	\$59,122	\$14,399
Cash and investments with fiscal agents	\$159,230		32,077	127,153
Total Assets	<u>\$159,230</u>	<u>\$73,521</u>	<u>\$91,199</u>	<u>\$141,552</u>
Liabilities				
Accounts payable	\$13,941		\$13,941	
Deposits payable	14,729			\$14,729
Due to assessment district bondholders	130,560	\$73,521	77,258	126,823
Total Liabilities	<u>\$159,230</u>	<u>\$73,521</u>	<u>\$91,199</u>	<u>\$141,552</u>

(Continued)

CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>Cultural Arts</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	\$65			\$65
Total Assets	<u>\$65</u>			<u>\$65</u>
Liabilities				
Deposits payable	\$65			\$65
Total Liabilities	<u>\$65</u>			<u>\$65</u>
 Regional Transportation Impact				
Assets				
Cash and investments	\$5,464,137	\$4,144,657	\$1,290,107	\$8,318,687
Total Assets	<u>\$5,464,137</u>	<u>\$4,144,657</u>	<u>\$1,290,107</u>	<u>\$8,318,687</u>
Liabilities				
Accounts payable	\$197,592	\$490,906	\$197,592	\$490,906
Deposits payable	5,266,545	3,653,751	1,092,515	7,827,781
Total Liabilities	<u>\$5,464,137</u>	<u>\$4,144,657</u>	<u>\$1,290,107</u>	<u>\$8,318,687</u>
 Medical Leave Bank				
Assets				
Cash and investments	\$413,416	\$1,383,417	\$545,570	\$1,251,263
Total Assets	<u>\$413,416</u>	<u>\$1,383,417</u>	<u>\$545,570</u>	<u>\$1,251,263</u>
Liabilities				
Deposits payable	\$413,416	\$1,383,417	\$545,570	\$1,251,263
Total Liabilities	<u>\$413,416</u>	<u>\$1,383,417</u>	<u>\$545,570</u>	<u>\$1,251,263</u>

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Post Employment Benefit Trust</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments		\$870,928	\$847,528	\$23,400
Accounts receivable	\$5,904		5,904	
Total Assets	<u>\$5,904</u>	<u>\$870,928</u>	<u>\$853,432</u>	<u>\$23,400</u>
Liabilities				
Accounts payable	\$5,904	\$870,928	\$853,432	\$23,400
Total Liabilities	<u>\$5,904</u>	<u>\$870,928</u>	<u>\$853,432</u>	<u>\$23,400</u>
 2011 TOP JPA Revenue Bonds				
Assets				
Cash and investments		\$1,287,957	\$1,048,632	\$239,325
Cash and investments with fiscal agents	\$2,328,341		537,062	1,791,279
Accounts receivable		2,376		2,376
Total Assets	<u>\$2,328,341</u>	<u>\$1,290,333</u>	<u>\$1,585,694</u>	<u>\$2,032,980</u>
Liabilities				
Accounts payable	\$112,957		\$112,957	
Due to assessment district bondholders	2,215,384	\$1,290,333	1,472,737	\$2,032,980
Total Liabilities	<u>\$2,328,341</u>	<u>\$1,290,333</u>	<u>\$1,585,694</u>	<u>\$2,032,980</u>
 2011-01 CFD Tracy 580 Business Park				
Assets				
Cash and investments	\$51,978	\$43,111	\$2,806	\$92,283
Cash and investments with fiscal agents				
Interest receivable	154	344	154	344
Total Assets	<u>\$52,132</u>	<u>\$43,455</u>	<u>\$2,960</u>	<u>\$92,627</u>
Liabilities				
Due to assessment district bondholders	52,132	\$43,455	\$2,960	\$92,627
Total Liabilities	<u>\$52,132</u>	<u>\$43,455</u>	<u>\$2,960</u>	<u>\$92,627</u>

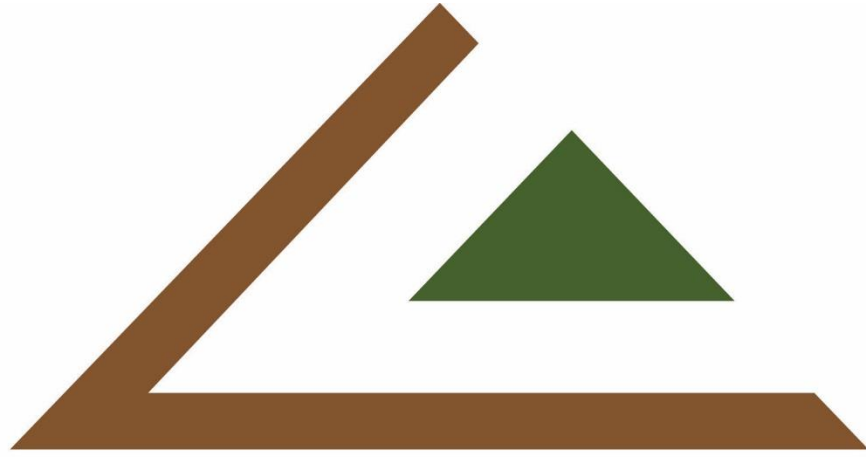
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CITY OF TRACY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

<u>Payroll Clearing</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Assets				
Cash and investments	\$1,485,851	\$1,580,120	\$1,485,851	\$1,580,120
Total Assets	<u>\$1,485,851</u>	<u>\$1,580,120</u>	<u>\$1,485,851</u>	<u>\$1,580,120</u>
Liabilities				
Accounts payable	\$1,485,851	\$1,580,120	\$1,485,851	\$1,580,120
Total Liabilities	<u>\$1,485,851</u>	<u>\$1,580,120</u>	<u>\$1,485,851</u>	<u>\$1,580,120</u>
<u>2016-02 Community Facilities District</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Assets				
Cash and investments		\$546,870	\$900	\$545,970
Accounts receivable		132,428		132,428
Interest receivable		2,607		2,607
Total Assets		<u>\$681,905</u>	<u>\$900</u>	<u>\$681,005</u>
Liabilities				
Due to assessment district bondholders		\$681,905	\$900	\$681,005
Total Liabilities		<u>\$681,905</u>	<u>\$900</u>	<u>\$681,005</u>
<u>Total - All Agency Funds</u>				
Cash and investments	\$12,529,230	\$17,680,677	\$14,106,668	\$16,103,239
Cash and investments with fiscal agents	18,672,961	4,629,506	3,712,965	19,589,502
Accounts receivable	5,904	197,975	5,904	197,975
Interest receivable	16,376	32,620	16,376	32,620
Total Assets	<u>\$31,224,471</u>	<u>\$22,540,778</u>	<u>\$17,841,913</u>	<u>\$35,923,336</u>
Liabilities				
Accounts payable	\$3,079,136	\$6,553,693	\$3,926,664	\$5,706,165
Deposits payable	5,694,755	5,037,168	1,638,085	9,093,838
Due to assessment district bondholders	22,450,580	10,949,917	12,277,164	21,123,333
Total Liabilities	<u>\$31,224,471</u>	<u>\$22,540,778</u>	<u>\$17,841,913</u>	<u>\$35,923,336</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

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

STATISTICAL SECTION (Continued)
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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									
	2018 (b)	2017	2016	2015 (a)	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 609,080	\$ 581,394	\$ 553,914	\$ 526,467	\$ 518,181	\$ 512,728	\$ 510,323	\$ 490,053	\$ 463,949	\$ 448,841
Restricted	183,594	155,947	145,381	152,380	100,403	111,131	105,425	118,367	120,961	157,162
Unrestricted	(10,576)	(1,272)	(5,343)	(11,671)	42,063	35,606	32,898	33,347	46,711	34,330
Total Governmental activities net assets	\$ 782,098	\$ 736,069	\$ 693,952	\$ 667,176	\$ 660,647	\$ 659,465	\$ 648,646	\$ 641,767	\$ 631,621	\$ 640,333
Business-type activities:										
Net investment in capital assets	\$ 359,213	\$ 357,628	\$ 302,888	\$ 314,492	\$ 327,065	\$ 328,985	\$ 340,536	\$ 345,554	\$ 340,944	\$ 346,861
Restricted	-	350	348	346	247	237	232	227	222	183
Unrestricted	48,616	41,657	39,357	31,221	31,101	31,283	29,148	40,621	46,123	38,826
Total business-type activities	\$ 407,829	\$ 399,635	\$ 342,593	\$ 346,059	\$ 358,413	\$ 360,505	\$ 369,916	\$ 386,402	\$ 387,289	\$ 385,870
Primary government:										
Net investment in capital assets	\$ 968,293	\$ 939,022	\$ 856,802	\$ 840,959	\$ 845,246	\$ 841,713	\$ 850,859	\$ 835,607	\$ 804,893	\$ 795,702
Restricted	183,594	156,297	145,729	152,726	100,650	111,368	105,657	118,594	121,183	157,345
Unrestricted	38,040	40,385	34,014	19,550	73,164	66,889	62,046	73,968	92,834	73,156
Total primary government	\$ 1,189,927	\$ 1,135,704	\$ 1,036,545	\$ 1,013,235	\$ 1,019,060	\$ 1,019,970	\$ 1,018,562	\$ 1,028,169	\$ 1,018,910	\$ 1,026,203

Notes:

- (a) The City implemented GASB 68 in fiscal year 2014-2015. Prior amounts have not been restated.
- (b) The City implemented GASB 75 in fiscal year 2017-2018. 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									
	2018 (b)	2017	2016	2015 (a)	2014	2013	2012	2011	2010	2009
Expenses:										
Governmental activities:										
General Government	\$ 13,480	\$ 12,412	\$ 13,629	\$ 7,907	\$ 6,412	\$ 6,572	\$ 6,283	\$ 18,296	\$ 7,384	\$ 9,195
Public safety	52,785	41,326	37,858	37,562	37,974	37,248	37,602	35,509	36,567	36,663
Public works	34,183	26,330	31,874	27,572	32,358	25,954	52,418	24,371	21,855	29,492
Culture and leisure	3,395	2,830	3,134	3,288	4,668	4,709	5,097	5,143	12,202	9,159
Interest on long-term debt	1,288	1,304	1,345	1,337	1,342	1,399	1,925	4,121	4,063	4,201
Unallocated depreciation	-	-	-	-	586	520	566	617	631	295
Total Governmental Activities Expenses	\$ 105,131	\$ 84,202	\$ 87,840	\$ 77,666	\$ 83,340	\$ 76,402	\$ 103,891	\$ 88,057	\$ 82,702	\$ 89,005
Business-type Activities:										
Water	\$ 19,087	\$ 18,980	\$ 22,659	\$ 23,610	\$ 22,300	\$ 21,765	\$ 22,295	\$ 21,229	\$ 19,580	\$ 19,173
Wastewater	18,601	15,079	16,522	17,040	16,442	14,970	18,980	17,133	14,874	15,380
Airport	1,475	901	775	703	629	590	686	705	912	742
Solid waste	20,958	20,541	20,899	19,477	18,923	18,820	18,585	17,473	16,962	17,893
Transit	5,571	3,953	3,169	2,968	2,556	2,404	2,436	2,291	1,733	1,277
Drainage	2,791	3,027	3,485	3,436	3,404	3,232	3,351	3,402	2,618	2,646
Total Business-Type Activities	\$ 68,483	\$ 62,481	\$ 67,509	\$ 67,234	\$ 64,254	\$ 61,781	\$ 66,333	\$ 62,233	\$ 56,679	\$ 57,111
Total Primary Governmental Expenses	\$ 173,614	\$ 146,683	\$ 155,349	\$ 144,900	\$ 147,594	\$ 138,183	\$ 170,224	\$ 150,290	\$ 139,381	\$ 146,116
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	\$ 8,784	\$ 8,769	\$ 6,816	\$ 6,124	\$ 3,039	\$ 2,460	\$ 1,617	\$ 1,805	\$ 6,925	\$ 8,840
Other public works	2,722	2,721	3,093	2,968	5,040	5,300	5,204	3,800	4,401	3,983
Parks and community services	762	701	1,047	940	838	878	789	757	1,208	1,065
Other activities	7,252	1,805	1,864	1,104	1,879	1,665	2,566	2,634	4,143	3,778
Operating grants and contributions	14,191	12,680	12,811	13,097	10,964	12,723	9,482	10,065	9,305	12,766
Capital grants and contributions	68,535	39,966	37,084	40,451	18,166	22,596	15,527	19,080	11,069	12,965
Total Governmental Activities Program Revenues	\$ 102,246	\$ 66,642	\$ 62,715	\$ 64,684	\$ 39,926	\$ 45,622	\$ 35,185	\$ 38,141	\$ 37,051	\$ 43,397
Business-type Activities:										
Charges for Services:										
Water	\$ 16,307	\$ 14,935	\$ 13,101	\$ 14,379	\$ 18,700	\$ 15,672	\$ 14,433	\$ 14,641	\$ 13,693	\$ 15,833
Wastewater	14,836	14,034	13,616	13,086	12,940	11,978	11,480	12,032	11,490	11,661
Airport	732	478	403	504	395	272	375	342	373	257
Solid waste	20,973	23,333	25,156	22,356	21,521	20,352	18,852	16,321	17,320	16,774
Transit	117	116	96	109	1,631	818	822	899	1,295	940
Drainage	691	644	609	603	546	564	564	553	556	541
Operating grants and contributions	6,397	1,516	2,041	1,608	-	-	-	-	-	20
Capital grants and contributions	9,181	4,268	3,302	8,652	6,337	2,528	2,801	3,678	6,132	9,161
Total Business-Types Activities Program Revenues	\$ 69,234	\$ 59,324	\$ 58,324	\$ 61,297	\$ 62,070	\$ 52,184	\$ 49,327	\$ 48,466	\$ 50,859	\$ 55,187
Total Primary Government Program Revenues	\$ 171,480	\$ 125,966	\$ 121,039	\$ 125,981	\$ 101,996	\$ 97,806	\$ 84,512	\$ 86,607	\$ 87,910	\$ 98,584

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

	Fiscal Year									
	2018 (b)	2017	2016	2015 (a)	2014	2013	2012	2011	2010	2009
Net (expense)/revenue										
Governmental activities	\$ (2,885)	\$ (17,560)	\$ (25,125)	\$ (12,982)	\$ (43,414)	\$ (30,780)	\$ (68,706)	\$ (49,916)	\$ (45,651)	\$ (45,608)
Business-type activities	751	(3,157)	(9,185)	(5,937)	(2,184)	(9,597)	(17,006)	(13,767)	(5,820)	(1,924)
Total primary government net (expense) revenue	<u>\$ (2,134)</u>	<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>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 20,857	\$ 20,393	\$ 19,638	\$ 17,709	\$ 15,700	\$ 14,946	\$ 18,527	\$ 22,533	\$ 24,013	\$ 29,324
Franchise taxes	3,558	2,829	2,776	2,728	2,593	2,500	2,443	2,474	2,223	2,138
Sales and use taxes	30,761	23,291	24,371	24,280	22,722	20,553	18,422	11,408	9,225	10,964
Other taxes	3,756	2,719	2,562	2,304	1,952	1,839	1,702	1,621	1,604	1,886
Unrestricted motor vehicle in lieu	48	40	34	35	36	43	41	376	240	277
Investment earnings	545	435	1,000	610	1,129	165	801	1,280	4,840	9,023
Miscellaneous	1,926	2,022	3,497	1,311	1,634	1,595	1,760	1,663	449	527
Transfers	(8,692)	(4,968)	(5,141)	-	-	(42)	-	(384)	(5,563)	-
Gain on Transfer of assets'	-	-	-	-	-	-	31,889	-	-	-
Special item - Transfer of assets	(3,347)	-	3,162	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 49,412</u>	<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>
Business-type activities:										
Interest earnings	\$ 531	\$ 626	\$ 551	\$ 585	\$ 264	\$ 144	\$ 520	\$ 109	\$ 1,676	\$ 633
Miscellaneous	84	24	25	42	-	-	-	-	-	5
Transfers	8,692	4,968	5,141	-	-	42	-	385	5,563	-
Total business-type activities	<u>\$ 9,307</u>	<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>
Total primary government	<u>\$ 58,719</u>	<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>
Change in net position										
Governmental activities	\$ 46,527	\$ 29,201	\$ 26,774	\$ 35,995	\$ 2,352	\$ 10,819	\$ 6,879	\$ (8,945)	\$ (8,620)	\$ 8,531
Business-type activities	10,059	2,461	(3,468)	(5,310)	(1,920)	(9,411)	(16,486)	(13,273)	1,419	(1,286)
Total primary government	<u>\$ 56,586</u>	<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>

Notes:

- (a) The City implemented GASB 68 in fiscal year 2014-2015. Prior amounts have not been restated.
(b) The City implemented GASB 75 in fiscal year 2017-2018. 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									
	2018 (b)	2017	2016	2015 (a)	2014	2013	2012	2011	2010	2009
Governmental activities:										
General Government	\$ 11,204	\$ 2,700	\$ 3,099	\$ 3,850	\$ 2,892	\$ 1,908	\$ 2,682	\$ 9,871	\$ 4,035	\$ 3,590
Police	3,085	1,972	2,052	2,847	1,775	2,330	1,390	1,365	1,513	1,984
Fire	7,172	6,556	6,539	6,792	6,980	8,692	4,765	6,302	6,386	10,372
Development and engineering	9,363	9,213	7,209	6,505	3,410	2,871	1,974	2,148	16,700	14,287
Public works	70,310	45,234	42,437	43,198	23,621	28,367	23,224	17,397	5,817	11,460
Parks, recreation, and community services	1,112	967	1,380	1,492	1,248	1,454	1,150	1,058	2,009	1,114
Interest in long-term debt	-	-	-	-	-	-	-	-	591	590
Subtotal governmental activities	\$ 102,246	\$ 66,642	\$ 62,716	\$ 64,684	\$ 39,926	\$ 45,622	\$ 35,185	\$ 38,141	\$ 37,051	\$ 43,397
Business-type activities:										
Water	\$ 21,397	\$ 15,220	\$ 13,801	\$ 17,659	\$ 16,877	\$ 15,672	\$ 14,501	\$ 14,658	\$ 15,534	\$ 16,859
Wastewater	16,610	14,805	13,849	14,533	13,438	12,131	12,669	14,766	11,494	13,113
Airport	2,906	1,514	2,622	4,060	731	607	417	402	730	277
Solid Waste	20,973	23,354	25,156	22,356	20,352	20,352	18,858	16,321	17,330	16,774
Transit	6,540	3,787	2,210	2,030	1,171	2,858	2,018	1,677	4,871	7,386
Drainage	808	644	686	659	3,424	564	864	640	900	777
Subtotal business-type activities	\$ 69,234	\$ 59,324	\$ 58,324	\$ 61,297	\$ 55,993	\$ 52,184	\$ 49,327	\$ 48,464	\$ 50,859	\$ 55,186
Total primary government	\$ 171,480	\$ 125,966	\$ 121,040	\$ 125,981	\$ 95,919	\$ 97,806	\$ 84,512	\$ 86,605	\$ 87,910	\$ 98,583

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,359	\$ 1,218
Unreserved	-	-	-	-	-	-	-	-	17,626	16,705
Nonspendable	1,525	5,117	5,873	6,640	782	781	791	820	-	-
Restricted	-	-	-	-	346	333	445	613	-	-
Committed	14,961	11,716	-	-	-	-	-	-	-	-
Assigned	20,997	11,455	358	1,152	523	277	22	2,198	-	-
Unassigned	842	12,483	34,425	29,861	33,420	27,503	25,676	23,356	-	-
Total General Fund	\$ 38,325	\$ 40,771	\$ 40,656	\$ 37,653	\$ 35,071	\$ 28,894	\$ 26,934	\$ 26,987	\$ 18,985	\$ 17,923
All other governmental funds										
Reserved										
Unreserved reported in:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,708	\$ 38,366
Capital projects funds	-	-	-	-	-	-	-	-	20,890	33,100
Nonspendable	-	-	-	-	-	-	-	-	81,533	100,196
Restricted	153,595	124,932	-	4	57	-	4,646	2,948	-	-
Committed	-	-	110,191	113,064	97,402	108,381	90,507	99,794	-	-
Assigned	5,909	4,438	-	-	-	-	-	4,131	-	-
Unassigned	-	-	5,588	13,360	-	-	15,339	20,043	-	-
Special revenue funds	(8,192)	(517)	-	-	-	-	-	-	-	-
Capital projects funds	-	-	(4,431)	(610)	(1,278)	(159)	(1,071)	(2,099)	-	-
Total all other governmental funds	\$ 151,312	\$ 128,853	\$ 111,348	\$ 125,818	\$ 96,181	\$ 108,222	\$ 109,421	\$ 124,817	\$ 147,131	\$ 171,662

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes	\$ 59,838	\$ 47,540	\$ 49,118	\$ 46,915	\$ 43,804	\$ 40,503	\$ 41,393	\$ 36,334	\$ 37,064	\$ 44,680
Licenses, permits and fees	7,792	7,191	5,236	4,706	4,008	3,564	3,174	3,092	3,040	3,112
Fines and forfeits	1,559	510	673	972	863	568	1,552	1,570	1,715	1,722
Use of money and property	1,462	1,356	2,936	1,277	1,699	700	1,459	2,792	4,197	9,046
Intergovernmental	21,127	27,127	20,413	16,235	12,928	16,038	11,992	17,758	15,282	12,899
Charges of services	54,269	9,472	9,997	9,165	8,894	9,147	8,388	10,110	8,525	8,438
Special assessments	3,597	24,886	14,977	29,899	7,181	13,406	4,095	4,933	4,699	5,583
Contributions from assessment districts	5,121	3,372	3,574	3,444	4,346	1,887	5,404	4,448	2,915	6,049
Other	1,589	3,460	3,501	1,410	1,767	1,124	1,294	1,148	1,656	4,595
Total revenues	\$ 156,354	\$ 124,914	\$ 110,425	\$ 114,023	\$ 85,490	\$ 86,937	\$ 78,751	\$ 82,185	\$ 79,093	\$ 96,124
Expenditures:										
Current:										
General government	\$ 13,579	\$ 13,763	\$ 14,900	\$ 7,748	\$ 7,050	\$ 6,434	\$ 6,854	\$ 17,599	\$ 7,054	\$ 7,569
Police	27,078	24,690	23,717	22,012	21,592	21,488	21,902	20,943	21,836	21,574
Fire	22,251	18,483	16,692	16,033	15,869	15,305	15,205	14,027	14,664	15,387
Community development	13,549	8,828	9,042	7,793	6,467	6,449	6,273	6,066	7,790	12,360
Public works	10,156	9,292	9,372	9,093	8,471	8,091	7,530	7,285	7,327	8,369
Parks and recreation	2,683	2,287	3,110	3,019	3,113	3,330	3,599	3,509	3,320	4,507
Intergovernmental	-	-	-	-	-	-	-	2,691	6,281	3,288
Debt Service:										
Debt service-principal	434	398	368	328	245	220	195	1,315	1,490	11,300
Debt service-interest	1,292	1,308	1,322	1,334	1,345	1,352	2,623	3,945	3,994	3,799
Debt service-issue costs	-	-	-	-	-	-	-	-	-	1,163
Capital Outlay	38,631	28,645	41,456	20,582	27,179	23,465	19,829	18,731	23,152	20,502
Total expenditures	\$ 129,653	\$ 107,694	\$ 119,979	\$ 87,942	\$ 91,331	\$ 86,134	\$ 84,010	\$ 96,111	\$ 96,908	\$ 109,818
Excess of revenues over (under) expenditures	\$ 26,701	\$ 17,220	\$ (9,554)	\$ 26,081	\$ (5,841)	\$ 803	\$ (5,259)	\$ (13,926)	\$ (17,815)	\$ (13,694)
Other financing sources (uses):										
Issuance of debt	-	-	-	248	-	-	-	-	-	19,765
Transfers in	13,040	5,226	6,009	11,723	1,214	20,600	2,699	3,836	21,828	26,040
Transfers out	(16,731)	(5,226)	(8,750)	(11,745)	(1,236)	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)
Proceeds from sale of property	350	5	829	420	-	-	-	-	-	-
Total other financing sources (uses):	(3,341)	5	(1,912)	646	(22)	(42)	0	(385)	(5,563)	19,765
Net change in fund balances before special item	23,360	17,225	(11,466)	26,727	(5,863)	761	(5,259)	(14,311)	(23,378)	6,071
Special item	(3,347)									
Net change in fund balances	\$20,013	\$17,225	(\$11,466)	\$26,727	(\$5,863)	\$761	(\$5,259)	(\$14,311)	(\$23,378)	\$6,071
Debt service as a percentage of non-capital expenditures	1.70%	1.97%	1.94%	2.34%	2.12%	2.33%	4.22%	6.25%	7.44%	16.91%

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

Fiscal Year	Property Current	Property Transfer	Business License	Sales	Franchise	Transient	Transportation Tax and Other	Total
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
2018	20,856,946	1,311,406	847,027	30,760,699	3,558,658	1,597,341	4,682,882	63,614,959

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	
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%
2018	7,028,699,966	1,614,086,845	467,565,285	9,110,352,096	126,335,095	8,984,017,001	1,306,422,404	151,243,517	105,195,491	1,352,470,430	1.0000%

Source: San Joaquin County - Office of the Auditor-Controller, CalMuni - Avenu Insights & Analytics
 Finance Department, City of Tracy

Note: Ask auditors if the unsecured figure should be included when calculating the City of Tracy total.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Direct rates:</u>										
City of Tracy	0.1561%	0.1690%	0.1561%	0.1561%	0.1561%	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%
San Joaquin County	0.1865%	0.1849%	0.1865%	0.1865%	0.1865%	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%
ERAF	0.2686%	0.2722%	0.2686%	0.2686%	0.2686%	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%
All Others	0.3889%	0.3739%	0.3889%	0.3889%	0.3889%	0.3889%	0.3889%	0.6336%	0.3613%	0.3546%
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%	0.0180%	0.0198%	0.0233%	0.0194%	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%
Tracy Unified School District (1,2,3)	0.0172%		0.0201%	0.0213%	0.0247%	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%
*combined Tracy Unified School District		0.0854%								
Tracy Unified School District (SFID 3)	0.0332%		0.0701%	0.0212%	0.0228%	0.0093%	0.0088%	0.0000%	0.0185%	0.0000%
Total Overlapping Rate	0.0684%	0.1034%	0.1100%	0.0658%	0.0669%	0.0557%	0.0554%	0.0411%	0.0596%	0.2101%
Total Tax Rate	1.0684%	1.1034%	1.1100%	1.0658%	1.0669%	1.0557%	1.0554%	1.0411%	1.0596%	1.2101%

Source: CalMuni - Avenu Insights & Analytics

*Total direct tax rate is the voter approved taxes over and above the 1% Proposition 13 tax for TRA 004-000/004-008.

TRA 004-008 is represented for 2011-12, 2012-13 & 2013-14, TRA 004-000 was no longer available.

Prior published direct tax rate reports are noticeably different because prior year data included and estimate for RDA and ERAF as part of the cities direct rate.

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

Taxpayer Name	2018			Taxpayer Name	2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Prologis Lp	\$ 248,329,917	1	2.40%	Tracy Mall Partners Lp	\$ 96,515,331	1	1.07%
Amazoncom	188,624,843	2	1.82%	Leprino Foods Company Corp	90,879,482	2	1.00%
FedEx Ground Package System In	121,336,732	3	1.17%	Deutsche Bank Natl Trust Co Tr	62,484,550	3	0.69%
Tracy Mall Partners Lp	100,347,198	4	0.97%	Central Valley Ltd. Liability	49,732,737	4	0.55%
Medline Industries Inc.	86,971,116	5	0.84%	Inland Container Corp	39,144,894	5	0.43%
Leprino Foods Company Corp	80,171,939	6	0.78%	Us Bank Natl Assn Tr	34,746,159	6	0.38%
Pac Corp Center Tracy	56,933,127	7	0.55%	Us Cold Storage Of Calif	30,991,122	7	0.34%
Central Valley Ltd. Liability	56,686,418	8	0.55%	Tce Tracy LLC	30,668,680	8	0.34%
Dct Tracy Logistics Center LLC	50,700,529	9	0.49%	Car Corral Hollow LLC	29,271,069	9	0.32%
Tracy Hills Project Owner LLC	45,902,216	10	0.44%	Fairfield Edgewood Station Lp	28,155,808	10	0.31%
TOTAL TOP TAXPAYERS	\$ 1,036,004,035		10.02%		\$ 492,589,832		5.45%
TOTAL TAXABLE ASSESSED VALUE	\$ 10,336,487,731		100%		\$ 9,044,428,982		100%

Source: San Joaquin County - Office of the Auditor-Controller, CalMuni - Avenue Insights & Analytics

**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
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
2018	13,862,573	13,862,573	100.00%	0.00	13,862,573	100.00%	10,411,425,223

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
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%	0.25%	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%
2018	1%		0.50%	0.50%	0.25%	1%	5%	8.25%

(1) A 1% increase in Sales and Use Tax became effective as of April 1, 2009 to augment the State's budget. On May 19, 2009, the voters did not approve the proposed "Budget Stabilization" constitutional amendment and the expiration date of this 1% is on July 1, 2011.

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

(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Apparel stores	\$ 49,003	\$ 42,756	\$ 37,205	\$ 40,152	\$ 40,690	\$ 44,353	\$ 44,201	\$ 43,308	\$ 44,139	\$ 44,168
General merchandise stores	170,912	203,460	194,528	192,657	187,434	181,099	175,484	162,641	153,615	190,638
Food and beverage stores	34,967	39,953	42,526	56,254	53,794	56,881	48,819	46,934	43,706	42,410
Eating and drinking places	100,144	155,560	143,887	128,827	116,414	106,888	102,047	96,823	96,801	96,548
Home furnishings and appliances	-	-	-	137,236	126,838	112,795	105,587	69,881	39,955	29,817
Building maintenance and garden supplies	80,289	140,715	130,449	71,129	68,049	60,879	53,955	48,572	46,012	52,559
Auto dealers and auto suppliers	174,730	343,861	321,977	299,869	277,155	215,269	171,430	152,558	143,481	173,715
Service stations	172,451	144,048	160,104	187,653	193,770	186,978	184,707	152,205	127,153	170,652
Other retail stores	130,076	160,573	154,697	75,167	75,202	65,452	57,598	56,267	58,002	82,675
All other outlets	254,996	601,684	524,513	198,209	200,048	168,710	112,575	99,552	126,061	143,815
Total	<u>\$ 1,167,568</u>	<u>\$ 1,832,610</u>	<u>\$ 1,709,886</u>	<u>\$ 1,387,153</u>	<u>\$ 1,339,394</u>	<u>\$ 1,199,306</u>	<u>\$ 1,056,404</u>	<u>\$ 928,740</u>	<u>\$ 878,925</u>	<u>\$ 1,026,995</u>
City Direct sales tax rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
City Measure E sales tax rate (a)	-	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	-	-	-
City Measure V sales tax (b)	0.5%	-	-	-	-	-	-	-	-	-

Note:

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

(b) Tracy voters approved Measure V, a half cent sales tax with a 20-year sunset effective April 1, 2017

Source: California State Board of Equalization, The HdL Companies

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

2018		2009	
Taxpayer Name	Business Type	Taxpayer Name	Business Type
American Truck & Trlr Body Co.	Heavy Industry	American Truck & Trlr Body	Auto Parts/Repair
Arco AM/PM Mini Marts	Service Stations	Arco AM/PM Mini Marts	Service Stations
Barbosa Cabinets	Bldg Matls-Whsle	Barbosa Cabinets	Bldg.Matls-Retail
Best Buy Stores	Office Eqpmt Store	Best Buy Stores	Furniture/Appliance
Costco	General Stores	Chevron Service Stations	Service Stations
Crate & Barrel	Home Furnishings	Costco Wholesale	Department Stores
Home Depot	Building Matls Store	Home Depot	Bldg.Matls-Retail
Independent Electric Supply	Plumbing & Electric	Independent Utility Supply	Bldg.Matls-Whsle
J Roveta	New Car Dealers	K & N Food & Fuel	Service Stations
Macy'S Department Store	Department Stores	Morri Automotive	Auto Sales - New
Mannington Mills	Light Industry	Nixon-Egli Equipment Company	Bldg.Matls-Whsle
Mclane Foodservice	Food Processing/Eqp	Safeway Service Stations	Service Stations
Medline Industries	Light Industry	Safeway Stores	Food Markets
Nixon-Egli Equipment Co So.Cal	Heavy Industry	Save Mart Supermarkets	Food Markets
Premier Hyundai Of Tracy	New Car Dealers	Sears Roebuck & Company	Department Stores
Safeway Fuel	Service Stations	Shell Service Stations	Service Stations
Target Store	Department Stores	Target Stores	Department Stores
Tracy Auto Land	New Car Dealers	Tracy Chevrolet	Auto Sales - New
Tracy Chevrolet	New Car Dealers	Tracy Honda	Auto Sales - New
Tracy Ford Mercury	New Car Dealers	Tracy Mazda	Auto Sales - New
Tracy Mazda	New Car Dealers	Tracy Nissan	Auto Sales - New
Tracy Motorsports	Boat/Motorcycle	Tracy Pontiac/Cadillac/Gmc	Auto Sales - New
Tracy Nissan	New Car Dealers	Tracy Toyota	Auto Sales - New
Tracy Truck & Auto Stop	Service Stations	Tracy Truck & Auto Stop	Service Stations
Wal Mart Stores	General Stores	Wal Mart Stores	Department Stores

Source: San Joaquin County - Office of the Auditor-Controller, CalMuni - Avenu Insights & Analytics

**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
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
2018	24.72	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				Per Capita	Population
	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)	Total Primary Government		
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
2018	21,720,000	-	-	10,659,579	23,695,000	-	56,074,579	598	93,784

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>Lease Revenue Bonds (a)</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
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%	243
2018	21,720,000	-	21,720,000	0.21%	232

Source:
Finance Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2018

2017-18 Assessed Valuation: \$ 10,411,425,223

	Total Debt 6/30/18	% Applicable (1)	City's Share of Debt 06/30/2018
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Delta Community College District	\$ 154,305,582	13.462%	\$ 20,772,617
Lammersville Joint Unified School District	56,000,000	9.513%	5,327,280
Tracy Unified School District	38,120,000	62.577%	23,854,352
Tracy Unified School District School Facilities Improvement District No. 3	90,967,900	92.094%	83,775,978
Banta School District	5,350,003	21.308%	113,998
Jefferson School District	32,661,319	68.005%	22,211,330
City of Tracy Community Facilities District No. 87-1	3,380,000	100%	3,380,000
City of Tracy Community Facilities District No. 89-1	2,740,000	100%	2,740,000
City of Tracy Community Facilities District No. 93-1	2,430,000	100%	2,430,000
City of Tracy Community Facilities District No. 98-1	41,950,000	100%	41,950,000
City of Tracy Community Facilities District No. 98-3	1,680,000	100%	1,680,000
City of Tracy Community Facilities District No. 99-1	3,825,000	100%	3,825,000
City of Tracy Community Facilities District No. 99-2	79,300,000	100%	7,930,000
City of Tracy Community Facilities District No. 2000-1	10,900,000	100%	10,900,000
City of Tracy Community Facilities District No. 2006-1	9,920,000	100%	9,920,000
City of Tracy 1915 Act Bonds	5,025,000	100%	5,025,000
California Statewide Community Development Authority 1915 Act Bonds	6,836,094	100%	6,836,094
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 252,671,649
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	92,370,000	14.691%	\$ 13,570,077
Lammersville Joint Unified School District General Fund Obligations	\$ 10,735,000	9.513%	1,021,221
City of Tracy General Fund Obligations	21,720,000	100%	21,720,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			\$ 36,311,298
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 31,990,000	100%	\$ 31,990,000
TOTAL DIRECT DEBT			\$ 21,720,000
TOTAL OVERLAPPING DEBT:			\$ 299,252,947
COMBINED TOTAL DEBT			\$ 320,972,947 (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 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.43%
Total Direct Debt (\$22,153,552).....	0.21%
Combined Total Debt.....	3.08%

Ratios to redevelopment Incremental Valuation (\$1,070,455,187)

Total Overlapping Tax Increment Debt.....	2.99%
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Source: CalMuni - Avenue Insights & Analytics
City of Tracy

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assessed Value	\$ 10,336	\$ 10,495	\$ 8,941	\$ 8,387	\$ 7,341	\$ 6,757	\$ 6,827	\$ 7,307	\$ 7,340	\$ 9,132
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,584	2,624	2,235	2,097	1,835	1,689	1,707	1,827	1,835	2,283
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	388	394	335	315	275	253	256	274	275	342
Total net debt applicable to limit	56	58	60	63	65	69	71	121	122	138
Legal debt margin	<u>\$ 332</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Water revenue bonds/State Loan										
Water revenue	\$ 16,352,909	\$ 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
Less: Operating Expenses	(14,246,407)	(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)
Net available revenue	<u>2,106,502</u>	<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>
Debt service:										
Principal	991,059	968,269	946,002	924,248	902,995	882,230	4,128,612	1,099,165	1,035,686	964,703
Interest	287,261	289,651	186,921	466,171	354,924	465,690	531,639	637,999	665,810	731,215
Total Debt Service	<u>1,278,320</u>	<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>
Coverage	1.65	1.40	1.82	2.66	4.71	1.89	0.51	1.27	2.52	3.23
Wastewater revenue bonds:										
Wastewater revenue	15,196,599	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
Less: Operating expenses	(12,365,231)	(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)
Net available revenue	<u>2,831,368</u>	<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>
Debt service:										
Principal	775,000	745,000	720,000	695,000	1,015,000	985,000	950,000	993,010	911,535	885,000
Interest	1,123,693	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
Total Debt Service	<u>1,898,693</u>	<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>
Coverage	1.49	3.39	3.49	3.54	2.58	2.49	1.81	1.82	2.39	2.31
Tax allocation bonds:										
Tax increment	-	-	-	-	-	-	4,359,166	7,594,352	8,854,067	10,259,535
Debt service:										
Principle	-	-	-	-	-	-	1,195,000	1,145,000	1,105,000	1,065,000
Interest	-	-	-	-	-	-	1,262,289	2,576,992	2,613,989	2,669,812
Total Debt Service	<u>-</u>	<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>
Coverage	-	-	-	-	-	-	1.77	2.04	2.38	2.75

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)
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
2018	93,784	44,700	43,100	3.7%	1,700	N/A	N/A	745,424	332,400	315,700	5.00%	16,700

Sources:

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

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

Taxpayer Name	2018			2007		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
GOLDEN STATE FC LLC (AMAZON)	4,589	1	16.34%	-	-	-
GOLDEN STATE FC LLC (AMAZON)	997	2	3.55%	-	-	-
TAYLOR FARMS PACIFIC INC	996	3	3.55%	-	-	-
FEDEX GROUND PACKAGE SYSTEM	718	4	2.56%	-	-	-
THE HOME DEPOT #5641	505	5	1.80%	-	-	-
MEDLINE INDUSTRIES INC	481	6	1.71%	-	-	-
RESTORATION HARDWARE	374	7	1.33%	50	25	0.35%
XPO LOGISTICS SUPPLY CHAIN, INC.	350	8	1.25%	-	-	-
ORCHARD SUPPLY HARDWARE	303	9	1.08%	-	-	-
RANDSTAD INHOUSE SERVICES LLC	264	10	0.94%	-	-	-
DHL SUPPLY CHAIN	250	11	0.89%	-	-	-
SELECT STAFFING	240	12	0.85%	370	1	2.62%
RANDSTAD INHOUSE SERVICE LP	208	13	0.74%	-	-	-
COSTCO WHOLESALE	205	14	0.73%	136	11	0.96%
ROSS DRESS FOR LESS INC #1389	193	15	0.69%	-	-	-
PACIFIC MEDICAL INC	191	16	0.68%	120	8	0.85%
INTERNATIONAL PAPER	190	17	0.68%	231	5	1.63%
OLIVE GARDEN #1582	186	18	0.66%	-	-	-
RANDSTAD INHOUSE SERVICE LP	186	19	0.66%	-	-	-
THE HOME DEPOT #1020	182	20	0.65%	-	-	-
WAL-MART STORES INC #2025	175	21	0.62%	234	2	1.66%
DHL SUPPLY CHAIN	168	22	0.60%	-	-	-
ORCHARD SUPPLY COMPANY LLC	167	23	0.59%	-	-	-
YRC	156	24	0.56%	200	6	1.42%
SAFEWAY INC #2600	151	25	0.54%	125	6	0.88%
TEXAS ROADHOUSE	-	-	-	92	14	0.65%
EVERGREEN NEW HOPE	-	-	-	105	20	0.74%
LYNX INDUSTRIES INC	-	-	-	59	22	0.42%
APL LOGISTICS	-	-	-	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%
Total Top 25 Employers	12,425		44.25%	3,431		24.30%
Total Citywide Employees	28,082		100.00%	14,133		100.00%

Source: The HdL Companies

Note: No information is available for FY2008-09 or FY2007-08, therefore 2007 is reported.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	4	4	4	4	4	5	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	8	8	7	7	7	7	7	7	7	16
Human Resources	10	9	6	6	5	5	6	6	6	9
Finance & Information Systems	34	32	26	27	24	23	23	23	23	26
Police	143	139	133	136	135	135	134	133	135	154
Fire	82	81	80	79	78	80	82	78	78	85
Economic Development	3	3	3	3	2	2	4	8	6	6
Development and Engineering	61	61	39	37	40	38	48	41	44	55
Public Works	85	84	61	46	46	46	59	59	66	71
Parks and Community Services	14	13	23	38	35	41	50	59	50	48
Water	31	30	35	39	39	39	40	40	41	44
Wastewater	25	25	26	26	27	26	28	28	29	29
Airport	2	2	2	2	2	2	1	2	2	2
Solid waste	1	1	1	1	1	1	2	1	1	1
Transit	3	3	3	2	2	2	2	2	2	2
Drainage	3	3	3	3	3	3	2	2	2	2
Total	515	504*	458	462	456	460	499	499	502	560

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Building Permits Issued	2,988	2,904	2,736	2,852	1,924	1,435	1,293	915	844	898
Building Inspections requested	18,028	16,260	17,025	13,824	9,128	6,189	4,568	2,975	3,377	2,859
Police:										
Arrests	2,768	2,894	2,732	2,502	2,541	2,765	2,896	2,941	3,415	4,435
Parking citations issued	1,022	1,335	1,685	1,160	1,454	1,472	2,196	3,153	4,704	2,948
Traffic violations		4,630	6,341	5,450	3,798	3,519	5,281	6,668	7,347	7,007
Fire:										
Number of emergency calls	8,811	7,351	6,924	6,811	6,443	6,322	5,951	5,570	5,717	6,159
Inspections	3,374	3,785	5,164	4,071	3,333	3,114	3,416	2,383	1,614	3,776
Water:										
Water Mains (miles)	440	431	426	426	420	410	410	402	402	402
New connections	256	1,173	228	74	45	23	20	20	22	25
Maximum Daily Capacity (gallons) (millions of gallons)	57	57	57	57	57	57	57	57	57	57
Average daily consumptions (gallons) (millions of gallons)	17	16	13	14	15	15	15	14	16	16
Sewer:										
Sanitary Sewer (miles)	440	426	421	421	415	410	410	400	400	400
New connections	256	650	227	74	45	22	14	20	22	25
Average daily treatment (gallons) (millions of gallons)	9	9.75	10	9.5	9.5	9.5	9	9	9	9
Airport:										
Hangar rentals	76	76	62	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	266	264	252	221	211	205	198	194	227	339
Recyclables collected (tons per day)	81	86	76	69	66	65	64	66	49	26
Transit:										
Average daily passengers	546	585	505	519	444	418	357	325	334	323
Total fixed route miles	341,126	302,039	594,997	313,380	228,817	237,089	226,808	152,284	158,211	154,937

Source: City of Tracy Departments

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public works:										
Number of street lights	6,141	6,110	6,110	6,004	5,430	5,430	5,430	5,430	4,781	4,770
Number of traffic signals	75	85	85	84	84	78	78			
Parks and recreation:										
Number of parks	77	77	77	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)	440	431	426	426	420	410	410	395	395	395
Wastewater										
Sanitary sewers (miles)	440	426	421	421	415	410	410	395	395	395
Airport:										
Number of hangars	76	76	75	76	76	76	76	76	76	76
Transit:										
Number of vehicles	15	18	15	15	15	15	15	15	14	13

Source: Development Services Department, City of Tracy

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