CITY OF

TRACY

CALIFORNIA

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013

About the cover:

An Era of New Development

As the recovery continues from the Great Recession, there has been a renewed interest in Tracy from the development community. Retail activity has started to pick-up with vacant space quickly being occupied by anxious tenants looking to land in the area. Over the past year the City has seen a number of new retailers choose to locate in Tracy, including – BevMo, ULTA Beauty, Buffalo Wild Wings, Bagel Street Café, and Mikasa Asian Bistro. Several more retailers have recently announced plans to follow suit – with HomeGoods, Sports Authority, Dickey's Barbeque Pit and Five Guys Burgers and Fries all looking to open within the next few months.

It's not all about retail development though, as the most notable tenant to land in Tracy is of the industrial type – Amazon. With expectations to employ thousands of people during peak season, Amazon will be the largest employer in the City of Tracy. The one million square foot facility will contain state of the art robotic technology and boast 4-story mezzanines in the interior of the building. With City Council's recent approval of the 1,700 acre Cordes Ranch Project in west Tracy, it is anticipated that several more Fortune 500 companies will follow in the foot-steps of Amazon. Cordes Ranch is the largest industrial park in Northern California and Prologis, the world's largest industrial developer, is the primary owner of land in the project. Over the next decade the face of Tracy is expected to change as the Cordes Ranch project proceeds to develop. E-commerce is driving industrial growth in the nation and will likely make its mark in Tracy. Economic Development efforts will continue to focus on quality retail attraction but the most important efforts will be attracting high-paying jobs to the area.

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Cover photos: City of Tracy, staff

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2013

Prepared by the

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Administrative Services Director

ROBERT HARMON, CPA
Senior Accountant

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Budget Officer

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MEGAN MAYER	Accounting Assistant
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ISABEL YAMADA	Accounting Assistant

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Introductory Section

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CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

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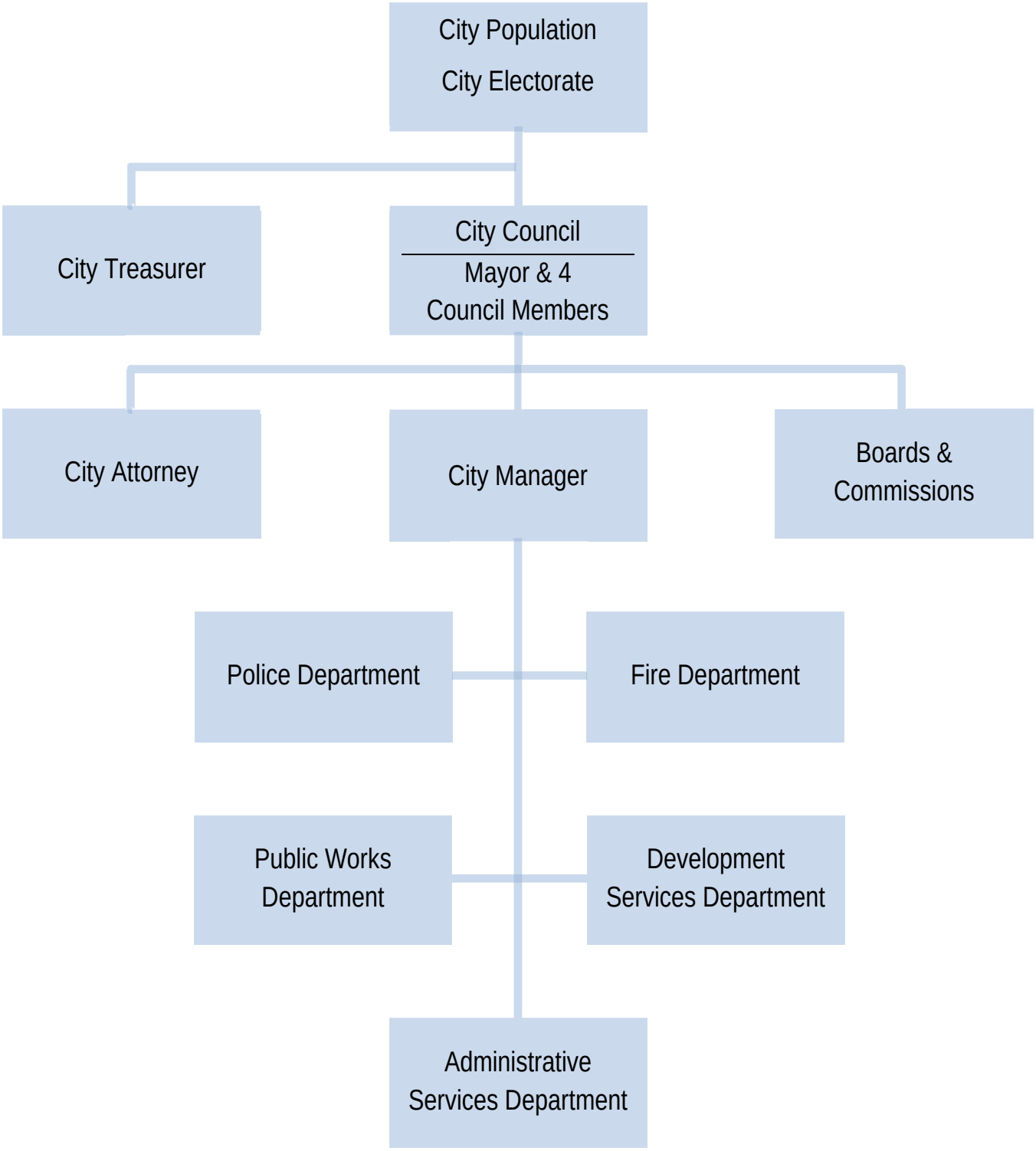
City of Tracy
Organization Chart



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2013

CITY COUNCIL

BRENT IVES
Mayor

MICHAEL MACIEL
Mayor Pro Tem

ROBERT RICKMAN
Council Member

NANCY YOUNG
Council Member

CHARLES MANNE
Council Member

OTHER ELECTED OFFICIALS

RAYMOND McCRAY
City Treasurer

CITY OF TRACY, CALIFORNIA

OTHER CITY OFFICIALS

R. Leon Churchill, Jr.
City Manager

Maria Hurtado
Assistant City Manager

Dan Sodergren
City Attorney

Jenny Haruyama
Administrative Services Director

OTHER DEPARTMENT HEADS

Alford Nero
Fire Chief

Gary Hampton
Police Chief

Andrew Malik
Development Services Director

David Ferguson
Public Works Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tracy

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Jeffrey R. Emer

Executive Director/CEO

CITY OF TRACY

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

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

Think Inside the Triangle™

December 26, 2013

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

The Tracy Municipal Code requires that all funds, accounts, and financial transactions of the City be subjected to an annual audit by an independent certified public accountant that is selected by the City Council. The Municipal Code further specifies that after the close of the fiscal year, an annual financial report covering all funds and financial operations shall be prepared and submitted to the City Council. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

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

Profile of the Government

Tracy is located on the western edge of the Central Valley in San Joaquin County. The City is 60 miles east of San Francisco and 70 miles south of Sacramento. The City is situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580.

Tracy was founded in 1878 as a railroad center. It was incorporated as a city in 1910. For many decades, it served both as a railroad center and farm market town. Since World War II, it has been the location of a defense supply center. By 1960, the City's employment base included a few food-processing plants and small-related manufacturing operations. A state correctional facility as well as a federal and a state water project facility are located nearby.

During the 1980s, Tracy experienced a period of major growth influenced by the East Bay area of the San Francisco Bay region with its high cost of housing. Tracy, with more affordable housing than the Bay area, continues to be an attractive residential location for many Bay area workers. Tracy is now considered an outer suburb of the Bay area, rather than a small agricultural and industrial town.

The population and size of Tracy has increased from 18,428 and 7.0 square miles in 1980 to 84,060 and 23 square miles in 2013.

The City operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four member Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a non-partisan basis. Council members are elected to four-year staggered terms, with two Council members elected every two years. The Mayor is elected every two years.

Moss, Levy and Hartzheim, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tracy's financial statements for the fiscal year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

Local Economy

California's economic recovery continues to lag behind the nation, with respect to unemployment and state and local budget problems. While California has experienced some job growth, its current unemployment rate of 8.8% remains higher than the national average of 7.3%. San Joaquin County unemployment rate of 11.6% is higher than both California and the nation; however, it continues to decline.

Because agriculture still remains an important segment of the San Joaquin Valley economies, seasonal unemployment is always much higher than the national average. On a positive note, the local economy for Tracy is tied more closely to the bay area; residents tend to work in the Livermore Valley, East Bay, and San Jose, where the economy is not significantly influenced by seasonal agriculture production. While recession did negatively impact the bay area, the effects were not as nearly severe (e.g. housing collapse) as those experienced in the in the San Joaquin Valley.

The local economy has presented significant challenges to the City of Tracy during the past several years, particularly in the area of property tax. However, trending has shown some revenue recovery, albeit small with expectations that the FY 13/14 assessed value will be stronger than in previous years. Property values for that fiscal year will be measured as of January 1, 2013 and are anticipated to improve over time.

Sales tax is the one bright spot in the City's revenue picture. Some of this however, has been fueled by higher gas prices (there is general sales tax applied to fuel sales in addition to "gas taxes" for transportation uses) and new auto sales. The City was also fortunate to land a distribution center for a major retailer, with the potential for more in the future. Californians purchasing items on the website of this retailer have to pay sales tax and the City receives the local 1 cent portion.

Long-term Financial Planning

The Tracy Municipal Code requires that the City Council adopt a budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Tracy's financial planning and control. The budget is prepared by fund, by department (e.g. Police), and by program (i.e. Patrol Services, Traffic Enforcement, etc). Department heads may transfer resources within a department as they see fit with the approval of the City Manager. Transfer between departments; however, need special approval from the City Council.

As evidenced by this financial report and others before it, the City has significantly been impacted by the economic recession. Prior to FY 12/13, the City utilized reserves for five consecutive years; FY 12/13 was the first year that revenues exceeded expenditures, albeit with the aid of Measure E sales tax. At the beginning of this economic down period, the City had $38,733,794 million in total reserves (combination of General Fund and the Reserve for Economic Uncertainty Fund). On June 30, 2013 the City had $28,893,582 in reserves. While reserves increased by $1.9 million for the year over the previous five year period, the City has used a total of $11.8 million or about $2.46 million per year on average. With reserves as of June 30, 2013 of just under $29 million, this represents approximately 56% of expected General Fund expenses in FY 13/14.

Major Initiatives

Adoption of Growth Management Ordinance (GMO) Guidelines

The City Council adopted GMO guidelines for the City's residential growth management program which addresses the following components:

- Residential Growth Allotment (RGA) and building permit activities including tracking and forecasting of all RGAs and building permits
- RGA exemptions
- RGA issuance, including application requirements, deadlines, expirations
- System for the allocation of RGAs/building permits

Continued Implementation of 5-year Fiscal Plan

Continued implementation of a 5-year plan to allow the City to be fiscally sound upon the sunset date of the Measure E half-cent sales tax set to end in March 2016. The City's fiscal strategy, including expenditure reduction measures and revenue enhancements is anticipated to mitigate the loss of Measure E.

Completed a City-Wide Restructuring Plan

The City completed its restructuring plan by consolidating 9 previous City departments into 6 new departments, reducing the number of executive management positions by a third.

Completion of Quality of Life Capital Improvement Projects

The City completed its initial investment in sports park infrastructure for the Legacy Fields Parks; two youth baseball leagues are ready to begin construction. The City also upgraded its Senior Center, renovated Lincoln Park, completed a Police Station solar project, and widened Corral Hollow Road, a major City arterial.

Implementation of Social Media and Technology Enhancements

To enhance resident and business civic engagement and awareness, the City deployed a variety of social media tools, including Twitter, Facebook, and blog capabilities. The City also replaced nearly all major information management systems, including CAD/RMS, GIS and online building permits, and began the process of selecting a new enterprise resource planning software which controls human resources and financial processes.

In response to the economic challenges over the past five years, the City implemented a variety of efficiency and restructuring actions which will continue to provide additional costs savings in future years. The City also anticipated that new revenue would be necessary to avoid additional reductions that would negatively impact public services. In this regard, Tracy voters approved Measure E (a half-cent sales tax with a 5-year sunset) in November 2010. Effective April 1, 2011, this new revenue combined with prior expense reductions should provide a stable fiscal period for the next five years. During this time, the City will continue to look for new opportunities to continue its commitment to providing efficient, yet quality services.

GASB 45

Much attention has been given to the unfunded liability of "Other Post Employment Benefits" (OPEB) of government employees. In response, the Governmental Accounting Standards Board (GASB) issued Statement #45, which is an effort for governments to identify their obligations for expenses associated with post employment other than pensions. Governments have pension obligations to their current and retired employees and these are calculated and accounted for. However, most governments have not accounted for other post-employment benefits such as health insurance. As these expenses can represent a huge future liability of the government, identification of their costs is essential. GASB 45 requires the government to have an actuarial study done in order to identify the cost of other post employment benefits.

The City of Tracy implemented its GASB 45 requirement with the FY 06/07 financial report - two years before it would have been required. The City took this step because it believes GASB 45 to be an important component of judging the financial position of any governmental unit. Also, the City has a tradition of early implementation of significant GASB requirements. The City was one of the first in the nation (including being one of only 3 cities in California) to implement GASB 34, several years before the requirement to do so.

The City of Tracy does not provide for the payment of health insurance for its retired employees. As such it does not have a significant GASB 45 liability that many governments have. However, retired employees are allowed to purchase the City's health insurance (including spouse or family coverage) either through direct payment or from the employee's medical insurance bank. The ability of a retired employee to obtain coverage at an active employee rate, constitutes a significant economic benefit to the retiree, called an "implicit subsidy" under GASB 45. The City obtained the firm of Demsey, Filliger & Associates to perform an actuarial valuation of this "implicit subsidy." The results of this actuarial valuation can be found in note 11 to the financial statements in this report. Suffice to say, the City's liability in this regard is not significant and the ongoing annual required contribution to address this liability is just $411,969 per year. An insignificant GASB 45 liability is a great benefit to the City's true and long term financial strength.

The City has a long reputation for excellent fiscal management. It demonstrated the discipline to increase reserves during the boom years instead of using non-sustainable revenues to fund new programs or services. Additionally, the City implemented its long term fiscal strategy years before the economy deteriorated in late FY 08/09. The successful passage of Measure E affirms the community's confidence in the fiscal management of the City.

GASB 54

The City is required to produce its financial statements in conformity with GASB 54. This GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts are reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization must be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. The City maintains a Reserve for Economic Uncertainty in its subsidiary records. The General Fund balance of $28,893,582 is actually comprised of $16,856,659 in the General Fund and $12,036,923 in the Reserve for Economic Uncertainty Fund.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tracy for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the 25th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 12/13. In order to qualify for the Distinguished Budget Presentation Award, a government's budget document must be found proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

We also would like to express special appreciation to Senior Accountant, Robert Harmon, CPA, whose long hours, dedication, and attention to detail made possible the successful completion of the annual audit.

Respectfully submitted,

R. Leon Churchill, Jr.
City Manager

Jenny Haruyama
Administrative Services Director

Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Tracy, California (City), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the financial statements, effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* Statement No. 61, *The Financial Report Entity: Omnibus,* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, combining internal service fund financial statements, combining private purpose trust and agency fund financial statements, and the statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, combining internal service fund financial statements, and the combining private purpose trust and agency fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

Moss, Levy & Hartzheim, LLP
Tracy, California
December 11, 2013

CITY OF TRACY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The management discussion and analysis describes the City of Tracy's financial performance for the fiscal year ending June 30, 2013. Please read it in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the fiscal year include the following:

- The assets of the City of Tracy exceeded its liabilities by $1,019 million (net position). Of this amount, $66.9 million (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors.

- The City's total net position increased by $1.4 million or 0.14% in fiscal year 2012-13 compared to the previous fiscal year.

- The governmental activities reported combined net position of $659.5 million at the end of fiscal year 2013. This is an increase of 1.67% from last fiscal year.

- At the end of the fiscal year, unassigned fund balance for the General Fund is $27.5 million compared to last fiscal year's $25.6 million. This is an increase of 7.1% over the prior fiscal year.

- Total revenues of governmental activities increased by 10.4%, while that of business-type activities increased by 4.0% in fiscal year 2012-13. In the governmental activities, increases in sales tax and other taxes helped to offset decreases in property taxes, fines and penalties, and investment earnings. Increase in revenue in business-type activities came from increases in charges for services.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

1) Introductory Section, which includes the Transmittal Letter and general information
2) Management Discussion and Analysis (this part)
3) Basic Financial Statements which include the Government-wide and the Fund Financial Statements, along with the Notes to Basic Financial Statements
4) Required Supplemental Information
5) Other Supplemental Information
6) Statistical Information

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

Government-wide Financial Statements

The Government-wide financial statements are designed to give readers a broad overview of the City of Tracy's finances.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

All the amounts in the Statement of Net Position and the Statement of Activities are presented as follows:

- Governmental Activities---All of the City's basic services are considered to be governmental activities including general government, public safety, public works, community development, and culture and recreation.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state or local governments, the City of Tracy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements report the City's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds.

The Fiduciary Statements provide financial information about the activities of the Special Assessment Districts, for which the City acts solely as agent, and the Successor Agency to the former Community Development Agency.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major funds, and the determination of Major funds, were established by GASB Statement 34 and replace the concept of combining similar funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the fiscal year, and may change from fiscal year to fiscal year as a result of changes in the pattern of City's activities.

Fund Financial Statements include governmental, enterprise, and fiduciary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Government-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the Internal Service Funds.

Fund Financial Statements (Continued)

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major Funds that are Special Revenue Funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government.

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

The City is also the agent for the Successor Agency to the former Community Development Agency, holding assets of this agency pending final disposition by the Oversight Board. The City's fiduciary activities are reported under Private Purpose Trust Funds in the Combining Statement of Net Position and the Combining Statement of Changes in Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Notes to the Financial Statements

The notes are provided to give the reader more detailed information that is necessary in getting a full understanding of the data shown in the Government-wide and fund financial statements.

Required Supplementary Information

This report also includes supplementary information related to the City of Tracy's progress in maintaining its infrastructure assets and is shown on pages 97 and 98. The City of Tracy has elected to use the modified approach to report street pavement costs. The City uses the Metropolitan Transportation Commission's (MTC) Pavement System to track the condition levels of each of the street sections. With a rating of 77 (good or better condition 70-100) as of the end of the fiscal year, the condition of the pavement was 12 points higher than the City's administrative policy to achieve a minimum rating of 65 (fair condition 50-69). This fiscal year's rating remained unchanged from the previous fiscal year's rating.

Government-wide Financial Analysis

Net Position

Net position is a useful indicator of a government's financial position. The City of Tracy's assets exceeded liabilities by more than $1,020 million at the close of FY 2012-2013. Of this amount, $842 million or 82.5% of the City's net position are net investment in capital assets. These capital assets comprise of land, buildings, infrastructures, intangible assets, streets and roads, machinery and equipment, and are being used to provide services to its citizens. However, these assets are not available for future spending. Approximately $111 million of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted assets of the City in the amount of $66.9 million or 6.6% may be used to meet the City's ongoing obligations to citizens and creditors.

Table 1
City of Tracy
Schedule of Net Position
June 30, 2013
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Description	2013	2012	2013	2012	2013	2012
Cash & Investments	$ 145,685	$ 143,786	$ 28,486	$ 27,086	$ 174,171	$ 170,872
Other Assets	30,275	29,935	8,373	9,338	38,648	39,273
Capital Assets	523,400	513,598	374,903	388,335	898,303	901,933
Total Assets	699,360	687,319	411,762	424,759	1,111,122	1,112,078
Long-Term Debt Outstanding	26,333	26,369	41,500	45,451	67,833	71,820
Other Liabilities	13,562	12,304	9,758	9,392	23,320	21,696
Total Liabilities	39,895	38,673	51,258	54,843	91,153	93,516
Net Assets:						
Net Investment in Capital Assets	512,728	510,323	328,985	340,537	841,713	850,860
Restricted	111,131	105,425	237	232	111,368	105,657
Unrestricted	35,606	32,898	31,282	29,147	66,888	62,045
Total Net Assets	$ 659,465	$ 648,646	$ 360,504	$ 369,916	$1,019,969	$1,018,562

Government-wide Financial Analysis (Continued)

Net Position (Continued)

In governmental activities, the total net position increased by $10.8 million, while the net position for proprietary funds decreased by $9.4 million. The slight increase of 1.7% in governmental activities was due primarily to the Downtown 6th Street Plaza project. The decrease in net position for business-type activities was due to ongoing operating losses in most proprietary funds.

In this fiscal year, in total, all the proprietary funds suffered an operating loss of $10.5 million or a decrease of 27% compared to the operating losses incurred last fiscal year. The water fund's losses for the fiscal year of $5.6 million are the highest compared to the other proprietary funds. When compared to the expenses of the previous fiscal year, the proprietary funds' total expenses for maintenance and operation and depreciation expenses decreased by 1.7% or $1.0 million while an increase of 6.7% in total operating revenues helped to minimize operating losses. Despite the belt tightening and various cost-cutting measures that the city has already implemented, these proprietary funds still continue to operate in the red. The exception is the Solid Waste Fund which had an operating surplus of $1.5 million.

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

The combined operating losses incurred by the city's utility funds (water, sewer and drainage funds) in the amount of $10 million during the current fiscal year are 20.3% lower compared to that of the previous fiscal year. These losses are due to lower revenues and the write-off of bad debts. Operating costs remained relatively unchanged. The fiscal losses in the utility funds also include depreciation in the amount of $18.2 million, which accounts for $47.5% of operating expenses.

The Sewer Fund incurred an operating loss during the fiscal year in the amount of $1.7 million. Operating revenue increased by 4.3% compared to that of last fiscal year while operating expenses also decreased by 10.9%. This resulted in a smaller operating loss than in the prior fiscal year. The reason for the improvement is a mid-year increase in sewer rates combined with decreased operating costs.

The Drainage Fund also incurred losses during the fiscal year in the amount of $2.7 million. The total operating expenses decreased by 3.6%, while operating revenues remained unchanged.

Government-wide Financial Analysis (Continued)

Net Position (Continued)

The Solid Waste Fund had an operating income of $1.5 million for the fiscal year compared to $.27 million in the prior fiscal year. Operating revenues increased by 8.0% while operating expenses decreased by 1.3% during the fiscal year. The increase in operating revenue is due to a mid-year rate adjustments in the prior fiscal year.

The Airport Fund continues to report an operating loss; this fiscal year's loss of $.29 million remains the same as the prior year. The Airport Fund's major source of revenue is from hangar rentals, sale of fuel and federal and state grants. This fiscal year, both operating revenues and operating expenses have decreased. The City has contracted out fuel sales to a private contractor but continues to manage and operate the airport.

The Transit Fund incurred an operating loss in the amount of $1.6 million which was 1.7% lower than the previous fiscal year. Both operating revenue and operating expenses remained relatively unchanged from the prior fiscal year. The low revenue and the increased cost of fuel are major contributors to the operating losses.

Changes in Net Position

The City's net position showed an overall increase of 0.14% compared to the prior fiscal year. The City's governmental activities reflect an increase of 1.7% while business activities recorded a reduction of 2.5% in net position. Table 2 shows these changes in detail.

Governmental Activities

Governmental activities increased the city's net position by $10.8 million or 1.7%. This was due to higher revenues and lower expenditures during the fiscal year. Overall, revenues increased by $8.3 million or 10.6% compared to last fiscal year; however, most of this change was due to an increase in capital grants and contributions. Property tax revenue decreased by 19% while other tax revenue increased by 10.3%. The drop in property tax was related to the dissolution of the CDA, other taxes increased because of Measure E sales tax revenue.

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

Business-type Activities

The City of Tracy maintains six different types of proprietary funds. These funds are used to report the same functions presented as business-type activities in the Government-wide financial statements. Water, sewer, solid waste, drainage, airport and transit services provided by the City of Tracy are all accounted for the in the enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, central services, equipment acquisition, building maintenance and insurance expenditures.

Proprietary funds provide the same type of information as the Government-wide financial statements, only in more detail. The financial statements show separate information for each service provided and all are considered to be Major funds of the City of Tracy. Total expenses exceeded total revenues fiscal resulting in the reduction of the net position of business-type activities.

Expenses were reduced in nearly every business-type activity during the fiscal year while revenue were stagnant. An analysis of user rates may be necessary over the next several years.

Table 2
City of Tracy
Schedule of Changes in Net Position
June 30, 2013
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	$ 10,303	$ 10,175	$ 49,656	$ 46,526	$ 59,959	$ 56,701
Operating Contributions and Grants	12,724	9,482			12,724	9,482
Capital Grants and Contributions	22,596	15,528	2,528	2,801	25,124	18,329
Total Program Revenues	45,623	35,185	52,184	49,327	97,807	84,512
General Revenues:						
Property Taxes	14,946	18,527			14,946	18,527
Other Taxes	24,935	22,608			24,935	22,608
Other General Revenues	1,760	2,561	144	520	1,904	3,081
Transfers	(42)		42		-	-
Total General Revenues & Transfers	41,599	43,696	186	520	41,785	44,216
Total Revenues	87,222	78,881	52,370	49,847	139,592	128,728
Expenses						
General Government	6,572	6,283			6,572	6,283
Police	21,878	22,326			21,878	22,326
Fire	15,370	15,275			15,370	15,275
Development & Engineering	7,685	7,616			7,685	7,616
Public Works	18,269	44,803			18,269	44,803
Parks & Community Services	4,709	5,097			4,709	5,097
Interest on Long-term Debt	1,399	1,925			1,399	1,925
Unallocated Depreciation	521	566			521	566
Water			21,766	22,295	21,766	22,295
Sewer			14,970	18,980	14,970	18,980
Solidwaste			18,820	18,585	18,820	18,585
Storm Drainage			3,232	3,352	3,232	3,352
Airport			590	686	590	686
Transit			2,404	2,435	2,404	2,435
Total Expenses	76,403	103,891	61,782	66,333	138,185	170,224
Change in Net Position	10,819	(25,010)	(9,412)	(16,486)	1,407	(41,496)
Extraordinary Gain on Transfer of Assets		31,889			-	31,889
Total Change in Net Position	10,819	6,879	(9,412)	(16,486)	1,407	(9,607)
Net Position, Beginning	648,646	641,767	369,916	386,402	1,018,562	1,028,169
Net Position, Ending	$ 659,465	$ 648,646	$ 360,504	$ 369,916	$1,019,969	$1,018,562

Financial Analysis of Governmental Funds

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

At June 30, 2013, the City's governmental funds presented a combined fund balance of $137.1 million, an increase of $.8 million or less than .1% when compared to that of the prior fiscal year. This fiscal year, only the Business Improvement District, Community Development Block Grant, and Regional Mall Debt Service funds posted a negative fund balance. This negative balance was because capital outlay and debt service expenditures exceeded the revenues. It is anticipated that future revenues from State grants and other sources will offset these expenditures.

The City of Tracy's General Fund has a fund balance of $28.9 million. Of this amount, $27.5 million is unrestricted. The total unrestricted fund balance represents approximately 56% of the total General Fund expenditures.

The City of Tracy's Debt Service Fund has a combined fund balance of $.7 million, 100% of which is reserved for the payment of debt service.

The Capital Project Fund has a combined fund balance of $80.7 million, of which 100% is restricted for the purpose of the project.

Financial Analysis of Proprietary Funds

The proprietary funds of the City of Tracy provide the same type of information found in the government-wide financial statements as the governmental funds but is shown with more detail.

The total unrestricted net position of the proprietary funds is $31.3 million for the fiscal year ending June 30, 2013. This is 7.3% higher than the prior fiscal year unrestricted net position of $29.1 million. This increase is due to a reduction in long-term debt during the fiscal year.

Total operating revenues for the Water Fund increased by 8.5% and operating expenses increased by 4.7% resulting in an operating loss of $5.6 million. Compared to the prior year, the fiscal year's loss was 5% lower.

The Sewer Fund also posted an operating loss of $1.7 million, which was a decrease from the prior fiscal year's loss of $3.9 million. Like the Water Fund, total operating revenues increased by 4.3%, however, operating expenses decreased by 10.9%. The decrease in operating expenses was the result of lower operating and maintenance costs and slightly lower depreciation charges.

The Airport Fund posted a $.1million decrease in total operating revenues and an similar decrease in operating expenses.

Financial Analysis of Proprietary Funds (Continued)

Solid Waste Fund operating expenses increased by 1.2% while total operating revenues increased by 7.9%, resulting in an excess revenue of $1.5 million. The excess revenue was due to a mid-year rate adjustment from the prior fiscal year.

The operations of the Transit Fund posted an operating loss of $1.59 million, which was 1.7% lower than the prior fiscal year's loss of $1.61 million. This loss is attributed to a reduction in transit subsidies from federal, state and county agencies.

The Drainage Fund reflected an operating loss of $2.67 million, which was a 4.3% decrease from the prior fiscal year's operating loss of $2.28 million.

General Fund Budgetary Highlights

- The actual revenues of the General Fund were more than the estimated amount by $3.6 million.

- The actual expenditures reported a favorable variance. The actual expenditures were lower than the estimated by $2.4 million.

- Not including debt service and capital transfers, the net excess of revenues over expenditures for the fiscal year ended June 30, 2013 is $4.6 million before operating transfers out.

Actual revenues exceeded the estimated revenues in taxes, primarily sales taxes and other taxes, licenses and permits and intergovernmental, while overall property taxes were down. The favorable variance in expenditures can be attributed to ongoing cost savings measures that the city undertook during the fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City of Tracy's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to $898 million (net of accumulated depreciation). These capital assets include the asset descriptions shown on the table below. The total decrease in the city's investments in capital assets for the fiscal year is 0.04% or $3.6 million. There is a 1.9% increase in capital assets for governmental activities while business-type activities experienced a decrease of 3.5% due to accumulated depreciation. More detailed information of the City's capital assets can be found in Note 5.

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2013
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Description	2013	2012	2013	2012	2013	2012
Land	$ 160,091	$ 159,399	$ 11,841	$ 11,769	$ 171,932	$ 171,168
Streets and Raods	213,780	212,438			213,780	212,438
Construction in-Progress	19,759	22,947	4,824	5,849	24,583	28,796
Buildings and Improvements	153,828	135,712	223,211	219,296	377,039	355,008
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	27,947	27,855			27,947	27,855
Traffic Signals	17,374	17,374			17,374	17,374
Equipment	24,860	24,005	44,163	43,800	69,023	67,805
Infrastructure	8,580	7,798	246,080	243,571	254,660	251,369
Intangible Assets	866	849	69,222	69,222	70,088	70,071
Less: Total Accumulated Depreciation	(103,685)	(94,779)	(224,437)	(205,172)	(328,122)	(299,951)
Total Capital Assets	$ 523,400	$ 513,598	$ 374,904	$ 388,335	$ 898,304	$ 901,933

Long-term Debt. At the end of fiscal year 2013, the City's total debt showed a slight reduction of 2.7% or $2 million. This decline was due to the principal payment on the long-term debt during the fiscal year.

A detailed discussion of the entire City's long-term debt can be found under Notes 7 and 8. Standard and Poor's and Moody's credit ratings of AAA and Aaa, respectively, were received by the City's most recent insured debt issuance.

Table 4
City of Tracy
Schedule of Long Term Debt
June 30, 2013
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Debt Description	2013	2012	2013	2012	2013	2012
2008 Lease Revenue Bonds	$ 19,160	$ 19,285			$ 19,160	$ 19,285
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,395	1,490			1,395	1,490
Capital Leases	-	70			-	70
2003 Wastewater Revenue Bonds			$ 345	$ 680	345	680
2004 Wastewater Revenue Bonds			27,300	27,950	27,300	27,950
Irrigation District Notes			3,000	3,000	3,000	3,000
State of California-Department of Transportation Loan			54	73	54	73
State of California-Department of Health Services			15,392	16,275	15,392	16,275
Compensated Absences	2,794	2,909	518	537	3,312	3,446
Claims and Judgments	112	112			112	112
Post Retirement Benefits	1,411	1,142			1,411	1,142
Total Long Term Liabilities	$ 27,562	$ 27,698	$ 46,609	$ 48,515	$ 74,171	$ 76,213

Economic Outlook and Major Initiatives

As reflected in this fiscal report, the City is experiencing the positive effects in an improved economic climate. Property values have begun to stabilize and increase; however, the fiscal impact of this will not be felt by the City for another year. Sales tax is strong and recently surpassed the highs established in 2007. These positive changes have enabled the City to replenish and add to its reserves for the first time in six years. However, the City must continue its path of fiscal prudence as it prepares for the expiration of Measure E, an added one-half cent sales tax that expires in April 2016. More detail about the City's economic outlook is discussed in the accompanying transmittal letter.

Contacting the City's Financial Management

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Administrative Services Department, Finance Division at 333 Civic Center Plaza, Tracy, California 95376.

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CITY OF TRACY
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 134,281,897	$ 28,143,870	$ 162,425,767
Cash and investments with fiscal agents	11,403,072	341,806	11,744,878
Restricted cash and investments			
Accounts receivable	7,408,739	9,823,060	17,231,799
Inventory		570,994	570,994
Interest receivable	396,931	64,192	461,123
Prepaid items	2,329	205,128	207,457
Internal balances	2,461,862	(2,461,862)	
Deferred charges, net of accumulated amortization	1,170,593	171,655	1,342,248
Deposits	1,000,000		1,000,000
Loans receivable	15,030,859		15,030,859
Advances to CDA successor agency	2,803,520		2,803,520
Capital assets, not being depreciated	393,630,680	16,665,236	410,295,916
Capital assets, being depreciated, net of accumulated depreciation	129,769,391	358,238,265	488,007,656
Total Assets	699,359,873	411,762,344	1,111,122,217
LIABILITIES			
Accounts payable	6,439,222	2,575,192	9,014,414
Accrued interest payable	343,502	113,866	457,368
Deposits payable	5,242,175	1,617,677	6,859,852
Unearned revenue	307,655	342,611	650,266
Noncurrent liabilities:			
Due within one year	1,228,922	5,108,944	6,337,866
Due in more than one year	26,333,153	41,499,588	67,832,741
Total Liabilities	39,894,629	51,257,878	91,152,507
NET POSITION			
Net investment in capital assets	512,727,654	328,984,526	841,712,180
Restricted for:			
Debt service	379,784	237,218	617,002
Public safety	1,151,147		1,151,147
Streets and roads	3,627,138		3,627,138
Community development	1,412,493		1,412,493
Special districts	4,600,481		4,600,481
Projects	85,267,851		85,267,851
Housing	14,692,372		14,692,372
Unrestricted	35,606,324	31,282,722	66,889,046
Total Net Position	$ 659,465,244	$ 360,504,466	$ 1,019,969,710

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

CITY OF TRACY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	$ (159,764)	$ 175	$ -	$ -
City attorney	(751,681)			
Administration	(1,640,766)			
Personnel	(552,064)			
Finance	(2,063,120)			
Community Promotion	(146,322)			
Non-departmental	(526,256)	857,291		125,365
Economic development	(731,710)		430,920	493,859
Public safety				
Police	(21,878,041)	287,724	1,995,285	47,392
Fire	(15,369,823)	216,620	8,405,517	70,000
Public works				
Development and engineering	(7,685,473)	2,459,788		411,383
Public works	(18,268,814)	5,299,992	1,892,254	21,174,736
Culture and leisure				
Cultural arts	(2,014,538)	303,735		
Parks and community services	(2,694,238)	877,601		272,861
Interest on long-term debt	(1,399,403)			
Unallocated depreciation	(520,610)			
Total Governmental Activities	(76,402,623)	10,302,926	12,723,976	22,595,596
Business-type Activities:				
Water	(21,765,804)	15,671,909		
Sewer	(14,970,040)	11,978,101		152,870
Airport	(589,579)	272,264		335,039
Solid waste	(18,819,691)	20,352,292		
Transit	(2,404,037)	817,620		2,040,205
Drainage	(3,232,136)	563,773		
Total Business-type Activities	(61,781,287)	49,655,959		2,528,114
Total Government	$ (138,183,910)	$ 59,958,885	$ 12,723,976	$ 25,123,710

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

Total General Revenues and Transfers

Change in Net Position

Net Position July 1, 2012

Net Position, June 30, 2013

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (159,589)	$ -	$ (159,589)
(751,681)		(751,681)
(1,640,766)		(1,640,766)
(552,064)		(552,064)
(2,063,120)		(2,063,120)
(146,322)		(146,322)
456,400		456,400
193,069		193,069
(19,547,640)		(19,547,640)
(6,677,686)		(6,677,686)
(4,814,302)		(4,814,302)
10,098,168		10,098,168
(1,710,803)		(1,710,803)
(1,543,776)		(1,543,776)
(1,399,403)		(1,399,403)
(520,610)		(520,610)
(30,780,125)		(30,780,125)
	(6,093,895)	(6,093,895)
	(2,839,069)	(2,839,069)
	17,724	17,724
	1,532,601	1,532,601
	453,788	453,788
	(2,668,363)	(2,668,363)
	(9,597,214)	(9,597,214)
(30,780,125)	(9,597,214)	(40,377,339)
14,946,468		14,946,468
2,499,946		2,499,946
20,553,264		20,553,264
786,827		786,827
689,323		689,323
362,793		362,793
43,009		43,009
164,595	143,758	308,353
1,594,987		1,594,987
(42,000)	42,000	
41,599,212	185,758	41,784,970
10,819,087	(9,411,456)	1,407,631
648,646,157	369,915,922	1,018,562,079
$ 659,465,244	$ 360,504,466	$ 1,019,969,710

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FUND FINANCIAL STATEMENTS

GASB Statement No. 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while nonmajor funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current fiscal year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (Combined financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

The funds described below were determined to be Major Funds by the City for the fiscal year 2013. Individual nonmajor funds may be found in the Other Supplemental Information Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City Funds, and the related expenditures.

HOUSING SUCCESSOR

This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

NORTH EAST INDUSTRIAL PLAN AREA # 1

The North East Industrial Plan Area # 1 was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

CITY OF TRACY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013

	General Fund	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds
ASSETS				
Cash and investments	$ 28,444,371	$ 138,388	$ 16,099,266	$ 78,302,330
Cash and investments with fiscal agents				11,403,072
Accounts receivable	3,571,094			3,837,645
Interest receivable	140,309	103	5,824	250,695
Prepaid items	1,504			825
Deposits				1,000,000
Loans receivable	535,498	12,905,204		2,593,750
Due from other funds	21,017			4,254,150
Advances to CDA successor agency		2,803,520		
Advances to other funds	244,057			1,747,454
Total Assets	$ 32,957,850	$ 15,847,215	$ 16,105,090	$ 103,389,921
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,844,311	$ -	$ 1,137,928	$ 3,348,499
Due to other funds				2,057,362
Deposits payable	1,928,942			3,313,233
Unearned revenue	291,015	12,905,204		2,610,390
Advances from other funds			1,747,454	
Total Liabilities	4,064,268	12,905,204	2,885,382	11,329,484
Fund Balances:				
Nonspendable				
Prepaid items	1,504			825
Advances	244,057			
Loans receivable	535,498			
Restricted	332,616	2,942,011	13,219,708	92,218,853
Assigned	277,138			
Unassigned	27,502,769			(159,241)
Total Fund Balances	28,893,582	2,942,011	13,219,708	92,060,437
Total Liabilities and Fund Balances	$ 32,957,850	$ 15,847,215	$ 16,105,090	$ 103,389,921

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

Total Governmental Funds
$ 122,984,355
11,403,072
7,408,739
396,931
2,329
1,000,000
16,034,452
4,275,167
2,803,520
1,991,511
$ 168,300,076
$ 6,330,738
2,057,362
5,242,175
15,806,609
1,747,454
31,184,338
2,329
244,057
535,498
108,713,188
277,138
27,343,528
137,115,738
$ 168,300,076

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Fund balances of governmental funds		$ 137,115,738
Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:		
Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.(These do not include Internal Service Assets)		
Capital assets	$ 602,806,557	
Less: accumulated depreciation	(84,655,854)	518,150,703
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.		
Deferred charges	1,409,319	
Less: accumulated amortization	(238,726)	1,170,593
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (Does not include Internal Service Fund)		(343,502)
The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.		
Compensated absences (Does not include Internal Service Fund)	(2,666,335)	
Bonds payable	(23,245,000)	
Postretirement benefit accrual	(1,410,818)	(27,322,153)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		16,198,504
In governmental funds, other long-term assets are not available to pay for current-period expenditures,and therefore, are offset by Unearned revenue.		15,498,954
In governmental funds, other long-term assets are not available to pay for current-period expenditures:		
Conditional grant balance allowance		(1,003,593)
Net position of governmental activities		$ 659,465,244

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

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013

	General	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds
REVENUES				
Taxes	$ 37,134,728	$ -	$ -	$ 3,367,774
Licenses, permits, and fees	3,375,983			187,893
Fines and penalties	566,473			1,556
Use of money and property	370,414	104,368	37,360	187,659
Intergovernmental	2,202,373			13,835,577
Charges for services	8,930,270			216,952
Special assessments	363,536		277,330	12,765,551
Contributions	47,847			1,839,353
Other revenues	1,123,655			503
Total Revenues	54,115,279	104,368	314,690	32,402,818
EXPENDITURES				
Current:				
General government				
Economic development	293,450			287,010
General government	3,168,356			82,241
Finance	2,063,120			
Non-departmental	190,310			350,197
Public safety				
Police	21,480,576			7,008
Fire	8,751,942			6,553,273
Public works				
Development and engineering	6,284,544			164,948
Public works	3,587,936			4,503,298
Culture and leisure				
Cultural arts	1,480,819			
Parks and community services	1,848,715			
Intergovernmental				
Capital outlay	312,597		3,675,980	19,475,984
Debt service:				
Principal payments				220,000
Interest and fiscal charges				1,351,941
Total Expenditures	49,462,365		3,675,980	32,995,900
Excess of Revenues over (under) Expenditures	4,652,914	104,368	(3,361,290)	(593,082)
OTHER FINANCING SOURCES (USES)				
Transfers in			16,400,000	4,199,955
Transfers out	(2,693,468)			(17,948,487)
Total Other Financing Sources (Uses)	(2,693,468)		16,400,000	(13,748,532)
Net Changes in Fund Balances	1,959,446	104,368	13,038,710	(14,341,614)
Fund Balances, July 1, 2012	26,934,136	2,837,643	180,998	106,402,051
Fund Balances, June 30, 2013	$ 28,893,582	$ 2,942,011	$ 13,219,708	$ 92,060,437

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

Total Governmental Funds
$ 40,502,502
3,563,876
568,029
699,801
16,037,950
9,147,222
13,406,417
1,887,200
1,124,158
86,937,155
580,460
3,250,597
2,063,120
540,507
21,487,584
15,305,215
6,449,492
8,091,234
1,480,819
1,848,715
23,464,561
220,000
1,351,941
86,134,245
802,910
20,599,955
(20,641,955)
(42,000)
760,910
136,354,828
$ 137,115,738

CITY OF TRACY
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES		$ 760,910
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Repayment of long-term receivables is treated as revenue in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Position. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Position.		
Loans forgiven	$ (151,250)	
Repayment of loans	(91,057)	(242,307)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.		
Capital outlay expenditures are added back to fund balances	18,615,202	
Depreciation expense not reported in governmental funds	(7,787,685)	10,827,517
Gain or loss on disposition of capital assets is not reported in the governmental funds. This is the loss on disposition of capital assets that occurred during the current period		(620,256)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.		
Repayment of debt principal is added back to fund balance	220,000	
Amortization of deferred charges	(49,940)	170,060
The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):		
Postretirement benefit accrual	(269,254)	
Interest payable	2,478	
Accrued interest receivable on loans	417,612	
Compensated absences	122,267	273,103
Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		(349,940)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 10,819,087

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

MAJOR PROPRIETARY FUNDS

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

The concept of *major funds* established by GASB Statement No. 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in the fiscal year 2013.

WATER UTILITY FUND

This fund accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including administrative, operations, capital improvements, maintenance, financing, and related debt service, and billing and collection.

SEWER UTILITY FUND

This fund accounts for the activities associated with operating and maintaining the City's sewer and surface drainage system. All activities necessary to provide such services are accounted for in this fund including administration, operations, capital improvements, maintenance, financing, and related debt service, and billing and collection.

MUNICIPAL AIRPORT FUND

This fund accounts for the activities associated with the operations and maintenance of the City's airport.

SOLID WASTE FUND

This fund accounts for the provision of refuse collection services to residents of the City, accomplished through a franchised operator. This fund is also used to account for the activities of the City's recycling program.

MUNICIPAL TRANSIT FUND

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities, and has particular emphasis on serving the elderly and handicapped.

DRAINAGE FUND

Activities of the City's storm drainage operations are accounted for in this fund.

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	$ 7,594,665	$ 15,930,799	$ 365
Cash and investments with fiscal agents		341,806	
Accounts receivable - net	2,754,194	2,487,560	31,619
Inventory	570,994		
Interest receivable	19,351	38,034	
Prepaid expenses	28		
Total current assets	10,939,232	18,798,199	31,984
Noncurrent:			
Deferred charges, net of accumulated amortization		171,655	
Advances to other funds	862,500		
	862,500	171,655	
Capital Assets:			
Nondepreciable			
Land	29,016	6,050,640	15,826
Construction in progress	1,178,205	3,235,993	261,724
Total nondepreciable capital assets	1,207,221	9,286,633	277,550
Depreciable			
Infrastructure	109,422,175	80,521,002	
Buildings	43,467,914	78,775,756	356,080
Improvements	29,612,034	22,666,696	6,550,718
Equipment	11,415,463	29,729,764	120,843
Intangibles	68,904,122	125,878	191,726
Total depreciable capital assets	262,821,708	211,819,096	7,219,367
Less accumulated depreciation	(91,267,790)	(87,374,004)	(5,391,979)
Net depreciable capital assets	171,553,918	124,445,092	1,827,388
Net capital assets	172,761,139	133,731,725	2,104,938
Total noncurrent assets	173,623,639	133,903,380	2,104,938
Total assets	$ 184,562,871	$ 152,701,579	$ 2,136,922

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 3,005,811	$ 641,795	$ 970,435	$ 28,143,870	$ 11,297,542
			341,806	
3,042,701	1,432,318	74,668	9,823,060	
			570,994	
3,127	1,199	2,481	64,192	
555		204,545	205,128	
6,052,194	2,075,312	1,252,129	39,149,050	11,297,542
			171,655	
			862,500	
			1,034,155	
	1,427,226	4,318,335	11,841,043	
	51,368	96,903	4,824,193	
	1,478,594	4,415,238	16,665,236	
		56,136,170	246,079,347	
	12,059,833		134,659,583	153,146
	3,651,402	26,070,483	88,551,333	554,752
44,219	2,833,116	19,624	44,163,029	22,855,804
			69,221,726	715,407
44,219	18,544,351	82,226,277	582,675,018	24,279,109
(43,911)	(4,415,866)	(35,943,203)	(224,436,753)	(19,029,741)
308	14,128,485	46,283,074	358,238,265	5,249,368
308	15,607,079	50,698,312	374,903,501	5,249,368
308	15,607,079	50,698,312	375,937,656	5,249,368
$ 6,052,502	$ 17,682,391	$ 51,950,441	$ 415,086,706	$ 16,546,910

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 922,271	$ 180,977	$ 3,377
Deposits payable	704,382	4,500	54,860
Due to other funds			908,000
Accrued interest payable	7,500	104,588	1,778
Claims payable, current portion			
Current portion - compensated absences	90,759	59,350	4,224
Current portion - long-term debt	3,902,995	1,015,000	20,329
Deferred revenue			
Total current liabilities	5,627,907	1,364,415	992,568
Noncurrent Liabilities:			
Advances from other funds			1,106,557
Notes payable	14,489,157		33,149
Compensated absences	207,738	105,266	11,722
Claims payable			
Certificates of participation payable		26,630,000	
Total noncurrent liabilities	14,696,895	26,735,266	1,151,428
Total Liabilities	20,324,802	28,099,681	2,143,996
NET POSITION			
Net investment in capital assets	154,368,987	106,258,380	2,051,460
Restricted for debt service		237,218	
Unrestricted	9,869,082	18,106,300	(2,058,534)
Total Net Position (Deficit)	$ 164,238,069	$ 124,601,898	$ (7,074)

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 1,344,639	$ 91,373	$ 32,555	$ 2,575,192	$ 108,484
		853,935	1,617,677	
14,805	1,295,000		2,217,805	
			113,866	
				56,247
3,614	7,032	5,641	170,620	49,888
			4,938,324	
	342,611		342,611	
1,363,058	1,736,016	892,131	11,976,095	214,619
			1,106,557	
			14,522,306	
1,268	11,403	9,885	347,282	77,540
				56,247
			26,630,000	
1,268	11,403	9,885	42,606,145	133,787
1,364,326	1,747,419	902,016	54,582,240	348,406
308	15,607,079	50,698,312	328,984,526	5,249,368
			237,218	
4,687,868	327,893	350,113	31,282,722	10,949,136
$ 4,688,176	$ 15,934,972	$ 51,048,425	$ 360,504,466	$ 16,198,504

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	$ 15,664,859	$ 11,975,991	$ 269,964
Other operating revenues	7,050	2,110	2,300
Total Operating Revenues	15,671,909	11,978,101	272,264
Operating Expenses			
Purchase of water	4,049,397		
Maintenance and operation	8,450,594	5,941,652	253,012
Administration	603,316	436,678	77,120
Insurance costs and claims			
Depreciation	8,196,807	7,306,452	235,577
Total Operating Expenses	21,300,114	13,684,782	565,709
Operating Income (Loss)	(5,628,205)	(1,706,681)	(293,445)
Non-Operating Revenues (Expenses)			
Interest income	(22,607)	47,088	
Interest expense	(465,690)	(1,285,258)	(23,870)
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	(488,297)	(1,238,170)	(23,870)
Income (Loss) Before Capital Contributions and Transfers	(6,116,502)	(2,944,851)	(317,315)
Capital Contributions and Grants		152,870	335,039
Transfers in	42,000		
Change in Net Position	(6,074,502)	(2,791,981)	17,724
Net Position, July 1, 2012	170,312,571	127,393,879	(24,798)
Net Position (Deficit), June 30, 2013	$ 164,238,069	$ 124,601,898	$ (7,074)

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

Enterprise Funds				Governmental Activities- Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 20,352,142	$ 83,020	$ 563,773	$ 48,909,749	$ 8,167,070
150	734,600		746,210	511,838
20,352,292	817,620	563,773	49,655,959	8,678,908
			4,049,397	
18,756,401	1,466,401	519,035	35,387,095	4,370,085
63,030	71,600	53,720	1,305,464	100,740
				2,945,815
260	866,036	2,659,381	19,264,513	1,575,807
18,819,691	2,404,037	3,232,136	60,006,469	8,992,447
1,532,601	(1,586,417)	(2,668,363)	(10,350,510)	(313,539)
121,842	(445)	(2,120)	143,758	
			(1,774,818)	(1,323)
				(35,078)
121,842	(445)	(2,120)	(1,631,060)	(36,401)
1,654,443	(1,586,862)	(2,670,483)	(11,981,570)	(349,940)
	2,040,205		2,528,114	
			42,000	
1,654,443	453,343	(2,670,483)	(9,411,456)	(349,940)
3,033,733	15,481,629	53,718,908	369,915,922	16,548,444
$ 4,688,176	$ 15,934,972	$ 51,048,425	$ 360,504,466	$ 16,198,504

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers	$ 16,107,738	$ 11,909,636	$ 314,269
Receipts from interfund charges			
Payments to suppliers and users	(9,974,296)	(3,983,484)	(87,527)
Payments to employees	(4,063,202)	(2,923,041)	(182,584)
Net Cash Provided (Used) by Operating Activities	2,070,240	5,003,111	44,158
Cash Flows from Non-Capital Financing Activities:			
Principal received on loans receivable			
Transfers in	42,000		
Net Cash Provided (Used) by Non-Capital Financing Activities	42,000		
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants received		152,870	335,039
Acquisitions of capital assets	(1,283,760)	(2,954,065)	(479,669)
Due to other funds			144,630
Interest paid	(465,690)	(1,288,007)	(24,518)
Principal payments - long-term debt	(882,230)	(985,000)	(19,464)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,631,680)	(5,074,202)	(43,982)
Cash Flows from Investing Activities:			
Interest received	51,264	156,719	
Net Cash Provided (Used) by Investing Activities	51,264	156,719	
Net Increase (Decrease) in Cash and Cash Equivalents	(468,176)	85,628	176
Cash and Cash Equivalents, July 1, 2012	8,062,841	16,186,977	189
Cash and Cash Equivalents, June 30, 2013	$ 7,594,665	$ 16,272,605	$ 365
Noncash Transactions			
Amortization of deferred charges	$ -	$ 7,331	$ -
Disposition of assets	$ 81,188	$ 361,662	$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	$ 7,594,665	$ 15,930,799	$ 365
Cash and investments with fiscal agents		341,806	
Total Cash and Investments	$ 7,594,665	$ 16,272,605	$ 365

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 20,455,561	$ 955,381	$ 507,178	$ 50,249,763	$ -
				8,688,727
(18,747,482)	(1,178,925)	(200,046)	(34,171,760)	(5,457,430)
(138,047)	(361,937)	(276,609)	(7,945,420)	(2,157,043)
1,570,032	(585,481)	30,523	8,132,583	1,074,254
				12,749
			42,000	
			42,000	12,749
	2,188,541		2,676,450	
	(1,461,667)	(96,866)	(6,276,027)	(1,205,552)
			144,630	
			(1,778,215)	(2,812)
			(1,886,694)	(70,293)
	726,874	(96,866)	(7,119,856)	(1,278,657)
133,020	712	3,197	344,912	
133,020	712	3,197	344,912	
1,703,052	142,105	(63,146)	1,399,639	(191,654)
1,302,759	499,690	1,033,581	27,086,037	11,489,196
$ 3,005,811	$ 641,795	$ 970,435	$ 28,485,676	$ 11,297,542
$ -	$ -	$ -	$ 7,331	$ -
$ -	$ -	$ -	$ 442,850	$ 35,078
$ 3,005,811	$ 641,795	$ 970,435	$ 28,143,870	$ 11,297,542
			341,806	
$ 3,005,811	$ 641,795	$ 970,435	$ 28,485,676	$ 11,297,542

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (5,628,205)	$ (1,706,681)	$ (293,445)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	8,196,807	7,306,452	235,577
(Increase) Decrease in Operating Assets:			
Accounts receivable	274,012	(68,465)	22,143
Inventory	(216,804)		
Prepaid items	14,458		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(779,359)	(479,741)	3,377
Due to other funds			61,170
Compensated absences	47,514	(48,454)	(4,526)
Deposits payable	161,817		19,862
Net Cash Provided (Used) by Operating Activities	$ 2,070,240	$ 5,003,111	$ 44,158

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

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 1,532,601	$ (1,586,417)	$ (2,668,363)	$ (10,350,510)	$ (313,539)
260	866,036	2,659,381	19,264,513	1,575,807
103,269	137,761	5,306	474,026	9,819
			(216,804)	
		81,819	96,277	14,902
(64,336)	(196,182)	15,202	(1,501,039)	(219,766)
	204,500		265,670	
(1,762)	(11,179)	(921)	(19,328)	7,031
		(61,901)	119,778	
$ 1,570,032	$ (585,481)	$ 30,523	$ 8,132,583	$ 1,074,254

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FIDUCIARY FUNDS

AGENCY FUNDS

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

TRUST FUNDS

Trust funds are used to account for resources held and administered by the City in a fiduciary capacity for individuals, private organizations, or other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF TRACY
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments, restricted	$ 51,671	$ -
Cash and investments	4,052,760	12,078,938
Cash and investments with fiscal agents	3,733,628	16,616,442
Accounts receivable		19,289
Interest receivable	22,468	23,287
Deferred charges, net of accumulated amortization	2,960,307	
Capital assets, not being depreciated	2,581,457	
Capital assets, being depreciated, net of accumulated depreciation	760,506	
Total Assets	14,162,797	$ 28,737,956
LIABILITIES		
Accounts payable	4,152	$ 2,309
Due to other governments		237,893
Accrued interest payable	793,170	
Deposits payable		3,506,730
Unearned revenue	1,731,144	
Due to assessment district bondholders		24,991,024
Noncurrent liabilities:		
Due within one year	1,300,000	
Due in more than one year	47,778,520	
Total Liabilities	51,606,986	$ 28,737,956
NET POSITION		
Unrestricted	(37,444,189)	
Total Net Position	$ (37,444,189)	

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

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	Private-Purpose Trust Funds
Additions:	
Investment revenue	$ 25,895
Taxes and assessments	3,759,278
Transfer in	5,777,109
Total additions	9,562,282
Deductions:	
Administration	233,443
Depreciation	89,973
Transfer to City of Tracy	400,000
Transfer out	5,777,109
Interest expenses	2,606,886
Pass-through payments	3,402,710
Total deductions	12,510,121
Change in net position	(2,947,839)
Net Position July 1, 2012	(34,095,083)
Prior period adjustments	(401,267)
Net Position July 1, 2012, restated	(34,496,350)
Net Position, June 30, 2013	$ (37,444,189)

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

B. Individual Component Unit Disclosures

Discretely Presented Component Units. There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61 criteria for discrete disclosure within these basic financial statements.

C. Basis of Presentation

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

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

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements.* For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not have an effect on these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 61 – *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34." The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this Statement did not have an effect on these financial statements.

Governmental Accounting Standards Board Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations, (2) Accounting Principles Board Opinions, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The implementation of this Statement will *eliminate* the need to disclose a statement in the SSAP footnote that proprietary fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before Nov. 30, 1989 that are not in conflict with applicable GASB pronouncements. This also removes the requirement to disclose whether the entity has implemented any pronouncements subsequent to Nov. 30, 1989. The implementation of this Statement did not have an effect on these financial statements.

Governmental Accounting Standards Board Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement is explained in Note 13 - Net Position and Fund Balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Government-wide Statements

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

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

Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. These Internal service funds account for charges to other funds and departments for insurance, maintenance, and equipment acquisition.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The City collects assessments and pays property enhancement and rehabilitation costs and debt service for various assessment districts within the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental and proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percentof all fund-type totals. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

***General Fund* -** This fund accounts for all financial resources, except those to be accounted for in another fund. It is the general operating fund of the City.

Housing Successor Fund - This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

***North East Industrial Plan Area # 1 Capital Projects Fund* –** This fund was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

***Water Utility* –** This fund accounts for the activities of the City's water supply system.

Sewer Utility – This fund accounts for the activities of the City's surface drainage, sewage collection, and treatment system.

***Municipal Airport* –** This fund accounts for the activities associated with the operations and maintenance of the City's airport.

***Solid Waste* –**This fund accounts for the City's refuse collection activities.

***Municipal Transit* –** This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

***Drainage* –** This fund accounts for the City's storm drainage activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the *current* financial resources measurement focus and the *modified* accrual basis of accounting. Under this method, revenues are recognized when *measurable and available.* The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Internal service funds are used to account for charges to various funds and/or departments for costs such as insurance, maintenance, and equipment acquisition.

Fiduciary Funds – Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are purely custodial in nature (assets equal liabilities) and, thus, do not involve measurement of results of operations. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted resources may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity, except for interfund services provided and used, has been eliminated from the government-wide financial statements.

F. Property Taxes

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

Property Valuations – are established by the Assessor of the County of San Joaquin for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIIIA 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

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

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

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

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

G. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding $1,000 (infrastructure is $50,000).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for infrastructure (streets and roads) capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the modified approach, depreciation has been provided on capital assets. Depreciation of all capital assets is charged as an expense against operations each fiscal year until the asset is fully depreciated. Depreciation is calculated using the straight line method which depreciates evenly over the assets' useful life The City has assigned the useful lives listed below to capital assets.

Buildings	10-30 years
Improvements	5-50 years
Equipment	2-20 years
Grading, curbs, gutters, sidewalks, driveway approaches	40 years
Traffic signals	20 years
Street drainage	40 years
Other	5-40 years

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

H. Compensated Absences

Compensated absences are accrued as earned by employees, and consist only of vacation leave. The City measures vacation accrual annually; however, vacation payments are not distinguished from regular payroll paid during the year, nor are accruals made other than annually. The City's liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; as these liabilities represent the matured value due to retirement or resignations; the long-term portion is recorded in the Statement of Net Position.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Postemployment Benefits

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank. Miscellaneous employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. Safety employees: Police employees can bank their unused sick leave if they have at least ten (10) years of employment. Fire employees have a choice to bank their unused sick leave. Fire employees also need at least ten (10) years of employment to receive this benefit. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees' hourly rate of pay.

The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until that bank is exhausted.

The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ending June 30, 2013, those costs for 45 retirees totaled $246,475, and the total liability amount in the medical leave bank is $1,124,547.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

K. Cash, Cash Equivalents, and Investments

1. Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Cash, Cash Equivalents, and Investments (Continued)

2. Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

3. State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

4. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash investments of the proprietary fund types are pooled with the City's pooled cash and investments.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The City does not adopt budgets for the Proposition 1B, Residential and Commercial Rehabilitation Loan, Traffic Congestion Relief, and Grow Tracy Special Revenue Funds, Parks COP and Regional Mall COP Debt Service Funds, and all Capital Projects Funds.

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

B. Deficit Fund Balances/Net Position

Major Enterprise Fund

A deficit net position of $7,074 exists in the Municipal Airport Fund. The deficit is due to the City incurring costs in excess of revenue.

Nonmajor Funds

A deficit fund balance of $3,144 exists in the Business Improvement District Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of $153,879 exists in the Community Development Block Grant. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of $2,218 exists in the Regional Mall Debt Service Fund. The deficit is due to the City incurring costs in excess of revenues.

Fiduciary Fund – Private Purpose Trust Funds

A deficit net position of $37,444,189 exists in the Private Purpose Trust Funds. The deficit is due to the long term liabilities were exceeds assets.

C. Excess of Expenditures over Appropriations

During the fiscal year, there were no expenditures over final appropriations for the fund has adpoted budget.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 162,425,767
Cash and investments with fiscal agents	11,744,878
Fiduciary funds:	
Restricted cash and investments	51,671
Cash and investments	16,131,698
Cash and investments with fiscal agents	20,350,070
Total cash and investments	$ 210,704,084

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	$ 3,459
Deposits with financial institutions	11,731,423
Investments	198,969,202
Total cash and investments	$ 210,704,084

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

The table below identifies the investment types that are authorized for the City of Tracy (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$50 million per account
California Asset Management Plan	N/A	None	10%
Safekeeping Services Sweep Accounts	N/A	None	10%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Corporate Bonds	N/A	None	None
Municipal Bonds	N/A	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	10%
Repurchase Agreements	1 year	None	10%
Purchase Agreements	92 days	20% of base value	10%
Certificates of Deposit	5 years	30%	10%
Bankers Acceptances (must be dollar denominated)	6 months	30%	10%
Commercial Paper	9 months	25%	5%
Negotiable Time Certificates of Deposit	18 months	30%	10%
Medium Term Corporate Notes	5 years	30%	10%
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	15%	10%
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	10%

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptance	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund (State Pool)	None	None	None

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Interest Rate Risk (Continued)

		Remaining maturity (in Months)			
Investment Type	Totals	12 Months or Less	13 to 36 Months	37 to 60 Months	Over 60 Months
U.S. Treasury Notes	$ 11,831,346	$ 3,615,784	$ 8,215,562	$ -	$ -
Money Market Funds	16,910,036	16,910,036			
Federal Agency Securities	71,242,665	24,781,698	25,454,827	21,006,140	
Commerical Paper	6,241,771	6,241,771			
Corporate Notes	48,329,496	9,447,127	26,167,122	12,715,247	
Negotiable Time Deposits	2,460,866		2,234,052	226,814	
Municipal Bonds	470,489	470,489			
State Investment Pool	9,387,585	9,387,585			
Held by Debt Trustee:					
U.S. Treasury Notes	1,954,340	1,546,857	407,483		
Money Market Funds	22,692,200	22,692,200			
Federal Agency Securities	7,448,408	2,024,058	4,834,287	590,063	
	$198,969,202	$ 97,117,605	$ 67,313,333	$ 34,538,264	$ -

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk (Continued)

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
U.S. Treasury Notes	$ 11,831,346	N/A	$ 11,831,346	$ -	$ -	$ -	$ -
Money Market Funds	16,910,036	N/A		2,155,901			14,754,135
Federal Agency Securities	71,242,665	N/A			71,242,665		
Commerical Paper	6,241,771	N/A				6,241,771	
Corporate Notes	48,329,496	N/A		2,758,555	13,383,451	32,187,490	
Negotiable Time Deposits	2,460,866	N/A					2,460,866
Municipal Bonds	470,489	N/A			470,489		
State Investment Pool	9,387,585	N/A					9,387,585
Held by Debt Trustee:							
U.S. Treasury Notes	1,954,340	N/A	1,954,340				
Money Market Funds	22,692,200	N/A					22,692,200
Federal Agency Securities	7,448,408	N/A			7,448,408		
Total	$198,969,202		$ 13,785,686	$ 4,914,456	$ 92,545,013	$ 38,429,261	$ 49,294,786

F. Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FHLB	Federal agency securities	$ 20,125,375
FNMA	Federal agency securities	24,139,682
FHLMC	Federal agency securities	22,546,006
FFCB	Federal agency securities	10,940,022

There are no investments in any one issuer that represent 5% or more of total investments (other than U.S. Treasury Securities, Mutual funds, and external investment pools) by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.).

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2013, $13,218,179 of the City's deposits with financial institutions was covered by federal depository insurance limits or was held in collateralized accounts. As of June 30, 2013, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
U.S. Treasury Notes	$ 11,831,346
Federal Agency Securities	71,242,665
Commercial Paper	6,241,771
Corporate Notes	48,329,496
Negotiable Time Deposits	2,460,866
Municipal Bonds	470,489

H. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – LOANS RECEIVABLE

A. Community Development Agency Loans

As of February 1, 2012, the following Community Development Agency Loans were transferred to the City of Tracy Housing Successor Fund.

The City administers a residential and commercial rehabilitation program using Housing and Urban Development funds. Federal funds received by the City are deposited with a commercial bank. Upon approval of the loans, the funds are disbursed and collected by an outside collection agency. The programs are designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs was $288,201 at June 30, 2013.

In 1994, the Agency loaned $609,000 in Low and Moderate Income Housing funds to Mountain View Townhomes Association, a partnership of non-profit corporations, to assist in the construction of thirty-seven residential rental units, thirty-six of which are available to low income families. The loan is secured by a second deed of trust, is payable over twenty-three years beginning in 2026 and accrues interest at 3%. As of June 30, 2013, principal and accrued interest totaled $892,185.

In 1996, the Agency agreed to loan Eden Housing Inc., up to $2,208,691 to assist in the development and construction of seventy-two low income housing units. The loan is payable over ten years beginning forty years after the project is complete, and accrues interest at 1% per year. As of June 30, 2013, principal and accrued interest totaled $2,418,649.

In 2000, the Agency agreed to loan Habitat for Humanity up to $100,000 to construct/reconstruct from five to seven properties to ownership housing for very low-income families. The funds are to be used to pay all City fees necessary to develop and build affordable housing under the sponsorship of Habitat for Humanity. To date, Habitat for Humanity has expended $40,093 of the loan proceeds. The loan is secured by a deed of trust on the property and may be forgiven if the property remains occupied by a low-income family for a period of ten years. Unexpended loan funds are kept in a City of Tracy account available for use by Habitat for Humanity as needed. The balance of the outstanding loan as of June 30, 2013 including accrued interest is $52,146.

The City loaned 37 individuals from the Low and Moderate Income Housing Fund of the Redevelopment Agency. The loans have been authorized for each of the recipients as part of the housing down payment assistance program. The City is the beneficiary of the promissory notes issued, recorded, and secured by real property. The loans are due when the underlying property is sold. As of June 30, 2013, principal and accrued interest totaled $2,345,653.

NOTE 4 – LOANS RECEIVABLE (Continued)

A. Community Development Agency Loans (Continued)

The City, through the Low and Moderate Income Housing Fund of the Redevelopment Agency has entered into a loan agreement (a below market deferred loan) with City Development, Inc for an amount not to exceed $4,404,512 to be used as a gap financing instrument for the development of a 50 unit affordable senior housing complex. The loan is a 1%, 40 year loan. As of June 30, 2013, the developer owes $4,605,385 including accrued interest.

In November 2007, the Community Development Agency of the City of Tracy (Agency) entered into an Owner Participation and Loan Agreement with DHI Tracy Garden Associates, LP (DHI). DHI will develop and rehabilitate an 88 unit Senior Housing Complex for low income senior households. The maximum amount of loan from the Agency will be $1,975,000. Simple interest shall accrue annually at 3%. Upon default the rate will increase to the lesser of 10% or the maximum allowed by law. The loan is secured by a trust deed on the underlying property. This trust deed is subordinated to all other loans. Maturity of the loan is November 1, 2064. Payment on the loan is deferred until maturity unless the property is conveyed (other than that approved by the City) or there is a default. Total amount owed as of June 30, 2013 is $2,302,985 which includes accrued interest of $327,985.

B. Conditional Grants

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the government-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan. Total amount of allowance at June 30, 2013 was $1,003,593.

C. Development Loan

In September 2006, the City loaned a property owner $40,000 to assist in the demolition of a structure in order for the property owner to construct new housing units on the site. The loan is due and payable when the properties are sold. The balance as of June 30, 2013 is $40,000.

D. Settlement Note Revenue

The City is the holder of a promissory note dated September 8, 2009. The debtor is Sycamore Landscaping Co., who settled with the City for overcharges on its landscaping agreement. The note calls for monthly principal payments of $3,857 plus interest at the quarterly LAIF rate beginning October 1, 2009 with a final maturity date of June 30, 2013. The balance of the note as of June 30, 2013 was $0.

NOTE 4 – LOANS RECEIVABLE (Continued)

E. Housing Loan (Related Party)

The City of Tracy loaned $595,000 to its previous City Manager (Related Party). The proceeds from the loan were to assist in the purchase of a home within the City. The loan is a 30 year fully amortized loan with monthly payments of $2,446 including principal and interest at 4%. The balance of the loan as of June 30, 2013 is $495,498.

F. Tracy Mall Partners, L.P. Loan

The West Valley Mall Revitalization Program provides a financial incentive to the owners of the West Valley Mall (Mall Owner) or a prospective tenant to be used for tenant improvements.

During the fiscal year 2011, the City and the Tracy Mall Partners, L.P. entered into an agreement where the City will provide a financial contribution to the Mall Owner. In exchange, the Mall Owner will guarantee that Macy's will lease the anchor tenant location for a minimum of 10 years. Over the 20 year term, the Mall Owner is obligated to repay the City for the financial incentive at the rate of $151,250 a year or $3,025,000 for the 20 year term. The contribution amount will be forgiven to the extent that increased sales tax revenue to the City exceeds $151,250 per year from Macy's or new tenants of the Mall.

As of June 30, 2013, the balance of the loan is $2,593,750.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 159,398,630	$ 692,192	$ -	$ -	$ 160,090,822
Roads accounted for using the modified approach	212,438,025	1,342,400			213,780,425
Construction in progress	22,946,962	9,479,464	(620,256)	(12,046,737)	19,759,433
Total Nondepreciable Capital Assets	394,783,617	11,514,056	(620,256)	(12,046,737)	393,630,680

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities (Continued)	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Capital assets, being depreciated					
Buildings and improvements	$ 75,451,971	$ 108,013	$ -	$ -	$ 75,559,984
Improvements	60,260,065	5,961,514		12,046,737	78,268,316
Grading, curb & gutter, sidewalk, and driveway approaches	27,855,373	91,250			27,946,623
Traffic signals	17,374,347				17,374,347
Equipment	24,004,899	1,347,302	(492,245)		24,859,956
Infrastructure and drainage	7,797,751	782,120			8,579,871
Intangibles	849,390	16,499			865,889
Total Depreciable Capital Assets	213,593,796	8,306,698	(492,245)	12,046,737	233,454,986
Less accumulated depreciation for:					
Buildings and improvements	(20,597,583)	(2,332,816)			(22,930,399)
Improvements	(35,467,255)	(3,854,986)			(39,322,241)
Grading, curb & gutter, sidewalk, and driveway approaches	(10,636,753)	(623,472)			(11,260,225)
Traffic signals	(9,941,738)	(550,602)			(10,492,340)
Equipment	(17,225,082)	(1,629,522)	457,167		(18,397,437)
Infrastructure and drainage	(213,523)	(285,350)			(498,873)
Intangibles	(697,336)	(86,744)			(784,080)
Total Accumulated Depreciation	(94,779,270)	(9,363,492)	457,167		(103,685,595)
Net Depreciable Capital Assets	118,814,526	(1,056,794)	(35,078)	12,046,737	129,769,391
Net Governmental Capital Assets	$ 513,598,143	$ 10,457,262	$ (655,334)	$ -	$ 523,400,071

Business-type Activities Water Utility	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 29,016	$ -	$ -	$ -	$ 29,016
Construction in progress	1,346,908	705,152	(81,188)	(792,667)	1,178,205
Total Nondepreciable Capital Assets	1,375,924	705,152	(81,188)	(792,667)	1,207,221

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows: (Continued)

Business-type Activities Water Utility (Continued)	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Depreciable Capital Assets:					
Infrastructure	$ 108,077,910	$ 551,598	$ -	$ 792,667	$ 109,422,175
Buildings	43,467,914				43,467,914
Improvements	29,612,034				29,612,034
Equipment	11,388,453	27,010			11,415,463
Intangibles	68,904,122				68,904,122
Total Depreciable Capital Assets	261,450,433	578,608		792,667	262,821,708
Accumulation Depreciation					
Infrastructure	(30,407,343)	(2,038,832)			(32,446,175)
Buildings	(16,176,939)	(1,209,758)			(17,386,697)
Improvements	(15,373,899)	(1,695,728)			(17,069,627)
Equipment	(6,654,780)	(886,779)			(7,541,559)
Intangibles	(14,458,022)	(2,365,710)			(16,823,732)
Total Accumulated Depreciation	(83,070,983)	(8,196,807)			(91,267,790)
Net Depreciable Capital Assets	178,379,450	(7,618,199)		792,667	171,553,918
Net Water Utility Capital Assets	$ 179,755,374	$ (6,913,047)	$ (81,188)	$ -	$ 172,761,139

Business-type Activities Sewer Utility	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 5,978,199	$ 72,441	$ -	$ -	$ 6,050,640
Construction in progress	3,796,036	1,114,930	(361,662)	(1,313,311)	3,235,993
Total Nondepreciable Capital Assets	9,774,235	1,187,371	(361,662)	(1,313,311)	9,286,633
Depreciable Capital Assets:					
Infrastructure	79,391,586	401,180		728,236	80,521,002
Buildings	78,155,067	620,689			78,775,756
Improvements	21,624,557	457,064		585,075	22,666,696
Equipment	29,442,003	287,761			29,729,764
Intangibles	125,878				125,878
Total Depreciable Capital Assets	208,739,091	1,766,694		1,313,311	211,819,096
Accumulation Depreciation					
Infrastructure	(26,917,998)	(1,470,108)			(28,388,106)
Buildings	(30,309,561)	(2,107,675)			(32,417,236)
Improvements	(10,288,552)	(923,843)			(11,212,395)
Equipment	(12,468,491)	(2,774,624)			(15,243,115)
Intangibles	(82,950)	(30,202)			(113,152)
Total Accumulated Depreciation	(80,067,552)	(7,306,452)			(87,374,004)
Net Depreciable Capital Assets	128,671,539	(5,539,758)		1,313,311	124,445,092
Net Sewer Utility Capital Assets	$ 138,445,774	$ (4,352,387)	$ (361,662)	$ -	$ 133,731,725

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows: (Continued)

Business-type Activities Municipal Airport	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 15,826	$ -	$ -	$ -	$ 15,826
Construction in progress	216,047	152,307		(106,630)	261,724
Total Nondepreciable Capital Assets	231,873	152,307		(106,630)	277,550
Depreciable Capital Assets:					
Buildings	356,080				356,080
Improvements	6,144,435	299,653		106,630	6,550,718
Equipment	93,134	27,709			120,843
Intangibles	191,726				191,726
Total Depreciable Capital Assets	6,785,375	327,362		106,630	7,219,367
Accumulation Depreciation					
Buildings	(199,226)	(11,427)			(210,653)
Improvements	(4,685,054)	(219,350)			(4,904,404)
Equipment	(80,396)	(4,800)			(85,196)
Intangibles	(191,726)				(191,726)
Total Accumulated Depreciation	(5,156,402)	(235,577)			(5,391,979)
Net Depreciable Capital Assets	1,628,973	91,785		106,630	1,827,388
Net Municipal Airport Capital Assets	$ 1,860,846	$ 244,092	$ -	$ -	$ 2,104,938

Business-type Activities Solidwaste	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Depreciable Capital Assets:					
Equipment	$ 44,219	$ -	$ -	$ -	$ 44,219
Total Depreciable Capital Assets	44,219				44,219
Accumulation Depreciation					
Equipment	(43,651)	(260)			(43,911)
Total Accumulated Depreciation	(43,651)	(260)			(43,911)
Net Depreciable Capital Assets	568	(260)			308
Net Solid Waste Capital Assets	$ 568	$ (260)	$ -	$ -	$ 308

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows: (Continued)

Business-type Activities Municipal Transit	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 1,427,226	$ -	$ -	$ -	$ 1,427,226
Construction in progress	455,281	42,293		(446,206)	51,368
Total Nondepreciable Capital Assets	1,882,507	42,293		(446,206)	1,478,594
Depreciable Capital Assets:					
Buildings	11,553,833	506,000			12,059,833
Improvements	2,311,298	893,898		446,206	3,651,402
Equipment	2,813,640	19,476			2,833,116
Total depreciable Capital Assets	16,678,771	1,419,374		446,206	18,544,351
Accumulation depreciation					
Buildings	(1,347,065)	(468,296)			(1,815,361)
Improvements	(369,699)	(181,926)			(551,625)
Equipment	(1,833,066)	(215,814)			(2,048,880)
Total Accumulated Depreciation	(3,549,830)	(866,036)			(4,415,866)
Net Depreciable Capital Assets	13,128,941	553,338		446,206	14,128,485
Net Transit Capital Assets	$ 15,011,448	$ 595,631	$ -	$ -	$ 15,607,079

Business-type Activities Drainage	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 4,318,335	$ -	$ -	$ -	$ 4,318,335
Construction in progress	34,481	62,422			96,903
Total Nondepreciable Capital Assets	4,352,816	62,422			4,415,238

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2013, was as follows: (Continued)

Business-type Activities Drainage (Continued)	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Depreciable Capital Assets:					
Infrastructure	$ 56,101,726	$ 34,444	$ -	$ -	$ 56,136,170
Improvements	26,070,483				26,070,483
Equipment	19,624				19,624
Total Depreciable Capital Assets	82,191,833	34,444			82,226,277
Accumulation Depreciation					
Infrastructure	(17,388,556)	(1,034,101)			(18,422,657)
Improvements	(15,875,642)	(1,625,280)			(17,500,922)
Equipment	(19,624)				(19,624)
Total Accumulated Depreciation	(33,283,822)	(2,659,381)			(35,943,203)
Net Depreciable Capital Assets	48,908,011	(2,624,937)			46,283,074
Net Drainage Capital Assets	$ 53,260,827	$ (2,562,515)	$ -	$ -	$ 50,698,312

Total Business-type Activities	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable Capital Assets:					
Land	$ 11,768,602	$ 72,441	$ -	$ -	$ 11,841,043
Construction in progress	5,848,753	2,077,104	(442,850)	(2,658,814)	4,824,193
Total Nondepreciable Capital Assets	17,617,355	2,149,545	(442,850)	(2,658,814)	16,665,236
Depreciable Capital Assets:					
Infrastructure	243,571,222	987,222		1,520,903	246,079,347
Buildings	133,532,894	1,126,689			134,659,583
Improvements	85,762,807	1,650,615		1,137,911	88,551,333
Equipment	43,801,073	361,956			44,163,029
Intangibles	69,221,726				69,221,726
Total Depreciable Capital Assets	575,889,722	4,126,482		2,658,814	582,675,018
Accumulation Depreciation					
Infrastructure	(74,713,897)	(4,543,041)			(79,256,938)
Buildings	(48,032,791)	(3,797,156)			(51,829,947)
Improvements	(46,592,846)	(4,646,127)			(51,238,973)
Equipment	(21,100,008)	(3,882,277)			(24,982,285)
Intangibles	(14,732,698)	(2,395,912)			(17,128,610)
Total Accumulated Depreciation	(205,172,240)	(19,264,513)			(224,436,753)
Net Depreciable Capital Assets	370,717,482	(15,138,031)		2,658,814	358,238,265
Net Business-type Capital Assets	$ 388,334,837	$ (12,988,486)	$ (442,850)	$ -	$ 374,903,501

NOTE 5 – CAPITAL ASSETS (Continued)

B. Depreciation Allocations

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

Governmental Activities:	
City administration - nondepartmental	$ 1,064,629
Police	390,457
Fire	64,608
Development and engineering	1,235,981
Public works	4,707,965
Cultural arts	533,719
Parks and recreation	845,523
Unallocated	520,610
Total Depreciation Expense - Governmental Activities	$ 9,363,492
Business-type Activities:	
Water utility	$ 8,196,807
Sewer utility	7,306,452
Municipal airport	235,577
Solid waste	260
Municipal transit	866,036
Drainage	2,659,381
Total Depreciation Expense - Business-type Activities	$ 19,264,513

C. Roads Covered by the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy is to maintain these roads at an overall condition index level averaging 73%, instead of providing depreciation. During the fiscal year 2013, the City expended $1,387,484 to preserve its roads. The City estimates that it will be required to expend approximately $3,183,569 in the fiscal year 2014 to maintain its roads at this condition level.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business (i.e. one fund loaning funds to pay for current expenditures) and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2013.

Receivable Funds	Amount	Payable Funds	Amount
Major Governmental Fund		Major Proprietary Funds	
General	$ 21,017	Municipal Airport	$ 908,000
		Solid Waste	14,805
		Municipal Transit	1,295,000
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
Capital Projects Deposit	2,203,000	Business Improvement District	1,150
General Projects	2,051,150	TEA Grant	450,000
		Community Development Block Grant	140,000
		South County Fire Authority	1,460,000
		Regional Mall COP Debt Service	6,212
Totals	$ 4,275,167		$ 4,275,167

B. Long-term Interfund Advances

At June 30, 2013, the funds below had made advances which were not expected to be repaid within the next fiscal year.

Funds making advances	Funds receiving advances	Amount
Major Governmental Funds	Major Proprietary Fund	
General	Municipal Airport	$ 244,057
Water	Municipal Airport	862,500
Nonmajor Governmental Fund	Major Governmental Fund	
Northeast Industrial Plan Area #2	Northeast Industrial Plan Area #1	1,747,454
Totals		$ 2,854,011

Municipal Airport advance to be repaid over 33 years at 2.42% interest, interest only for 3 years, annual payments of $40,770 for remaining 30 years. The land of the airport serves as security for the advance, which carries an interest rate of 6%. The funds were used for projects at the airport.

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

B. Long-term Interfund Advances

Northeast Industrial Plan Area # 1 advance is being repaid over five years, where early repayment of principal is permitted, with an interest rate equal to funds invested in Local Agency Investment Fund (LAIF). The funds were used for projects within the project area.

C. Interfund Transfers

Receiving Funds	Transfers In	Paying Funds	Transfers Out
Major Governmental Fund		Major Governmental Fund	
North East Industrial Plan Area #1	$ 16,400,000	General	$ 2,693,468
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
2007 Lease Revenue Bonds	282,000	Regional Mall COP Debt Service	1,327,587
2008 Lease Revenue Bonds	893,000	North East Industrial Plan Area #2	16,400,000
Presidio Plan Area	178,900	South MacArthur Plan Area	220,900
General Projects	2,846,055		
Major Proprietary Fund			
Water Utility	42,000		
Totals	$ 20,641,955		$ 20,641,955

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due and (4) move various dollars from capital projects funds to funds where the projects were completed.

In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

D. Advance to CDA Successor Agency

As of February 1, 2012, the redevelopment agency ceased operations as a component unit of the City and all assets and liabilities were transferred to a private purpose trust fund except for housing assets. The $2,803,520 was an advance payment from Community Development Housing fund to Community Development Agency Debt Service to provide sufficient cash to pay the debt service payments due in September 2011. Due to the State SERAF payment requirement during fiscal year 2010 and 2011, the fund had insufficient cash to make the payment. Borrowing from the Housing Fund was authorized by State SERAF legislation. The fund will repay to the Housing Successor Fund upon approval from Department of Finance.

NOTE 7 – LONG-TERM DEBT

A. Compensated Absences

City employees accumulate earned but unused vacation and sick pay benefits which can be converted to cash at termination of employment. The City estimates the amounts that might be liquidated with expendable currently available financial resources in the fund that will liquidate the liability, if any, and the remaining liability is reported as long-term debt on the Statement of Net Position. Expenditures are reported in the governmental fund statements that liquidate the current liability. However, in the Statement of Activities the expense is allocated to each function based on usage. The portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2013, total $2,793,763 for governmental activities and $517,902 for business-type activities.

B. Certificates of Participation

1) 2004 Wastewater Certificates of Participation

The City issued Wastewater Certificates of Participation (COPs) in March 2004. The Wastewater COPs are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Utility System. Principal payments commence on December 1, 2007, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2004, and are payable semi-annually on December 1 and June 1, thereafter. The outstanding balance of the COPs at June 30, 2013 was $27,300,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 670,000	$ 1,230,918	$ 1,900,918
2015	695,000	1,205,826	1,900,826
2016	720,000	1,178,754	1,898,754
2017	745,000	1,149,814	1,894,814
2018	775,000	1,119,027	1,894,027
2019-2023	4,390,000	5,060,816	9,450,816
2024-2028	5,495,000	3,940,510	9,435,510
2029-2033	6,945,000	2,485,440	9,430,440
2034-2037	6,865,000	671,531	7,536,531
	$ 27,300,000	$ 18,042,636	$ 45,342,636

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds

1) 2008 Lease Revenue Bonds

On December 16, 2008, the City under the Tracy Operating Partnership (TPA) issued $19,765,000 of 2008 Lease Revenue Bonds. The proceeds of the bonds are to be used for acquisition and construction of projects, prepay the outstanding principal balance ($9,835,000) of the 1998 Certificates of Participation, and pay costs of issuance. Interest payments on the bonds are due semi—annually each April 1 and October 1 at rates varying between 3% and 6.375%. Principal is due annually each October 1 with $3,850,000 of serial bonds due between 2009 and 2027 and $15,915,000 of term bonds due between 2028 and 2038. The JPA has pledged revenue pursuant to a site and facility lease between the City and the JPA for the Police Department Headquarters and the Fire Administration Building. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the bonds. Upon issuance of the bonds $10,135,356 (which includes $865,475 cash available from the 1998 Certificates) was deposited to prepay in full the 1998 Certificates on December 16, 2008 which included a call premium in the amount of $196,700. The net proceeds of $9,300,548 were deposited in the City ($7,174,242) and the former Redevelopment Agency ($2,126,306). The outstanding balance of the bonds at June 30, 2013 is $19,160,000

Future minimum debt requirements for the bonds are:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 145,000	$ 1,157,762	$ 1,302,762
2015	170,000	1,151,462	1,321,462
2016	195,000	1,143,919	1,338,919
2017	220,000	1,134,826	1,354,826
2018	250,000	1,123,938	1,373,938
2019-2023	1,785,000	5,379,606	7,164,606
2024-2028	2,945,000	4,716,110	7,661,110
2029-2033	4,640,000	3,574,781	8,214,781
2034-2038	7,035,000	1,757,961	8,792,961
2039	1,775,000	58,579	1,833,579
	$ 19,160,000	$ 21,198,944	$ 40,358,944

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

2) 2003 Wastewater Revenue Refunding Bonds

The City issued Wastewater Revenue Bonds in May, 2003 to provide funds to refund the balance of the 1993 Wastewater Certificates of Participation. The refunding resulted in an overall savings of $419,472 and an economic gain of $291,760. The Wastewater Revenue Bonds are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Utility System. Principal payments commence on December 1, 2003, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2003, and are payable semi-annually on June 1 and December 1, thereafter. The outstanding balance of the bonds at June 30, 2013 was $345,000. The annual debt service requirement is as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 345,000	$ 6,038	$ 351,038
	$ 345,000	$ 6,038	$ 351,038

3) 2007 Lease Revenue Bonds – Series A

On October 25, 2007, the City issued $2,690,000 of 2007 Lease Revenue Bonds Series A. The proceeds of the bonds are to be used to finance the acquisition and construction of a fire station and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest ranging from 4.375% to 4.5%. Principal is payable annually beginning March 1, 2025. Interest is payable semi-annually every March 1 and September 1. Final maturity of the bonds is March 1, 2037. The outstanding balance of the bonds at June 30, 2013 is $2,690,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ -	$ 119,500	$ 119,500
2015		119,500	119,500
2016		119,500	119,500
2017		119,500	119,500
2018		119,500	119,500
2019-2023		597,500	597,500
2024-2028	640,000	560,530	1,200,530
2029-2033	1,040,000	369,950	1,409,950
2034-2037	1,010,000	116,326	1,126,326
	$ 2,690,000	$ 2,241,806	$ 4,931,806

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

4) 2007 Lease Revenue Bonds – Series B

On October 25, 2007, the City issued $1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2009. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2013 was $1,395,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 100,000	$ 57,180	$ 157,180
2015	105,000	53,180	158,180
2016	110,000	48,980	158,980
2017	115,000	44,580	159,580
2018	115,000	39,980	154,980
2019-2023	650,000	126,110	776,110
2024-2025	200,000	10,625	210,625
	$ 1,395,000	$ 380,635	$ 1,775,635

D. Notes and Loans Payable

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

The 1992 loan helped fund the construction of the Tracy Municipal Airport. In January 1995, the City received an additional loan of $150,000 for the construction of the ten unit hangar at the airport. In November 1998, the City received an additional loan of $250,000 for the paving of runways and fence construction. Principal and interest on each loan is payable annually each April 2 and January 12. The outstanding balance of the loans at June 30, 2013 was $53,478. Annual debt service requirements are as follows:

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

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

Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 20,329	$ 2,667	$ 22,996
2015	21,194	1,653	22,847
2016	11,955	596	12,551
	$ 53,478	$ 4,916	$ 58,394

2) State of California Department of Health Services Loan

In 2006, the City entered into a loan agreement with the State of California Department of Health Services in the amount of $20,000,000 for assistance in the construction of its new Water Treatment Plant. The proceeds from the loan can be drawn down by the City as needed for construction. The loan is a fully amortized loan over 20 years at an annual interest rate of 2.34%. The City will be obligated to make semi-annual payments of principal and interest in the amount of $628,960 beginning July 1, 2009 with a final maturity date of January 1, 2028. As of June 30, 2013, the City has balance due of $15,392,152. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 902,995	$ 354,924	$ 1,257,919
2015	924,249	333,671	1,257,920
2016	946,002	311,916	1,257,918
2017	968,268	289,651	1,257,919
2018	991,058	266,860	1,257,918
2019-2023	5,316,365	973,230	6,289,595
2024-2028	5,343,215	317,424	5,660,639
	$ 15,392,152	$ 2,847,676	$ 18,239,828

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

3) Banta Community Irrigation District Note

The City received a $6,500,000 note agreement with an interest rate of 3% from the Banta Community Irrigation District. Principal is payable annually. Interest is payable monthly. The outstanding balance of the note at June 30, 2013 was $3,000,000. Maturity date is February 2014. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 3,000,000	$ 90,000	$ 3,090,000
	$ 3,000,000	$ 90,000	$ 3,090,000

E. Changes in Long-Term Liabilities

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within One Year
Governmental Activities:					
Bonds Payable:					
2008 Lease Revenue Bonds	$ 19,285,000	$ -	$ 125,000	$ 19,160,000	$ 145,000
2007 Revenue Bonds A	2,690,000			2,690,000	
2007 Revenue Bonds B	1,490,000		95,000	1,395,000	100,000
Capital Leases	70,293		70,293		
Compensated Absences	2,908,999	867,404	982,640	2,793,763	927,675
Claims and Judgments	112,494			112,494	56,247
Postretirement Benefits	1,141,564	411,969	142,715	1,410,818	
Totals	$ 27,698,350	$ 1,279,373	$ 1,415,648	$ 27,562,075	$ 1,228,922

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, postretirement benefits, claims and judgments, and compensated absences are generally liquidated by the general fund.

NOTE 7 – LONG-TERM DEBT (Continued)

E. Changes in Long-Term Liabilities (Continued)

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within One Year
Business-type Activities:					
Certificates of Participation:					
2004 Wastewater Certificates of Participation	$27,950,000	$ -	$ 650,000	$ 27,300,000	$ 670,000
Bonds Payable:					
2003 Wastewater Revenue Bonds	680,000		335,000	345,000	345,000
Notes Payable:					
State of California Department of Transportation	72,942		19,464	53,478	20,329
State of California Department of Health Services	16,274,382		882,230	15,392,152	902,995
Irrigation District Notes	3,000,000			3,000,000	3,000,000
Compensated Absences	537,230	157,584	176,912	517,902	170,620
Totals	$48,514,554	$ 157,584	$ 2,063,606	$ 46,608,532	$ 5,108,944

F. Deferred Debt Issuance Costs And Gain/Loss on Debt Refunding

Bond issuance costs and deferred gain/loss on refundings are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

G. Defeased Debt

As of June 30, 2013, all prior debt defeased has been paid in full, there are no outstanding debt balances.

NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included as debt of the City. The outstanding balance of each of these issues as of June 30, 2013, is as follows:

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

Description	Fiscal Year Issue Year	Fiscal Year Maturity Year	Balance Outstanding June 30, 2013
93-1 Community Facilities District	1997	2027	$ 970,000
99-1 Community Facilities District, 04 Refunding	2004	2025	6,725,000
94-1 Tracy OPJPA 2002 Revenue Bonds, Series A	2002	2022	2,730,000
93-1 Community Facilities District, Series 2002	2003	2033	1,890,000
2003-01 Assessment District	2003	2029	755,000
2003-I205 Residential Assessment District, Series A	2004	2023	5,845,000
2003B Junior Lien	2004	2023	300,000
89-1 Community Facilities District, Series A	2004	2021	7,720,000
89-1 Community Facilities District, Series B	2004	2021	745,000
2005C Revenue bonds (JPA)	2006	2036	13,225,000
2005B Revenue Bonds Junior Lien (JPA)	2006	2036	2,805,000
2005A Revenue Bonds Senior Lien (JPA)	2006	2029	57,655,000
2006-01 NE Industrial Phase II	2007	2037	10,500,000
2011 TOP JPA Revenue Bonds	2012	2028	12,935,000
			$ 124,800,000

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate $3.9 million at June 30, 2013.

The City is subject to other litigation arising in the normal course of business. In the opinion of the City Attorney,there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 10 – CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description: The City of Tracy contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined combined rate of 14.319% for miscellaneous employees and 26.525% for fire and police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2013, the City's annual pension cost of $6,858,044 for PERS was equal to the City's required and actual contributions. In addition, the City paid employee contribution was $2,058,406. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) .25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 30 years for safety, and 23 years for miscellaneous.

Funded Status and Funding Progress: As of June 30, 2011, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 81.3 percent and 80.7 percent funded, respectively. The actuarial accrued liabilities for benefits were $97.9 million (miscellaneous) and $112.3 million (safety), and the actual value of assets were $79.6 million (miscellaneous) and $90.6 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of 18.2 million (miscellaneous) and $21.6 million (safety). The covered payroll (annual payroll of active employees covered by the plans) was $19.5 million and $17.1 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 93.4% and 126.5%, respectively.

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
	Miscellaneous		
6/30/2011	$ 2,169,247	100%	$ -
6/30/2012	2,552,157	100%	-
6/30/2013	2,612,414	100%	-
	Safety		
6/30/2011	$ 4,034,010	100%	$ -
6/30/2012	4,608,752	100%	-
6/30/2013	4,245,630	100%	-

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description The City of Tracy administers a single employer defined benefit (implicit subsidy) healthcare plan (Plan).

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. The City does not explicitly pay for the cost of retiree health premiums, however. The medical plans consist of two HealthNet HMO options, a HealthNet PPO, HealthNet High Deductible Health Plan (HDHP), and a Kaiser HMO, all fully insured. Medical premiums for retirees under age 65 are the same as those charged for active employees.

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The Plan does not issue a separate financial report.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City.

Annual OPEB and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$ 429,163
Plus - Interest contribution	57,078
Less - Amortization adjustment	(74,272)
Annual OPEB cost (expense)	411,969
Contribution made	(142,715)
Increase in net OPEB obligation	269,254
Net OPEB obligation - beginning of fiscal year	1,141,564
Net OPEB obligation - end of fiscal year	$ 1,410,818

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/11	$ 300,734	40%	$ 854,558
6/30/12	416,301	35%	1,141,564
6/30/13	411,969	35%	1,410,818

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $3,213,284, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $3,213,284. The covered payroll (annual payroll of active employees covered by the plan) was $33.2 million, and the ratio of the UAAL to the covered payroll was 9.7 percent.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, graded down 1% per year to an ultimate 5% per year beginning in 2014. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2011 was thirty years.

NOTE 12 – JOINT POWERS AGREEMENT

During the fiscal year 2000, the City and the Tracy Rural Fire District formed the South County Fire Authority (Authority), a joint powers agreement. As part of this agreement, the employees of Tracy Rural Fire District became City employees and the City took over the management of the Authority's fire stations. The Authority is governed by a Board composed of two members each from the City and the Authority. Financial statements for the Authority may be obtained from the City of Tracy at 325 East Tenth Street, Tracy, CA 95376.

NOTE 13 – NET POSITION AND FUND BALANCES

A. Net Position

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

Net Investment in Capital Assets describe the portion of net position, which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describe the portion of net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions, which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted for low-and-moderate income purposes, and gas tax funds for street construction.

Unrestricted describes the portion of net position which is not restricted as to use.

A. Fund Balances

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the governing board or administrative service director may assign amounts for specific purposes.

Unassigned – all other spendable amounts. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

NOTE 13 – NET POSITION AND FUND BALANCES (Continued)

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the City against revenue shortfalls or unpredicted one-time expenditures. The unassigned balance in an amount of $27,502,769 includes a Reserve for Economic Uncertainties in an amount of $12,036,923.

NOTE 14 – RESTRICTED

Restricted are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted at June 30, 2013 are as follows:

	Governmental	Business-type
Debt Services:		
Sewer	$ -	$ 237,218
Other	379,784	
	379,784	237,218
Restricted for Public Safety:		
Fire	1,148,238	
Asset forfeiture	2,909	
	1,151,147	
Streets and Roads:		
Construction and maintenance	3,627,138	
Community Development	1,412,493	
Special District:		
Landscaping	4,600,481	
Projects:		
Redevelopment	271,895	
Specific Area/Locations	84,995,956	
	85,267,851	
Housing	14,692,372	
Total Restricted Net Assets	$ 111,131,266	$ 237,218

NOTE 14 – RESTRICTED (Continued)

Included in total governmental restricted net position at June 30, 2013 are restricted by enabling legislation of $89,596,437.

NOTE 15 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (see Note 13 for a description of these categories). A detailed schedule of fund balances at June 30, 2013 is as follows:

	General	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	$ 1,504	$ -	$ -	$ 825	$ 2,329
Advances	244,057				244,057
Loans receivable	535,498				535,498
Total nonspendable fund balances	781,059			825	781,884
Restricted for:					
Auto theft					
Traffic fines	293,287				293,287
Law enforcement	39,329				39,329
Housing		2,942,011			2,942,011
Special area projects			13,219,708	64,376,510	77,596,218
Debt service				723,286	723,286
Community development				467,448	467,448
Assets forfeiture				2,084	2,084
Streets and roads				3,627,138	3,627,138
Landscaping district				4,600,481	4,600,481
Fire authority				1,148,238	1,148,238
Cable TV				216,940	216,940
Tracy GROW				1,000,000	1,000,000
Capital projects				16,056,728	16,056,728
Total restricted fund balances	332,616	2,942,011	13,219,708	92,218,853	108,713,188
Assigned to:					
General	254,946				254,946
AC Trust	22,192				22,192
	277,138				277,138
Unassigned					
Economic uncertainty	12,036,923				12,036,923
Unassigned	15,465,846			(159,241)	15,306,605
	27,502,769			(159,241)	27,343,528
Total fund balances	$ 28,893,582	$ 2,942,011	$ 13,219,708	$ 92,060,437	$137,115,738

NOTE 16 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

NOTE 17 – DEFERRED COMPENSATION PLAN AND TRUST

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

NOTE 18 – RISK MANAGEMENT

A. Coverage

The City and 51 other entities in the Central San Joaquin area are members of a joint powers agreement called the Central San Joaquin Valley Risk Management Authority (RMA), which was established to provide for the sharing of risk among the member agencies. The RMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City.

The RMA provides general liability coverage of $900,000 above the City's self insurance limit of $100,000 per occurrence, and property damage insurance up to $1,000,000,000 including the City's deductible of $1,000 to $25,000 per occurrence. General liability claims in excess of $1,000,000 up to a maximum of $15,000,000 are covered through RMA's participation in the California Affiliated Risk Management Authority. The remaining excess is covered by the RMA through a policy with an independent insurance carrier up to $29,000,000.

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

The RMA maintains separate records for each member for each year of participation. The records track cash paid to the RMA through deposit premium assessments, the City's self-insured retention portion of claims paid, and the City's allocation of shared risks. Three years after the close of the workers' compensation coverage year and five years after the close of the general liability coverage year, the RMA assesses the status of all members for the year, then either makes a refund to a member if it has positive balance (i.e. payout and reserve experience is less than premiums paid) or collects any deficit.

NOTE 18 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

During the fiscal year ended June 30, 2013, the City contributed $2,565,208 for current year coverage.

Audited financial statements are available from the Central San Joaquin Risk Management Authority at 6371 Auburn Boulevard, Citrus Heights, CA 95621.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including provisions for claims incurred but not reported, in the Insurance Internal Service Fund. Claims and judgments are recorded when a loss is deemed probable of asserting and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. The City has estimated that 50% of total claims will become due and payable within one year.

The City's liability for uninsured claims was estimated by management based on prior year claims experience and the third party JPA where the City as of June 30, 2013 has reserve deposits which cover claims and IBNRs except for $112,494.

			Total	
	Worker's Compensation	General Liability	2013	2012
Beginning balance	$ 60,838	$ 51,656	$ 112,494	$ 112,494
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)				
Claims paid				
Ending balance	$ 60,838	$ 51,656	$ 112,494	$ 112,494

NOTE 19 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Tracy that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 2012-021.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

NOTE 20 – SUCCESSOR AGENCY

A. Capital assets of the Successor Agency as of June 30, 2013 consisted of the following:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Nondepreciable Capital Assets:				
Land	$ 2,581,457	$ -	$ -	$ 2,581,457
Total Nondepreciable Capital Assets	2,581,457			2,581,457
Capital assets, being depreciated				
Improvements	1,450,790			1,450,790
Total Depreciable Capital Assets	1,450,790			1,450,790
Less accumulated depreciation for:				
Improvements	(600,311)	(89,973)		(690,284)
Total Accumulated Depreciation	(600,311)	(89,973)		(690,284)
Net Depreciable Capital Assets	850,479	(89,973)		760,506
Total Capital Assets, Net	$ 3,431,936	$ (89,973)	$ -	$ 3,341,963

B. Long-term debt of the Successor Agency as of June 30, 2013, consisted of the following:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within One Year
2003 Tax Allocation Bonds	$ 47,520,000	$ -	$ 1,245,000	$46,275,000	$ 1,300,000
Advances from Successor Housing Fund	2,803,520			2,803,520	
Totals	$ 50,323,520	$ -	$ 1,245,000	$49,078,520	$ 1,300,000

Tax Allocation Bonds

Former Community Development Agency Tax Allocation Bonds

In 1994, the former Agency issued Tax Allocation Bonds in the amount of $20,605,000 to finance redevelopment projects. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest payable semi-annually each March 1 and September 1. The Agency issued $55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund $17,290,000 of outstanding 1994 Tax Allocation Bonds. As a result, the $17,290,000 of outstanding Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed.

NOTE 20 – SUCCESSOR AGENCY (Continued)

Tax Allocation Bonds (Continued)

Former Community Development Agency Tax Allocation Bonds (Continued)

In March 2001, the Agency issued the Tax Allocation Bonds, Series A, in the amount of $15,000,000 to fund infrastructure improvements and redevelopment activities of benefit to the Project Area. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each March 1 and September 1. The Agency issued $55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund $15,000,000 of outstanding 2001 Tax Allocation Bonds, Series A. As a result, the $15,000,000 of outstanding Tax Allocation Bonds is considered to be defeased and the liability for those bonds has been removed.

During the 2004-05 fiscal year, the Agency issued Tax Allocation Bonds in the amount of $55,720,000, with interest rates ranging from 2.00% to 6.15% per annum, to provide funds for certain projects of the Agency and to defease the 1994 and 2001 Tax Allocation Bonds. The bonds mature semiannually on each March 1, through 2034. The outstanding balance of the bonds at June 30, 2013 was $46,275,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	$ 1,300,000	$ 2,412,286	$ 3,712,286
2015	1,360,000	2,343,988	3,703,988
2016	1,420,000	2,292,460	3,712,460
2017	1,485,000	2,227,661	3,712,661
2018	1,550,000	2,159,336	3,709,336
2019-2023	9,000,000	9,570,598	18,570,598
2024-2028	11,580,000	6,984,896	18,564,896
2029-2033	15,055,000	3,516,794	18,571,794
2034	3,525,000	192,444	3,717,444
	$ 46,275,000	$31,700,463	$77,975,463

Advances from Successor Housing Fund

Successor Housing Fund advance was to provide sufficient cash to pay the debt service payments due in September 2011. Due to the State SERAF payment requirement during fiscal year 2010 and 2011, the fund had insufficient cash to make the payment. Borrowing from the former Housing Fund was authorized by State SERAF legislation. The fund will repay the Housing Successor Fund upon approval from Department of Finance.

NOTE 21 – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements include an adjustment that resulted in the restatement of beginning net position. The following summarizes the effect of the prior period adjustment to beginning net position as of July 1, 2012:

	Private Purpose Trust Fund
	CDA Successor Agency
(Overstatement) of accounts receivable	$ (401,267)

NOTE 22 – SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through December 11, 2013, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Pension Trend Information

REQUIRED SUPPLEMENTARY INFORMATION
Miscellaneous Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2009	$ 83,457,017	$ 67,629,363	$ 15,827,654	81.0%	$ 21,690,074	73.0%
6/30/2010	89,833,461	73,329,680	16,503,781	81.6%	20,442,591	80.7%
6/30/2011	97,889,894	79,630,086	18,259,808	81.3%	19,548,907	93.4%

REQUIRED SUPPLEMENTARY INFORMATION
Safety Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2009	$ 96,782,598	$ 76,427,896	$ 20,354,702	79.0%	$ 17,137,483	118.8%
6/30/2010	102,097,701	83,188,640	18,909,061	81.5%	16,273,573	116.2%
6/30/2011	112,291,769	90,646,980	21,644,789	80.7%	17,113,799	126.5%

Modified Approach to Reporting Street Pavement Costs

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

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

Modified Approach to Reporting Street Pavement Costs (Continued)

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

The conditions of the pavement are based on a weighted average of seven distress factors found in pavement surfaces. The MTC pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for pavement with perfect conditions. The condition index is used to classify pavement in good or better condition (70-100), fair condition (50-69), and substandard condition (less than 50).

The City's preservation costs are budgeted to be $2,973,800 in fiscal year 2013. The Pavement Condition Index (PC) 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	

The City's administrative policy is to achieve a minimum rating of 73 for all street pavement. This rating allows for minor cracking and revealing of payment along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended $1,387,484 for street preservation for fiscal year 2013.

Postemployment Benefit Plans Other Than Pensions

Trend Information

SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH PLAN
BI-ANNUAL

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
7/1/2007	1,481,968	-	1,481,968	0%	38,375,088	3.9%
7/1/2009	2,295,979	-	2,295,979	0%	37,101,371	6.2%
7/1/2011	3,213,284	-	3,213,284	0%	33,174,229	9.7%

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Budgetary Data (Continued)

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

6. Legally adopted budget appropriations are set for the General, Special Revenue, and Debt Service Funds.

7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.

8. Budgets for General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. Encumbrances

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

All encumbrances outstanding at fiscal year-end are liquidated and re-appropriated at eh beginning of the fiscal year. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

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CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Taxes	$ 33,518,600	$ 34,418,600	$ 37,134,728	$ 2,716,128
Licenses, permits, and fees	3,021,450	3,119,450	3,375,983	256,533
Fines and forfeitures	1,528,000	1,528,000	566,473	(961,527)
Use of money and property	647,000	647,000	370,414	(276,586)
Intergovernmental	922,670	1,283,034	2,202,373	919,339
Charges for services	7,529,000	7,879,000	8,930,270	1,051,270
Special assessments	360,000	360,000	363,536	3,536
Contributions	25,000	52,687	47,847	(4,840)
Other revenues	1,291,240	1,177,704	1,123,655	(54,049)
Total revenues	48,842,960	50,465,475	54,115,279	3,649,804
EXPENDITURES				
Current:				
General government:				
Economic development	385,420	397,420	293,450	103,970
General government	3,413,490	3,620,788	3,168,356	452,432
Finance	2,277,730	2,273,715	2,063,120	210,595
Non-departmental	250,020	250,020	190,310	59,710
Public safety:				
Police	22,217,490	22,364,102	21,480,576	883,526
Fire	8,712,180	8,712,180	8,751,942	(39,762)
Public works:				
Development and engineering	5,878,680	6,339,860	6,284,544	55,316
Public works	4,030,700	4,057,130	3,587,936	469,194
Culture and leisure:				
Cultural arts	1,463,500	1,528,667	1,480,819	47,848
Parks and community services	1,927,850	1,924,159	1,848,715	75,444
Capital outlay	291,000	395,704	312,597	83,107
Total expenditures	50,848,060	51,863,745	49,462,365	2,401,380
Excess of revenues over (under) expenditures	(2,005,100)	(1,398,270)	4,652,914	6,051,184
Other financing sources (uses):				
Transfers out	(1,175,000)	(1,175,000)	(2,693,468)	(1,518,468)
Total other financing sources (uses)	(1,175,000)	(1,175,000)	(2,693,468)	(1,518,468)
Net change in fund balance	(3,180,100)	(2,573,270)	1,959,446	4,532,716
Fund balance at beginning of fiscal year	26,934,136	26,934,136	26,934,136	
Fund balance at end of fiscal year	$ 23,754,036	$ 24,360,866	$ 28,893,582	$ 4,532,716

See accompanying notes to required supplemental information

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
HOUSING SUCCESSOR
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Use of money and property	$ 25,000	$ 25,000	$ 104,368	$ 79,368
Total revenues	25,000	25,000	104,368	79,368
Net change in fund balance	25,000	25,000	104,368	79,368
Fund balance at beginning of fiscal year	2,837,643	2,837,643	2,837,643	
Fund balance at end of fiscal year	$ 2,862,643	$ 2,862,643	$ 2,942,011	$ 79,368

See accompanying notes to required supplemental information

OTHER SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

BUSINESS IMPROVEMENT DISTRICT FUND

Established to accumulate revenues from business licenses for subsequent transfer to the General Fund in order to provide donations to the Main Street Tracy Program.

ASSET FORFEITURE FUND

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

PROPOSITION 1B FUND

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

TRANSPORTATION DEVELOPMENT FUND

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

PROPOSITION K TRANSPORTATION FUND

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

STATE GAS TAX STREET FUND

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

TEA GRANT FUND

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

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

LANDSCAPING DISTRICT FUND

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

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

SOUTH COUNTY FIRE AUTHORITY FUND

This fund was established to account for revenues and liabilities of the Authority, which is a Joint Powers Agreement between the City and the Tracy Rural Fire District. The Authority is responsible for fire prevention and suppression in parts of the City and in surrounding unincorporated areas.

COMMUNITY ACCESS CTV FUND

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

GROW TRACY FUND

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

DEBT SERVICE FUNDS

2007 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the lease revenue bonds issued to 1) refund the prior Certificates of Participation and 2) finance the acquisition and construction of a fire station.

PARKS COP FUND

Established to accumulate funds for payment of certificates of participating (COP) principal and interest. This COP provided the resources to purchase the Tracy Community Park as well as other public facilities sites.

2008 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the 2008 lease revenue bonds that were originally issued to reflect prior certifications of participation and finance construction of certain City facility.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS (Continued)

REGIONAL MALL COP DEBT SERVICE FUND

Established to accumulate funds for the payment of debt service on the COPs issued for public infrastructure in the new Regional Mall area. Funds are transferred from the general fund into this fund for this debt service.

CAPITAL PROJECTS FUNDS

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND

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

NORTH EAST INDUSTRIAL PLAN AREA # 2 FUND

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

INFILL PROJECTS FUND

Established to account for capital projects financed through capital development fees levied upon developers in the City's infill areas.

I-205 AREA IMPROVEMENTS FUND

Established to account for monies received from the sale of bonds for the purpose of construction of various community facilities within a specific area in the City.

URBAN MANAGEMENT PLAN FACILITIES FUND

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

CAPITAL PROJECTS DEPOSIT FUND

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

SOUTH MACARTHUR PLAN AREA FUND

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

CAPITAL PROJECTS FUNDS (Continued)

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.

GENERAL PROJECTS FUND

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

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
Assets				
Cash and investments	$ 1	$ 1,844	$ 2,464	$ 729,746
Cash and investments with fiscal agents				
Accounts receivable				
Interest receivable		240		
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		825		
Total Assets	$ 1	$ 2,909	$ 2,464	$ 729,746
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	1,150			
Deposits payable	1,995			
Unearned revenue				
Total Liabilities	3,145			
Fund Balances:				
Nonspendable				
Prepaid items		825		
Restricted		2,084	2,464	729,746
Assigned				
Unassigned	(3,144)			
Total Fund Balances (Deficits)	(3,144)	2,909	2,464	729,746
Total Liabilities and Fund Balances	$ 1	$ 2,909	$ 2,464	$ 729,746

Special Revenue Funds				
Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
$ 1,274,028	$ 1,336,065	$ 21,005	$ 2,726	$ 4,736,267
286,362	161,612	558,285		
6,522	5,055		35	12,208
$ 1,566,912	$ 1,502,732	$ 579,290	$ 2,761	$ 4,748,475
$ 112,308	$ 163,185	$ 28,513	$ -	$ 147,994
		450,000	140,000	
			16,640	
112,308	163,185	478,513	156,640	147,994
1,454,604	1,339,547	100,777		4,600,481
			(153,879)	
1,454,604	1,339,547	100,777	(153,879)	4,600,481
$ 1,566,912	$ 1,502,732	$ 579,290	$ 2,761	$ 4,748,475

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Community Access CTV	Grow Tracy
Assets				
Cash and investments	$ 195,308	$ 7,546	$ 169,754	$ -
Cash and investments with fiscal agents				
Accounts receivable		2,770,294	46,882	
Interest receivable	245	752	304	
Due from other funds				
Deposits				1,000,000
Advances to other funds				
Loans receivable				
Prepaid items				
Total Assets	$ 195,553	$ 2,778,592	$ 216,940	$ 1,000,000
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 145,123	$ -	$ -
Due to other funds		1,460,000		
Deposits payable		25,231		
Unearned revenue				
Total Liabilities		1,630,354		
Fund Balances:				
Nonspendable				
Prepaid items				
Restricted	195,553	1,148,238	216,940	1,000,000
Unassigned				
Total Fund Balances (Deficits)	195,553	1,148,238	216,940	1,000,000
Total Liabilities and Fund Balances	$ 195,553	$ 2,778,592	$ 216,940	$ 1,000,000

Debt Service Funds			
2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
$ 90,676	$ -	$ 629,365	$ -
		1,082	
270		1,893	3,994
$ 90,946	$ -	$ 632,340	$ 3,994
$ -	$ -	$ -	$ -
			6,212
			6,212
90,946		632,340	
			(2,218)
90,946		632,340	(2,218)
$ 90,946	$ -	$ 632,340	$ 3,994

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
Assets				
Cash and investments	$ 4,987,110	$ 2,182,770	$ 2,807,971	$ 4,737,341
Cash and investments with fiscal agents		3,090,692		
Accounts receivable	2,678		4,048	
Interest receivable	16,401	30,965	8,521	16,358
Due from other funds				
Deposits				
Advances to other funds		1,747,454		
Loans receivable	2,593,750			
Prepaid items				
Total Assets	$ 7,599,939	$ 7,051,881	$ 2,820,540	$ 4,753,699
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 1,395	$ 684,019	$ 4,852	$ 338,941
Due to other funds				
Deposits payable		35,844		762,058
Unearned revenue	2,593,750			
Total Liabilities	2,595,145	719,863	4,852	1,100,999
Fund Balances:				
Nonspendable				
Prepaid items				
Restricted	5,004,794	6,332,018	2,815,688	3,652,700
Unassigned				
Total Fund Balances (Deficits)	5,004,794	6,332,018	2,815,688	3,652,700
Total Liabilities and Fund Balances	$ 7,599,939	$ 7,051,881	$ 2,820,540	$ 4,753,699

Capital Projects Funds					
Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
$ 3,093,774	$ 3,710,969	$ 9,384,958	$ 2,959,938	$ 5,925,350	$ 274,884
		250,002		5,033	
7,484					
9,166	11,040	26,263	10,074	17,633	11
	2,203,000				
$ 3,110,424	$ 5,925,009	$ 9,661,223	$ 2,970,012	$ 5,948,016	$ 274,895
$ 172,679	$ -	$ 427	$ -	$ 7	$ -
581,307	832,265	40,388		825,000	3,000
753,986	832,265	40,815		825,007	3,000
2,356,438	5,092,744	9,620,408	2,970,012	5,123,009	271,895
2,356,438	5,092,744	9,620,408	2,970,012	5,123,009	271,895
$ 3,110,424	$ 5,925,009	$ 9,661,223	$ 2,970,012	$ 5,948,016	$ 274,895

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013
(Continued)

	Capital Projects Funds			
	Tracy Gateway Area	Plan "C"	General Projects	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 3,180,889	$ 18,155,065	$ 7,704,516	$ 78,302,330
Cash and investments with fiscal agents			8,056,263	11,403,072
Accounts receivable				3,837,645
Interest receivable	10,415	62,330		250,695
Due from other funds			2,051,150	4,254,150
Deposits				1,000,000
Advances to other funds				1,747,454
Loans receivable				2,593,750
Prepaid items				825
Total Assets	$ 3,191,304	$ 18,217,395	$ 17,811,929	$ 103,389,921
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ 1,549,056	$ 3,348,499
Due to other funds				2,057,362
Deposits payable			206,145	3,313,233
Unearned revenue				2,610,390
Total Liabilities			1,755,201	11,329,484
Fund Balances:				
Nonspendable				
Prepaid items				825
Restricted	3,191,304	18,217,395	16,056,728	92,218,853
Unassigned				(159,241)
Total Fund Balances (Deficits)	3,191,304	18,217,395	16,056,728	92,060,437
Total Liabilities and Fund Balances	$ 3,191,304	$ 18,217,395	$ 17,811,929	$ 103,389,921

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
REVENUES:				
Taxes	$ -	$ -	$ -	$ 2,227,754
Licenses, permits, and fees				
Fines and penalties		1,556		
Use of money and property		(220)	3,548	(7)
Intergovernmental	113,979			
Special assessments				
Contributions				
Other revenues				
Charges for services				
Total Revenues	113,979	1,336	3,548	2,227,747
EXPENDITURES:				
Current:				
General government				
Economic development	113,974			
General government				
Non-departmental				25,360
Public safety				
Police		7,008		
Fire				
Public works				
Development and engineering				164,948
Public works				1,307,740
Capital outlay		72,000	635,000	
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	113,974	79,008	635,000	1,498,048
Excess of Revenues Over (Under) Expenditures	5	(77,672)	(631,452)	729,699
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	5	(77,672)	(631,452)	729,699
Fund Balances (Deficits), July 1, 2012	(3,149)	80,581	633,916	47
Fund Balances (Deficits), June 30, 2013	$ (3,144)	$ 2,909	$ 2,464	$ 729,746

Special Revenue Funds				
Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
$ 1,140,020	$ -	$ -	$ -	$ -
447	5,127		(64)	8,825
	1,887,126	2,113,740	302,611	
				2,636,933
				503
1,140,467	1,892,253	2,113,740	302,547	2,646,261
			173,036	
	29,690			73,680
	1,310,717			1,884,841
2,111,876	1,106,521	1,723,748	289,211	26,989
2,111,876	2,446,928	1,723,748	462,247	1,985,510
(971,409)	(554,675)	389,992	(159,700)	660,751
(971,409)	(554,675)	389,992	(159,700)	660,751
2,426,013	1,894,222	(289,215)	5,821	3,939,730
$ 1,454,604	$ 1,339,547	$ 100,777	$ (153,879)	$ 4,600,481

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Community Access CTV	Grow Tracy
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and fees			187,893	
Fines and penalties				
Use of money and property	750	(1,351)	510	
Intergovernmental	33,353	8,406,868		
Special assessments				
Contributions		70,000		
Other revenues				
Charges for services		216,620	332	
Total Revenues	34,103	8,692,137	188,735	
EXPENDITURES:				
Current:				
General government				
Economic development				
General government			82,241	
Non-departmental		185,367	36,100	
Public safety				
Police				
Fire		6,553,273		
Public works				
Development and engineering				
Public works				
Capital outlay		28,764		
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		6,767,404	118,341	
Excess of Revenues Over (Under) Expenditures	34,103	1,924,733	70,394	
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	34,103	1,924,733	70,394	
Fund Balances (Deficits), July 1, 2012	161,450	(776,495)	146,546	1,000,000
Fund Balances (Deficits), June 30, 2013	$ 195,553	$ 1,148,238	$ 216,940	$ 1,000,000

Debt Service Funds			
2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
$ -	$ -	$ -	$ -
(290)	2,188	1,414	(2,218)
		400,000	
(290)	2,188	401,414	(2,218)
95,000		125,000	
185,430		1,166,511	
280,430		1,291,511	
(280,720)	2,188	(890,097)	(2,218)
282,000		893,000	
			(1,327,587)
282,000		893,000	(1,327,587)
1,280	2,188	2,903	(1,329,805)
89,666	(2,188)	629,437	1,327,587
$ 90,946	$ -	$ 632,340	$ (2,218)

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and fees				
Fines and penalties				
Use of money and property	12,644	25,866	7,735	10,205
Intergovernmental				
Special assessments		8,066,638	54,809	67,572
Contributions				
Other revenues				
Charges for services				
Total Revenues	12,644	8,092,504	62,544	77,777
EXPENDITURES:				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering				
Public works				
Capital outlay	459,774	1,645,955	123,349	1,100,391
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	459,774	1,645,955	123,349	1,100,391
Excess of Revenues Over (Under) Expenditures	(447,130)	6,446,549	(60,805)	(1,022,614)
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out		(16,400,000)		
Total Other Financing Sources (Uses)		(16,400,000)		
Net Changes in Fund Balances	(447,130)	(9,953,451)	(60,805)	(1,022,614)
Fund Balances (Deficits), July 1, 2012	5,451,924	16,285,469	2,876,493	4,675,314
Fund Balances (Deficits), June 30, 2013	$ 5,004,794	$ 6,332,018	$ 2,815,688	$ 3,652,700

Capital Projects Funds					
Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
$ -	$ -	$ -	$ -	$ -	$ -
7,215	24,520	22,202	6,057	13,113	(22)
1,279,666	40,000	1,879,921	6,084		
1,286,881	64,520	1,902,123	12,141	13,113	(22)
1,623,945	109,996	1,039,554	390,737	109,753	421,647
1,623,945	109,996	1,039,554	390,737	109,753	421,647
(337,064)	(45,476)	862,569	(378,596)	(96,640)	(421,669)
		(220,900)		178,900	
		(220,900)		178,900	
(337,064)	(45,476)	641,669	(378,596)	82,260	(421,669)
2,693,502	5,138,220	8,978,739	3,348,608	5,040,749	693,564
$ 2,356,438	$ 5,092,744	$ 9,620,408	$ 2,970,012	$ 5,123,009	$ 271,895

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Capital Projects Funds			
	Tracy Gateway Area	Plan "C"	General Projects	Total Nonmajor Governmental Funds
REVENUES:				
Taxes	$ -	$ -	$ -	$ 3,367,774
Licenses, permits, and fees				187,893
Fines and penalties				1,556
Use of money and property	6,260	43,250	(10,045)	187,659
Intergovernmental			977,900	13,835,577
Special assessments			53,594	12,765,551
Contributions			49,687	1,839,353
Other revenues				503
Charges for services				216,952
Total Revenues	6,260	43,250	1,071,136	32,402,818
EXPENDITURES:				
Current:				
General government				
Economic development				287,010
General government				82,241
Non-departmental				350,197
Public safety				
Police				7,008
Fire				6,553,273
Public works				
Development and engineering				164,948
Public works				4,503,298
Capital outlay	274,646	2,539,470	3,642,658	19,475,984
Debt service:				
Principal payments				220,000
Interest and fiscal charges				1,351,941
Total Expenditures	274,646	2,539,470	3,642,658	32,995,900
Excess of Revenues Over (Under) Expenditures	(268,386)	(2,496,220)	(2,571,522)	(593,082)
OTHER FINANCING SOURCES (USES):				
Transfers in			2,846,055	4,199,955
Transfers out				(17,948,487)
Total Other Financing Sources (Uses)			2,846,055	(13,748,532)
Net Changes in Fund Balances	(268,386)	(2,496,220)	274,533	(14,341,614)
Fund Balances (Deficits), July 1, 2012	3,459,690	20,713,615	15,782,195	106,402,051
Fund Balances (Deficits), June 30, 2013	$ 3,191,304	$ 18,217,395	$ 16,056,728	$ 92,060,437

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CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Business Improvement District			Asset Forfeiture		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties				30,000	1,556	(28,444)
Use of money and property					(220)	(220)
Intergovernmental	117,150	113,979	(3,171)			
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues	117,150	113,979	(3,171)	30,000	1,336	(28,664)
Expenditures:						
Current:						
General government						
Economic development	117,200	113,974	3,226			
General governmental						
Non-departmental						
Public safety						
Police				14,000	7,008	6,992
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay				102,000	72,000	30,000
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	117,200	113,974	3,226	116,000	79,008	36,992
Excess of revenues over (under) expenditures	(50)	5	55	(86,000)	(77,672)	8,328
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	$ (50)	5	$ 55	$ (86,000)	(77,672)	$ 8,328
Fund Balances (Deficits), July 1, 2012		(3,149)			80,581	
Fund Balances (Deficits), June 30, 2013		$ (3,144)			$ 2,909	

Transportation Development			Proposition K Transportation Tax			State Gas Tax Street		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ 1,500,000	$ 2,227,754	$ 727,754	$ 1,240,000	$ 1,140,020	$ (99,980)	$ -	$ -	$ -
	(7)	(7)		447	447		5,127	5,127
						2,135,390	1,887,126	(248,264)
1,500,000	2,227,747	727,747	1,240,000	1,140,467	(99,533)	2,135,390	1,892,253	(243,137)
35,360	25,360	10,000				37,440	29,690	7,750
174,700	164,948	9,752						
1,307,740	1,307,740					1,312,560	1,310,717	1,843
			3,981,333	2,111,876	1,869,457	2,981,530	1,106,521	1,875,009
1,517,800	1,498,048	19,752	3,981,333	2,111,876	1,869,457	4,331,530	2,446,928	1,884,602
(17,800)	729,699	747,499	(2,741,333)	(971,409)	1,769,924	(2,196,140)	(554,675)	1,641,465
$ (17,800)	729,699	$ 747,499	$ (2,741,333)	(971,409)	$ 1,769,924	$ (2,196,140)	(554,675)	$ 1,641,465
	47			2,426,013			1,894,222	
	$ 729,746			$ 1,454,604			$ 1,339,547	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013
(Continued)

	TEA Grant			Community Development Block Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property					(64)	(64)
Intergovernmental	1,710,100	2,113,740	403,640	930,013	302,611	(627,402)
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues	1,710,100	2,113,740	403,640	930,013	302,547	(627,466)
Expenditures:						
Current:						
General government						
Economic development				840,023	173,036	666,987
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay	10,186,760	1,723,748	8,463,012	290,825	289,211	1,614
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	10,186,760	1,723,748	8,463,012	1,130,848	462,247	668,601
Excess of revenues over (under) expenditures	(8,476,660)	389,992	8,866,652	(200,835)	(159,700)	41,135
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	$ (8,476,660)	389,992	$ 8,866,652	$ (200,835)	(159,700)	$ 41,135
Fund Balances (Deficits), July 1, 2012		(289,215)			5,821	
Fund Balances (Deficits), June 30, 2013		$ 100,777			$ (153,879)	

Landscaping District			South County Fire Authority			Community Access CTV		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						170,000	187,893	17,893
55,000	8,825	(46,175)		(1,351)	(1,351)		510	510
			6,652,500	8,406,868	1,754,368			
2,496,200	2,636,933	140,733						
			70,000	70,000				
	503	503						
			198,200	216,620	18,420	500	332	(168)
2,551,200	2,646,261	95,061	6,920,700	8,692,137	1,771,437	170,500	188,735	18,235
						90,470	82,241	8,229
83,580	73,680	9,900	191,780	185,367	6,413	27,950	36,100	(8,150)
			6,550,550	6,553,273	(2,723)			
2,234,320	1,884,841	349,479						
238,000	26,989	211,011	99,970	28,764	71,206			
2,555,900	1,985,510	570,390	6,842,300	6,767,404	74,896	118,420	118,341	79
(4,700)	660,751	665,451	78,400	1,924,733	1,846,333	52,080	70,394	18,314
$ (4,700)	660,751	$ 665,451	$ 78,400	1,924,733	$ 1,846,333	$ 52,080	70,394	$ 18,314
	3,939,730			(776,495)			146,546	
	$ 4,600,481			$ 1,148,238			$ 216,940	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2013
(Continued)

	2007 Lease Revenue Bonds			2008 Lease Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property		(290)	(290)		1,414	1,414
Intergovernmental						
Special assessments						
Contributions				400,000	400,000	
Other revenues						
Charges for services						
Total Revenues		(290)	(290)	400,000	401,414	1,414
Expenditures:						
Current:						
General government						
Economic development						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments	95,000	95,000		125,000	125,000	
Interest and fiscal charges	186,080	185,430	650	1,168,000	1,166,511	1,489
Total Expenditures	281,080	280,430	650	1,293,000	1,291,511	1,489
Excess of revenues over (under) expenditures	(281,080)	(280,720)	360	(893,000)	(890,097)	2,903
Other Financing Sources (Uses):						
Transfers in	282,000	282,000		893,000	893,000	
Total Other Financing Sources (Uses)	282,000	282,000		893,000	893,000	
Net Change in Fund Balances	$ 920	1,280	$ 360	$ -	2,903	$ 2,903
Fund Balances (Deficits), July 1, 2012		89,666			629,437	
Fund Balances (Deficits), June 30, 2013		$ 90,946			$ 632,340	

INTERNAL SERVICE FUNDS

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

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

CENTRAL GARAGE FUND

Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

CENTRAL SERVICES FUND

Established to account for monies received from various funds for postage, telephone, and copying charges.

EQUIPMENT ACQUISITION FUND

Established to account for the replacement of equipment utilized by City departments.

BUILDING MAINTENANCE FUND

Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

INSURANCE FUND

Established to finance and account for the City's risk management and insurance programs.

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Central Garage	Central Services	Equipment Acquisition
ASSETS			
Current assets:			
Cash and investments	$ 736,012	$ 128,755	$ 8,030,877
Total current assets	736,012	128,755	8,030,877
Depreciable:			
Buildings	67,824		85,322
Improvements	545,513	9,239	
Equipment	27,704	125,001	22,698,429
Intangibles			715,407
Total depreciable capital assets	641,041	134,240	23,499,158
Less accumulated depreciation	(556,666)	(133,004)	(18,335,401)
Depreciable capital assets, net	84,375	1,236	5,163,757
Total capital assets, net	84,375	1,236	5,163,757
Total Assets	$ 820,387	$ 129,991	$ 13,194,634

Building Maintenance	Insurance	Totals
$ 459,262	$ 1,942,636	$ 11,297,542
459,262	1,942,636	11,297,542
		153,146
		554,752
4,670		22,855,804
		715,407
4,670		24,279,109
(4,670)		(19,029,741)
		5,249,368
		5,249,368
$ 459,262	$ 1,942,636	$ 16,546,910

(Continued)

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013
(Continued)

	Central Garage	Central Services	Equipment Acquisition
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 39,226	$ 10,687	$ 1,430
Claims and judgments payable			
Compensated absences	9,954	21,753	
Total current liabilities	49,180	32,440	1,430
Noncurrent Liabilities:			
Compensated absences	1,668	45,445	
Claims and judgments payable			
Total noncurrent liabilities	1,668	45,445	
Total Liabilities	50,848	77,885	1,430
NET POSITION			
Net investment in capital assets	84,375	1,236	5,163,757
Unrestricted	685,164	50,870	8,029,447
Total Net Position	$ 769,539	$ 52,106	$ 13,193,204

Building Maintenance	Insurance	Totals
$ 2,846	$ 54,295	$ 108,484
	56,247	56,247
9,255	8,926	49,888
12,101	119,468	214,619
15,955	14,472	77,540
	56,247	56,247
15,955	70,719	133,787
28,056	190,187	348,406
		5,249,368
431,206	1,752,449	10,949,136
$ 431,206	$ 1,752,449	$ 16,198,504

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	$ 1,498,961	$ 1,333,486	$ 1,179,280
Other revenues		481	43,400
Total Operating Revenues	1,498,961	1,333,967	1,222,680
Expenses:			
Maintenance and operation	1,364,478	1,500,122	(120,254)
Administration	75,750		
Insurance costs and claims			
Depreciation	35,359	591	1,539,857
Total Expenses	1,475,587	1,500,713	1,419,603
Operating Income (Loss)	23,374	(166,746)	(196,923)
Non-Operating Revenues (Expenses)			
Interest expense			(1,323)
Loss on sale of capital assets			(35,078)
Change in Net Position	23,374	(166,746)	(233,324)
Net Position, July 1, 2012	746,165	218,852	13,426,528
Net Position, June 30, 2013	$ 769,539	$ 52,106	$ 13,193,204

Building Maintenance	Insurance	Totals
$ 771,936	$ 3,383,407	$ 8,167,070
63	467,894	511,838
771,999	3,851,301	8,678,908
716,973	908,766	4,370,085
24,990		100,740
	2,945,815	2,945,815
		1,575,807
741,963	3,854,581	8,992,447
30,036	(3,280)	(313,539)
		(1,323)
		(35,078)
30,036	(3,280)	(349,940)
401,170	1,755,729	16,548,444
$ 431,206	$ 1,752,449	$ 16,198,504

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	$ 1,498,961	$ 1,333,967	$ 1,232,499
Payments to suppliers and users	(957,707)	(621,350)	(59,542)
Payments to employees	(458,878)	(844,385)	
Net Cash Provided (Used) by Operating Activities	82,376	(131,768)	1,172,957
Cash flows from Non-Capital Financing Activities:			
Principal on loans receivable			12,749
Net Cash Provided (Used) by Non-Capital Financing Activities			12,749
Cash Flows from Capital and Related Financing Activities:			
Principal paid on long-term debt			(70,293)
Interest paid			(2,812)
Acquisitions of capital assets			(1,205,552)
Net Cash Used by Capital and Related Financing Activities			(1,278,657)
Net Increase (Decrease) in Cash and Cash Equivalents	82,376	(131,768)	(92,951)
Cash and Cash Equivalents, July 1, 2012	653,636	260,523	8,123,828
Cash and Cash Equivalents, June 30, 2013	$ 736,012	$ 128,755	$ 8,030,877
Noncash Transactions			
Disposition of assets	$ -	$ -	$ 35,078
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 23,374	$ (166,746)	$ (196,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	35,359	591	1,539,857
(Increase) Decrease in Operating Assets:			
Accounts receivable			9,819
Prepaid expenses		14,902	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	25,696	3,204	(179,796)
Compensated absences	(2,053)	16,281	
Net Cash Provided (Used) by Operating Activities	$ 82,376	$ (131,768)	$ 1,172,957

Building Maintenance	Insurance	Totals
$ 771,999	$ 3,851,301	$ 8,688,727
(296,420)	(3,522,411)	(5,457,430)
(492,074)	(361,706)	(2,157,043)
(16,495)	(32,816)	1,074,254
		12,749
		12,749
		(70,293)
		(2,812)
		(1,205,552)
		(1,278,657)
(16,495)	(32,816)	(191,654)
475,757	1,975,452	11,489,196
$ 459,262	$ 1,942,636	$ 11,297,542
$ -	$ -	$ 35,078
$ 30,036	$ (3,280)	$ (313,539)
		1,575,807
		9,819
		14,902
(42,574)	(26,296)	(219,766)
(3,957)	(3,240)	7,031
$ (16,495)	$ (32,816)	$ 1,074,254

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PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are fiduciary funds that include a statement of net position and statement of changes in net position. These funds are used to account for assets held by the City as trustee for the Successor Agency to the Community Development Agency of the City of Tracy. The trust funds are custodial in nature and do not involve measurement of results of operations, however, they do use the full accrual basis of accounting to recognize receivables and payables.

Private-purpose trust funds are presented separately in the Fund Financial Statements, including the funds below:

DOWNTOWN PROJECTS FUND

Established to account for the activities of the Successor Agency which relate to ongoing Downtown Projects.

CDA SUCCESSOR AGENCY FUND

The CDA Successor Agency Fund accounts for other current activities of the Successor Agency.

REDEVELOPMENT OBLIGATIONS FUND

The Redevelopment Obligations Fund accounts for activity related to enforceable obligations of the Successor Agency.

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CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations Funds	Total
ASSETS				
Cash and investments	$ -	$ 2,324,994	$ 1,727,766	$ 4,052,760
Cash and investments with fiscal agents		3,733,628		3,733,628
Restricted cash and investments		51,671		51,671
Interest receivable		18,993	3,475	22,468
Deferred charges, net of accumulated amortization		2,960,307		2,960,307
Capital assets, not being depreciated		2,581,457		2,581,457
Capital assets, being depreciated, net of accumulated depreciation		760,506		760,506
Total Assets		12,431,556	1,731,241	14,162,797
LIABILITIES				
Accounts payable		4,152		4,152
Accrued interest payable		793,170		793,170
Unearned revenue			1,731,144	1,731,144
Noncurrent liabilities:				
Due within one year		1,300,000		1,300,000
Due in more than one year		47,778,520		47,778,520
Total Liabilities		49,875,842	1,731,144	51,606,986
NET POSITION				
Unrestricted		(37,444,286)	97	(37,444,189)
Total Net Position	$ -	$ (37,444,286)	$ 97	$ (37,444,189)

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations Funds	Total
Additions:				
Investment revenue	$ -	$ 25,949	$ (54)	$ 25,895
Taxes and assessments			3,759,278	3,759,278
Transfer in		5,777,109		5,777,109
Total additions		5,803,058	3,759,224	9,562,282
Deductions:				
Administration		233,443		233,443
Depreciation		89,973		89,973
Transfer to City of Tracy		400,000		400,000
Transfer out	2,005,474		3,771,635	5,777,109
Interest expenses		2,606,886		2,606,886
Pass-through payments		3,402,710		3,402,710
Total deductions	2,005,474	6,733,012	3,771,635	12,510,121
Change in net position	(2,005,474)	(929,954)	(12,411)	(2,947,839)
Net Position July 1, 2012	2,005,474	(36,113,065)	12,508	(34,095,083)
Prior period adjustment		(401,267)		(401,267)
Net Position July 1, 2012, restated	2,005,474	(36,514,332)	12,508	(34,496,350)
Net Position, June 30, 2013	$ -	$ (37,444,286)	$ 97	$ (37,444,189)

AGENCY FUNDS

GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities, and non-public organizations. These funds include the following:

87-3 ASSESSMENT FUND

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

84-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

89-1 COMMUNITY FACILITIES DISTRICT FUND

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

94-1 ASSESSMENT DISTRICT FUND

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

93-1 COMMUNITY FACILITIES DISTRICT FUND

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

98-1 COMMUNITY FACILITIES DISTRICT FUND

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

98-3 COMMUNITY FACILITIES DISTRICT FUND

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

98-4 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.

99-1 COMMUNITY FACILITIES DISTRICT FUND

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

99-2 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-2 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

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

2000-02 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-02 Assessment District property owners until they are remitted to the bond trustee.

2006-01 NE INDUSTRIAL # 2 FUND

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

1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND

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

2000-03 ASSESSMENT DISTRICT FUND

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

2003-01 ASSESSMENT DISTRICT FUND

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

CULTURAL ARTS FUND

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

REGIONAL TRANSPORTATION IMPACT FUND

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

MEDICAL LEAVE BANK FUND

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

POSTEMPLOYMENT BENEFIT TRUST

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

2011 TOP JPA REVENUE BONDS

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

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CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
87-3 Assessment District				
Assets:				
Cash and investments	$ 7,888	$ 88	$ (7,976)	$ -
Interest receivable	(969)	993		24
Total assets	$ 6,919	$ 1,081	$ (7,976)	$ 24
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds		37		37
Due to assessment district bondholders	6,919	1,044	(7,976)	(13)
Total liabilities	$ 6,919	$ 1,081	$ (7,976)	$ 24
84-1 Assessment District				
Assets:				
Cash and investments	$ -	$ 10,632	$ (25)	$ 10,607
Interest receivable	(10,573)	10,573		
Total assets	$ (10,573)	$ 21,205	$ (25)	$ 10,607
Liabilities				
Due to assessment district bondholders	$ (10,573)	$ 21,205	$ (25)	$ 10,607
Total liabilities	$ (10,573)	$ 21,205	$ (25)	$ 10,607

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
89-1 Community Facilities District				
Assets:				
Cash and investments	$ 2,902,304	$ 1,380,280	$ (1,381,758)	$ 2,900,826
Cash and investments with fiscal agents	2,416,330	1,289,995	(1,293,488)	2,412,837
Interest receivable	8,701	8,758	(8,701)	8,758
Due from other funds		39,318		39,318
Total assets	$ 5,327,335	$ 2,718,351	$ (2,683,947)	$ 5,361,739
Liabilities				
Accounts payable	$ -	$ 1,327,197	$ (1,327,197)	$ -
Due to assessment district bondholders	5,327,335	1,391,154	(1,356,750)	5,361,739
Total liabilities	$ 5,327,335	$ 2,718,351	$ (2,683,947)	$ 5,361,739
94-1 Assessment District				
Assets:				
Cash and investments	$ 280,787	$ 496,339	$ (444,280)	$ 332,846
Cash and investments with fiscal agents	867,717	398,460	(430,485)	835,692
Interest receivable	748	847	(748)	847
Total assets	$ 1,149,252	$ 895,646	$ (875,513)	$ 1,169,385
Liabilities				
Accounts payable	$ -	$ 396,943	$ (396,739)	$ 204
Due to assessment district bondholders	1,149,252	498,703	(478,774)	1,169,181
Total liabilities	$ 1,149,252	$ 895,646	$ (875,513)	$ 1,169,385

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
93-1 Community Facilities District				
Assets:				
Cash and investments	$ 2,519,377	$ 811,295	$ (398,750)	$ 2,931,922
Cash and investments with fiscal agents	1,045,937	354,410	(656,970)	743,377
Interest receivable	7,404	7,602	(7,404)	7,602
Total assets	$ 3,572,718	$ 1,173,307	$ (1,063,124)	$ 3,682,901
Liabilities				
Accounts payable	$ -	$ 359,199	$ (359,199)	$ -
Due to assessment district bondholders	3,572,718	814,108	(703,925)	3,682,901
Total liabilities	$ 3,572,718	$ 1,173,307	$ (1,063,124)	$ 3,682,901
98-1 Community Facilities District				
Assets:				
Cash and investments	$ 783,815	$ 4,933,821	$ (4,908,943)	$ 808,693
Cash and investments with fiscal agents	2,237,945	4,821,779	(5,028,797)	2,030,927
Interest receivable	1,698	2,365	(1,698)	2,365
Total assets	$ 3,023,458	$ 9,757,965	$ (9,939,438)	$ 2,841,985
Liabilities				
Accounts payable	$ -	$ 4,830,454	$ (4,830,454)	$ -
Due to assessment district bondholders	3,023,458	4,927,511	(5,108,984)	2,841,985
Total liabilities	$ 3,023,458	$ 9,757,965	$ (9,939,438)	$ 2,841,985

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
98-3 Community Facilities District				
Assets:				
Cash and investments	$ 76,334	$ 310,520	$ (310,760)	$ 76,094
Cash and investments with fiscal agents	1,556,816	615,759	(316,094)	1,856,481
Interest receivable	277	230	(277)	230
Total assets	$ 1,633,427	$ 926,509	$ (627,131)	$ 1,932,805
Liabilities				
Accounts payable	$ -	$ 305,514	$ (305,514)	$ -
Due to assessment district bondholders	1,633,427	620,995	(321,617)	1,932,805
Total liabilities	$ 1,633,427	$ 926,509	$ (627,131)	$ 1,932,805
98-4 Assessment District				
Assets:				
Cash and investments	$ 24,229	$ 16,647	$ (40,876)	$ -
Cash and investments with fiscal agents	-			
Interest receivable	30	73	(30)	73
Total assets	$ 24,259	$ 16,720	$ (40,906)	$ 73
Liabilities				
Accounts payable	$ 1,800	$ -	$ (1,800)	$ -
Due to other funds		16,410		16,410
Due to assessment district bondholders	22,459	310	(39,106)	(16,337)
Total liabilities	$ 24,259	$ 16,720	$ (40,906)	$ 73

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
99-1 Community Facilities District				
Assets:				
Cash and investments	$ 315,876	$ 781,412	$ (764,689)	$ 332,599
Cash and investments with fiscal agents	1,397,070	753,525	(749,929)	1,400,666
Interest receivable	971	953	(971)	953
Total assets	$ 1,713,917	$ 1,535,890	$ (1,515,589)	$ 1,734,218
Liabilities				
Accounts payable	$ -	$ 751,268	$ (751,268)	$ -
Due to assessment district bondholders	1,713,917	784,622	(764,321)	1,734,218
Total liabilities	$ 1,713,917	$ 1,535,890	$ (1,515,589)	$ 1,734,218
99-2 Community Facilities District				
Assets:				
Cash and investments	$ 72,018	$ 12,127	$ (84,145)	$ -
Cash and investments with fiscal agents	(8)			(8)
Interest receivable	139	217	(139)	217
Total assets	$ 72,149	$ 12,344	$ (84,284)	$ 209
Liabilities				
Due to other funds	$ -	$ 8,777	$ -	$ 8,777
Due to assessment district bondholders	72,149	3,567	(84,284)	(8,568)
Total liabilities	$ 72,149	$ 12,344	$ (84,284)	$ 209

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
2000-01 Assessment District				
Assets:				
Cash and investments	$ 162,830	$ 983,283	$ (963,385)	$ 182,728
Cash and investments with fiscal agents	643,494	940,469	(921,526)	662,437
Interest receivable	607	491	(607)	491
Total assets	$ 806,931	$ 1,924,243	$ (1,885,518)	$ 845,656
Liabilities				
Accounts payable	$ -	$ 947,379	$ (947,379)	$ -
Due to assessment district bondholders	806,931	976,864	(938,139)	845,656
Total liabilities	$ 806,931	$ 1,924,243	$ (1,885,518)	$ 845,656
2000-02 Assessment District				
Assets:				
Cash and investments	$ (42,080)	$ 43,880	$ (8,326)	$ (6,526)
Total assets	$ (42,080)	$ 43,880	$ (8,326)	$ (6,526)
Liabilities				
Accounts payable	$ 1,800	$ -	$ (1,800)	$ -
Due to assessment district bondholders	(43,880)	43,880	(6,526)	(6,526)
Total liabilities	$ (42,080)	$ 43,880	$ (8,326)	$ (6,526)

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
2006-01 NE Industrial # 2				
Assets:				
Cash and investments	$ (8,495)	$ 823,663	$ (807,208)	$ 7,960
Cash and investments with fiscal agents	2,339,841	801,411	(679,013)	2,462,239
Interest receivable	(77)	77		
Total assets	$ 2,331,269	$ 1,625,151	$ (1,486,221)	$ 2,470,199
Liabilities				
Accounts payable	$ -	$ 797,009	$ (797,009)	$ -
Due to assessment district bondholders	2,331,269	828,142	(689,212)	2,470,199
Total liabilities	$ 2,331,269	$ 1,625,151	$ (1,486,221)	$ 2,470,199
1999 I205 Residential Reassessment District				
Assets:				
Cash and investments	$ 536,035	$ 1,178,911	$ (1,056,419)	$ 658,527
Cash and investments with fiscal agents	2,097,068	932,024	(988,693)	2,040,399
Interest receivable	1,395	1,617	(1,395)	1,617
Total assets	$ 2,634,498	$ 2,112,552	$ (2,046,507)	$ 2,700,543
Liabilities				
Accounts payable	$ -	$ 937,329	$ (935,935)	$ 1,394
Due to assessment district bondholders	2,634,498	1,175,223	(1,110,572)	2,699,149
Total liabilities	$ 2,634,498	$ 2,112,552	$ (2,046,507)	$ 2,700,543

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
2000-03 Assessment District				
Assets:				
Cash and investments	$ 36,382	$ 578	$ (498)	$ 36,462
Accounts receivable				
Interest receivable	108	110	(108)	110
Total assets	$ 36,490	$ 688	$ (606)	$ 36,572
Liabilities				
Due to assessment district bondholders	$ 36,490	$ 688	$ (606)	$ 36,572
Total liabilities	$ 36,490	$ 688	$ (606)	$ 36,572
2003-01 Assessment District				
Assets:				
Cash and investments	$ (20,122)	$ 101,625	$ (81,503)	$ -
Cash and investments with fiscal agents	151,099	68,862	(82,342)	137,619
Total assets	$ 130,977	$ 170,487	$ (163,845)	$ 137,619
Liabilities				
Accounts payable	$ -	$ 71,273	$ (71,050)	$ 223
Due to other funds		5,722		5,722
Deposits payable	5,818			5,818
Due to assessment district bondholders	125,159	93,492	(92,795)	125,856
Total liabilities	$ 130,977	$ 170,487	$ (163,845)	$ 137,619

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Cultural Arts				
Assets:				
Cash and investments	$ 2,896	$ 304	$ (2,078)	$ 1,122
Total assets	$ 2,896	$ 304	$ (2,078)	$ 1,122
Liabilities				
Deposits payable	$ 2,896	$ 304	$ (2,078)	$ 1,122
Total liabilities	$ 2,896	$ 304	$ (2,078)	$ 1,122
Regional Transportation Impact				
Assets:				
Cash and investments	$ 1,710,560	$ 961,019	$ (69,360)	$ 2,602,219
Total assets	$ 1,710,560	$ 961,019	$ (69,360)	$ 2,602,219
Liabilities				
Due to other governments	$ -	$ 237,893	$ -	$ 237,893
Deposits payable	1,710,560	723,126	(69,360)	2,364,326
Total liabilities	$ 1,710,560	$ 961,019	$ (69,360)	$ 2,602,219
Medical Leave Bank				
Assets:				
Cash and investments	$ 1,369,792	$ 1,230	$ (246,475)	$ 1,124,547
Total assets	$ 1,369,792	$ 1,230	$ (246,475)	$ 1,124,547
Liabilities				
Deposits payable	$ 1,369,792	$ 1,230	$ (246,475)	$ 1,124,547
Total liabilities	$ 1,369,792	$ 1,230	$ (246,475)	$ 1,124,547

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Post Employment Benefit Trust				
Assets:				
Cash and investments	$ (4,582)	$ 690,513	$ (685,931)	$ -
Accounts receivable	16,447	190,245	(187,403)	19,289
Total assets	$ 11,865	$ 880,758	$ (873,334)	$ 19,289
Liabilities				
Due to other funds	$ -	$ 8,372	$ -	$ 8,372
Deposits payable	11,865	872,386	(873,334)	10,917
Total liabilities	$ 11,865	$ 880,758	$ (873,334)	$ 19,289
2011 TOP JPA Revenue Bonds				
Assets:				
Cash and investments	$ -	$ 1,258,373	$ (1,180,061)	$ 78,312
Cash and investments with fiscal agents	2,208,591	1,179,497	(1,354,312)	2,033,776
Total assets	$ 2,208,591	$ 2,437,870	$ (2,534,373)	$ 2,112,088
Liabilities				
Accounts payable	$ -	$ 1,177,682	$ (1,177,194)	$ 488
Due to assessment district bondholders	2,208,591	1,260,188	(1,357,179)	2,111,600
Total liabilities	$ 2,208,591	$ 2,437,870	$ (2,534,373)	$ 2,112,088

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2013
(Continued)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 10,725,844	$ 14,796,540	$ (13,443,446)	$ 12,078,938
Cash and investments with fiscal agents	16,961,900	12,156,191	(12,501,649)	16,616,442
Accounts receivable	16,447	190,245	(187,403)	19,289
Interest receivable	10,459	34,906	(22,078)	23,287
Due from other funds		39,318		39,318
Total assets	$ 27,714,650	$ 27,217,200	$ (26,154,576)	$ 28,777,274
Liabilities				
Accounts payable	$ 3,600	$ 11,901,247	$ (11,902,538)	$ 2,309
Due to other governments		237,893		237,893
Due to other funds		39,318		39,318
Deposits payable	3,100,931	1,597,046	(1,191,247)	3,506,730
Due to assessment district bondholders	24,610,119	13,441,696	(13,060,791)	24,991,024
Total liabilities	$ 27,714,650	$ 27,217,200	$ (26,154,576)	$ 28,777,274

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Statistical Section

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CITY OF TRACY
Summary of Statistical Section Pages
June 30, 2013

Statistical Section

This part of the City of Tracy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents | Page

Financial Trends 164

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

Revenue Capacity 171

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

Debt Capacity 179

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 185

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

Operating Information 191

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

Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the year ended June 30, 2013. The City implemented GASB Statement No. 34 during 1999-2000 fiscal year; schedules presenting government-wide information include information beginning in 2002.

FINANCIAL TRENDS

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	$ 512,728	$ 510,323	$ 490,053	$ 463,949	$ 448,841	$ 451,849	$ 396,124	$ 357,579	$ 371,908	$ 298,323
Restricted	111,131	105,425	118,367	120,961	157,162	134,092	135,593	139,007	62,021	143,948
Unrestricted	35,606	32,898	33,347	46,711	34,330	45,861	42,395	15,645	79,527	41,927
Total governmental activities net assets	659,465	648,646	641,767	631,621	640,333	631,802	574,112	512,231	513,456	484,198
Business-type activities:										
Net investment in capital assets	328,985	340,536	345,554	340,944	346,861	352,609	353,095	339,971	288,340	223,792
Restricted	237	232	227	222	183	244	555	3,344	31,249	766
Unrestricted	31,283	29,148	40,621	46,123	38,826	34,303	25,827	25,174	5,240	73,175
Total business-type activities	360,505	369,916	386,402	387,289	385,870	387,156	379,477	368,489	324,829	297,733
Primary government:										
Net investment in capital assets	841,713	850,859	835,607	804,893	795,702	804,458	749,219	697,550	660,248	522,115
Restricted	111,368	105,657	118,594	121,183	157,345	134,336	136,148	142,351	93,270	144,714
Unrestricted	66,889	62,046	73,968	92,834	73,156	80,164	68,222	40,819	84,767	115,102
Total primary government	$ 1,019,970	$ 1,018,562	$ 1,028,169	$ 1,018,910	$ 1,026,203	$ 1,018,958	$ 953,589	$ 880,720	$ 838,285	$ 781,931

Note - The City began to report accrual information when it implemented GASB 34 in the fiscal year 1999-2000.

Source: City of Tracy, Finance and Administrative Services Department:

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	$ 6,572	$ 6,283	$ 18,296	$ 7,384	$ 9,195	$ 7,183	$ 6,391	$ 7,432	$ 6,698	$ 9,771
Public safety	37,248	37,602	35,509	36,567	36,663	35,074	30,178	28,434	26,684	23,660
Public works	25,954	52,418	24,371	21,855	29,492	24,661	29,391	24,821	20,952	79,722
Culture and leisure	4,709	5,097	5,143	12,202	9,159	7,502	3,929	3,760	4,119	3,607
Interest on long-term debt	1,399	1,925	4,121	4,063	4,201	3,548	4,084	3,994	3,626	4,306
Unallocated depreciation	520	566	617	631	295	820	649	506	860	-
Total Governmental Activities Expenses	76,402	103,891	88,057	82,702	89,005	78,788	74,622	68,947	62,939	121,066
Business-type Activities:										
Water	21,766	22,295	21,229	19,580	19,173	18,786	16,106	16,029	9,363	10,076
Sewer	14,970	18,980	17,133	14,874	15,380	11,415	9,639	10,281	8,987	8,624
Airport	590	686	705	912	742	542	666	592	471	388
Solid waste	18,820	18,585	17,473	16,962	17,893	17,088	16,492	16,367	15,604	13,452
Transit	2,404	2,436	2,291	1,733	1,277	1,531	1,499	1,438	381	1,361
Drainage	3,232	3,351	3,402	2,618	2,646	3,486	3,247	3,957	978	854
Total Business-Type Activities	61,782	66,333	62,233	56,679	57,111	52,848	47,649	48,664	35,784	34,755
Total Primary Government Expenses	$ 138,184	$ 170,224	$ 150,290	$ 139,381	$ 146,116	$ 131,636	$ 122,271	$ 117,611	$ 98,723	$ 155,821
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	$ 2,460	$ 1,617	$ 1,805	$ 6,925	$ 8,840	$ 5,289	$ 4,700	$ 5,281	$ 4,030	$ 5,538
Other public works	5,300	5,204	3,800	4,401	3,983	26,478	7,660	8,660	5,380	3,611
Parks and community services	878	789	757	1,208	1,065	1,206	1,480	3,621	973	804
Other activities	1,665	2,566	2,634	4,143	3,778	1,457	2,281	1,008	1,064	1,693
Operating grants and contributions	12,723	9,482	10,065	9,305	12,766	13,091	11,800	12,621	8,666	5,457
Capital grants and contributions	22,596	15,527	19,080	11,069	12,965	24,426	49,554	19,936	27,450	74,462
Total Governmental Activities Program Revenues	45,622	35,185	38,141	37,051	43,397	71,947	77,475	51,127	47,563	91,565
Business-type Activities:										
Charges for Services:										
Water	15,672	14,433	14,641	13,693	15,833	15,305	13,654	12,472	11,723	12,867
Sewer	11,978	11,480	12,032	11,490	11,661	12,513	12,115	8,471	7,805	7,023
Airport	272	375	342	373	257	281	265	272	278	221
Solid waste	20,352	18,852	16,321	17,320	16,774	17,950	15,006	15,147	13,937	14,402
Transit	818	822	899	1,295	940	92	1,231	109	113	92
Drainage	564	564	553	556	541	563	545	535	491	465
Operating grants and contributions	-	-	-	-	20	1,774	865	1,038	1,763	1,367
Capital grants and contributions	2,528	2,801	3,678	6,132	9,161	10,992	13,119	10,063	24,897	55,033
Total Business-Type Activities Program Revenues	52,184	49,327	48,466	50,859	55,187	59,470	56,800	48,107	61,007	91,470
Total Primary Government Program Revenues	$ 97,806	$ 84,512	$ 86,607	$ 87,910	$ 98,584	$ 131,417	$ 134,275	$ 99,234	$ 108,570	$ 183,035

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue										
Governmental activities	$ (30,780)	$ (68,706)	$ (49,916)	$ (45,651)	$ (45,608)	$ (6,841)	$ 2,853	$ (17,820)	$ (15,376)	$ (29,498)
Business-type activities	(9,598)	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)	25,223	56,715
Total primary government net (expense) revenue	(40,378)	(85,712)	(63,683)	(51,471)	(47,532)	(219)	12,002	(18,377)	9,847	27,217
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	14,946	18,527	22,533	24,013	29,324	31,160	23,859	24,613	17,616	15,886
Franchise taxes	2,500	2,443	2,474	2,223	2,138	1,991	2,010	1,808	1,700	
Sales and use taxes	20,553	18,422	11,408	9,225	10,964	12,407	13,053	12,587	12,162	11,944
Other taxes	1,839	1,702	1,621	1,604	1,886	4,321	2,373	2,979	1,578	5,362
Unrestricted motor vehicle in lieu	43	41	376	240	277	360	6,228	437	5,665	3,185
Investment earnings	165	801	1,280	4,840	9,023	12,016	10,406	7,934	5,738	2,576
Miscellaneous	1,595	1,760	1,663	449	527	2,275	1,098	930	175	2,760
Transfers	(42)		(384)	(5,563)			1			545
Gain on Transfer of assets		31,889								
Total governmental activities	41,599	75,585	40,971	37,031	54,139	64,530	59,028	51,288	44,634	42,258
Business-type activities:										
Interest earnings	144	520	109	1,676	633	1,038	1,796	1,865	1,220	(271)
Miscellaneous				-	5	19			652	364
Transfers	42		385	5,563			(1)			(545)
Total business-type activities	186	520	494	7,239	638	1,057	1,795	1,865	1,872	(452)
Total primary government	41,785	76,105	41,465	44,270	54,777	65,587	60,823	53,153	46,506	41,806
Change in net assets										
Governmental activities	10,819	6,879	(8,945)	(8,620)	8,531	57,689	61,881	33,469	29,258	12,760
Business-type activities	(9,412)	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944	1,308	27,095	56,263
Total primary government	$ 1,407	$ (9,607)	$ (22,218)	$ (7,201)	$ 7,245	$ 65,368	$ 72,825	$ 34,777	$ 56,353	$ 69,023

Note - The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 1999-2000.
In 2004-2005 the City reported its depreciation on infrastructure as unallocated instead of public works.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function/Program										
Governmental activities:										
General government	$ 1,908	$ 2,682	$ 9,871	$ 4,035	$ 3,590	$ 924	$ 1,722	$ 484	$ 1,073	$ 1,121
Police	2,330	1,390	1,365	1,513	1,984	1,422	1,760	1,691	1,380	743
Fire	8,692	4,765	6,302	6,386	10,372	7,506	7,648	5,635	4,678	3,997
Development and engineering	2,871	1,974	2,148	16,700	14,287	5,477	5,945	7,969	17,832	5,699
Public works	28,367	23,224	17,397	5,817	11,460	53,382	55,183	29,807	18,522	77,719
Parks, recreation, and community services	1,454	1,150	1,058	2,009	1,114	2,645	4,662	4,950	3,488	1,907
Interest in long-term debt			-	591	590	591	592	591	591	-
Subtotal governmental activities	45,622	35,185	38,141	37,051	43,397	71,947	77,512	51,127	47,564	91,186
Business-type activities:										
Water	15,672	14,501	14,658	15,534	16,859	19,044	16,050	12,487	17,230	61,390
Sewer	12,131	12,669	14,766	11,494	13,113	16,150	14,934	17,108	24,414	13,511
Solid waste	20,352	18,858	16,321	17,330	16,774	17,950	15,006	15,168	13,937	14,424
Airport	607	417	402	730	277	897	386	615	488	251
Transit	2,858	2,018	1,677	4,871	7,386	3,029	3,232	2,194	3,271	1,429
Drainage	564	864	640	900	777	2,400	7,190	535	1,667	465
Subtotal business-type activities	52,184	49,327	48,464	50,859	55,186	59,470	56,798	48,107	61,007	91,470
Total primary government	$ 97,806	$ 84,512	$ 86,605	$ 87,910	$ 98,583	$ 131,417	$ 134,310	$ 99,234	$ 108,571	$ 182,656

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

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

Note - Beginning in 2004, the City classified all of its fund balances in its debt service funds as reserved due to the fact all the funds were in cash accounts earmarked for service, interest or as a revenue. Beginning in 2011, the City reclassified fund balances in accordance with GASB Statement No. 54.

Source: City of Tracy, Finance and Administrative Services Department

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Taxes	$ 40,503	$ 41,393	$ 36,334	$ 37,064	$ 44,680	$ 48,048	$ 48,343	$ 40,105	$ 30,827	$ 30,345
Licenses, permits, and fees	3,564	3,174	3,092	3,040	3,112	2,839	3,501	3,688	4,944	5,497
Fines and forfeits	568	1,552	1,570	1,715	1,722	1,515	1,273	290	302	467
Use of money and property	700	1,459	2,792	4,197	9,046	11,992	9,900	7,479	5,361	2,576
Intergovernmental	16,038	11,992	17,758	15,282	12,899	13,578	18,130	16,948	18,537	17,283
Charges for services	9,147	8,388	10,110	8,525	8,438	5,186	4,913	5,041	6,529	6,905
Special assessments	13,406	4,095	4,933	4,699	5,583	4,843	8,845	10,796	20,580	25,163
Contributions from assessment districts	1,887	5,404	4,448	2,915	6,049	23,043	12,800	14,296		39,247
Other	1,124	1,294	1,148	1,656	4,595	2,058	1,810	2,684	4,072	5,134
Total revenues	86,937	78,751	82,185	79,093	96,124	113,102	109,515	101,327	91,152	132,617
Expenditures:										
Current:										
General government	6,434	6,854	17,599	7,054	7,569	8,730	6,274	4,700	4,534	5,238
Police	21,488	21,902	20,943	21,836	21,574	20,161	17,607	15,834	15,210	13,625
Fire	15,305	15,205	14,027	14,664	15,387	14,602	13,594	12,201	11,337	9,589
Community development	6,449	6,273	6,066	7,790	12,360	10,114	7,241	12,105	9,128	7,197
Public works	8,091	7,530	7,285	7,327	8,369	8,082	8,203	3,680	5,322	7,524
Parks and recreation	3,330	3,599	3,509	3,320	4,507	3,146	3,117	3,009	2,864	2,734
Intergovernmental			2,691	6,281	3,288	3,177	2,931	2,570	1,825	4,516
Debt Service:										
Debt service-principal	220	195	1,315	1,490	11,300	3,620	1,430	1,390	5,060	380
Debt service-interest	1,352	2,623	3,945	3,994	3,799	3,390	3,934	3,849	3,484	3,570
Debt service-issue costs					1,163	237				2,503
Capital Outlay	23,465	19,829	18,731	23,152	20,502	28,712	47,363	41,653	38,775	124,383
Total expenditures	86,134	84,010	96,111	96,908	109,818	103,971	111,694	100,991	97,539	181,259
Excess of revenue over (under) expenditures	803	(5,259)	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)	(48,642)
Other financing sources (uses):										
Bond proceeds					19,765	4,670				55,720
Transfers in	20,600	2,699	3,836	21,828	26,040	12,680	22,148	11,595	9,304	4,567
Transfers out	(20,642)	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)
Payment to bond escrow agent										(34,072)
Total other financing sources (uses):	(42)	-	(385)	(5,563)	19,765	4,670	(2)	-	-	22,134
Net change in fund balances	$ 761	$ (5,259)	$ (14,311)	$ (23,378)	$ 6,071	$ 13,801	$ (2,181)	$ 336	$ (6,387)	$ (26,508)
Debt service as a percentage of non-capital expenditures	2.33%	4.22%	6.25%	7.44%	16.91%	9.08%	7.35%	7.91%	14.47%	3.25%

REVENUE CAPACITY

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

Fiscal Year	Property Current	Property Transfer	Business License	Sales	Franchise	Transient	Transportation Tax and Other	Total
2004	15,920,685	779,435	559,720	10,982,717	1,639,091	699,339	1,276,007	31,856,994
2005	14,725,983	1,047,848	686,826	11,775,349	1,699,614	777,878	1,398,516	32,112,014
2006	19,411,722	859,089	651,967	12,774,796	1,807,158	709,219	3,891,486	40,105,437
2007	23,859,318	480,284	816,891	13,298,126	2,010,294	795,223	7,082,375	48,342,511
2008	30,645,530	243,258	697,667	12,407,253	1,991,444	814,883	3,239,289	50,039,324
2009	29,323,472	409,317	657,597	10,963,986	2,137,393	721,649	1,977,865	46,191,279
2010	24,013,053	290,940	670,572	9,224,814	2,222,845	642,794	2,221,881	39,286,899
2011	22,532,932	273,325	671,278	11,408,245	2,474,332	675,819	2,771,540	40,807,471
2012	18,527,327	282,674	673,342	18,422,071	2,442,841	745,975	1,435,199	42,529,429
2013	14,946,468	362,793	689,323	20,553,264	2,499,946	786,827	1,802,598	41,641,219

Source: City of Tracy, Finance and Administrative Services Department

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

	City of Tracy						Redevelopment Agency / Successor Agency				
Fiscal Year	Residential Property	Commercial/ Industrial Property	Agricultural Exemptions	Total	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2004	5,701,252,137	1,045,628,822	22,294,073	6,769,175,032	183,784,907	6,585,390,125	849,586,203	97,885,651	9,547,022	937,924,832	1.0000%
2005	6,636,119,348	1,217,086,613	25,949,761	7,879,155,722	197,097,465	7,682,058,257	950,930,395	94,790,962	9,148,204	1,036,573,153	1.0000%
2006	7,676,540,593	1,407,903,370	30,018,206	9,114,462,169	203,710,884	8,910,751,285	1,064,000,083	118,029,640	8,894,854	1,173,134,869	1.0000%
2007	7,722,515,369	1,926,262,386	28,870,984	9,677,648,739	206,027,034	9,471,621,705	1,153,659,910	129,426,090	8,627,642	1,274,458,358	1.0000%
2008	7,100,460,195	1,802,322,555	29,831,945	8,932,614,695	210,456,479	8,722,158,216	1,064,845,371	119,462,219	8,442,153	1,175,865,437	1.0000%
2009	5,545,597,687	1,541,725,210	10,742,998	7,098,065,895	158,643,838	8,132,493,612	905,118,865	101,542,886	7,168,541	999,493,210	1.0000%
2010	4,992,382,327	1,113,010,224	197,778,028	6,303,170,579	120,292,254	6,182,878,325	1,099,272,042	159,835,031	101,875,950	1,157,231,123	1.0000%
2011	5,102,129,763	1,279,961,758	156,244,642	6,538,336,163	84,950,354	6,453,385,809	756,286,336	132,970,235	35,963,413	853,293,158	1.0000%
2012	4,576,276,289	1,132,426,026	181,181,654	5,889,883,969	119,824,162	5,770,059,807	1,009,329,631	139,116,864	91,037,853	1,057,408,642	1.0000%
2013	4,514,547,256	1,126,415,078	179,798,206	5,820,760,540	119,652,776	5,701,107,764	1,005,846,952	143,168,317	93,247,473	1,055,767,796	1.0000%

Source: San Joaquin County -Office of the Auditor-controller and Assessor
City of Tracy, Finance and Administrative Services Department

CITY OF TRACY

DIRECT AND OVERLAPPING PROPERTY TAX RATES

(RATE PER $100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Direct rates:										
City of Tracy	0.1561%	0.1561%	0.1702%	0.1702%	0.1702%	0.1703%	0.1729%	0.1207%	0.1206%	0.1209%
San Joaquin County	0.1865%	0.1865%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1963%	0.1963%
ERAF	0.2686%	0.2686%	0.0000%	0.2723%	0.2790%	0.2790%	0.2790%	0.2801%	0.2801%	0.2793%
All Others	0.3889%	0.3889%	0.6336%	0.3613%	0.3546%	0.3545%	0.3519%	0.4030%	0.4030%	0.4035%
Total Direct Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Overlapping rates:										
San Joaquin Delta College	0.0202%	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%	0.0352%	0.0339%
Tracy Unified School District (1,2,3)	0.0262%	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%	0.1998%	0.1925%
Tracy Unified School District (SFID 3)	0.0093%	0.0088%	0.0000%	0.0185%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Total Overlapping Rate	0.0557%	0.0554%	0.0411%	0.0596%	0.2101%	0.2101%	0.2103%	0.2132%	0.2350%	0.2264%
Total Tax Rate	1.0557%	1.0554%	1.0411%	1.0596%	1.2101%	1.2101%	1.2103%	1.2132%	1.2350%	1.2264%

Source: San Joaquin County Auditor data, MuniServices, LLC

1. Rates are not adjusted for ERAF

CITY OF TRACY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent of Levy Collected	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Value of City Property Subject to Local Tax Rate
2004	8,987,072	8,987,072	100.00%	0.00	8,987,072	100.00%	6,675,942,094
2005	10,306,934	10,306,934	100.00%	0.00	10,306,934	100.00%	7,774,533,118
2006	12,585,686	12,585,686	100.00%	0.00	12,585,686	100.00%	8,663,313,347
2007	17,529,617	17,529,617	100.00%	0.00	17,529,617	100.00%	9,003,246,048
2008	13,551,184	13,551,184	100.00%	0.00	13,551,184	100.00%	8,722,158,216
2009	12,771,479	12,771,479	100.00%	0.00	12,771,479	100.00%	9,131,986,822
2010	13,249,396	13,249,396	100.00%	0.00	13,249,396	100.00%	7,340,109,448
2011	10,028,301	10,028,301	100.00%	0.00	10,028,301	100.00%	7,306,678,967
2012	9,724,002	9,724,002	100.00%	0.00	9,724,002	100.00%	6,827,468,449
2013	9,607,770	9,607,770	100.00%	0.00	9,607,770	100.00%	6,756,875,560

Note: San Joaquin County is on the Teeter Plan. The County remits 100% of all taxes assessed and keeps all penalties and interest on all delinquent taxes.

Source:
1. San Joaquin County - Office of the Auditor-Controller
2. City of Tracy, Finance and Administrative Services Department

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

Fiscal Year	City Direct Rate	Measure E Rate	Prop K Rate	Transportation Development Act Rate	San Joaquin County Rate	State Rate		Total Sales Tax Rate
2004	1%		0.50%	0.25%	1%	5%		7.75%
2005	1%		0.50%	0.25%	1%	5%		7.75%
2006	1%		0.50%	0.25%	1%	5%		7.75%
2007	1%		0.50%	0.25%	1%	5%		7.75%
2008	1%		0.50%	0.25%	1%	5%		7.75%
2009	1%		0.50%	0.25%	1%	6%	(1)	8.75%
2010	1%		0.50%	0.25%	1%	6%		8.75%
2011	1%	0.50%	0.50%	0.25%	1%	6%	(2)	8.75%
2012	1%	0.50%	0.50%	0.25%	1%	5%		8.25%
2013	1%	0.50%	0.50%	0.25%	1%	5.25%	(3)	8.50%

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

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

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

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

CITY OF TRACY
WATER AND WASTEWATER RATES
LAST TEN FISCAL YEARS

	Water		Wastewater
Fiscal Year	Monthly Base Rate	Per 100 cubic feet	Monthly Base Rate
2004	17.15	0.85	22.25
2005	17.15	0.85	22.25
2006	17.15	0.85	31.00
2007	17.15	0.85	31.00
2008	20.40	1.00	31.00
2009	20.40	1.00	31.00
2010	20.40	1.00	31.00
2011	20.40	1.00	31.00
2012	20.40	1.00	31.00
2013	20.40	1.00	34.00

Notes:
100 cubic feet = 748 gallons
Rates are based on 1 inch meter-the standard household meter size in Tracy.
Utiltiy charges an excess use rate above normal demand.

Source:
Finance & Administrative Services Department-City of Tracy

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DEBT CAPACITY

CITY OF TRACY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities			Business Activity						
Fiscal Year	General Obligation Bonds (a)	Special Assessment Bonds (b)	Capital Leases (b)	Water Revenue Bonds (b)	Water/Sewer Notes Payable (b)	Sewer Revenue Bonds (b)	Airport Notes Payable (b)	Total Primary Government	Per Capita	Population
2004	13,825,000	151,113,000	325,723	1,235,000	2,343,589	34,065,000	217,216	203,124,528	2,742	74,080
2005	13,435,000	146,735,000	265,345	945,000	9,211,877	33,785,000	184,966	204,562,188	2,612	78,310
2006	13,025,000	153,395,000	641,339	645,000	8,572,915	33,505,000	171,558	209,962,262	2,609	80,461
2007	12,600,000	158,750,000	520,835	330,000	25,176,853	33,215,000	157,285	230,749,973	2,845	81,107
2008	14,685,000	153,485,000	395,533	-	26,378,839	32,305,000	142,147	227,391,519	2,788	81,548
2009	24,215,000	147,940,000	265,356	-	25,414,136	31,420,000	126,144	229,380,636	2,807	81,714
2010	23,830,000	142,050,000	202,867	-	24,442,470	30,510,000	109,275	221,144,612	2,713	81,519
2011	23,660,000	135,810,000	137,879	-	23,402,994	29,580,000	91,541	212,682,414	2,550	83,418
2012	23,465,000	130,480,000	70,293	-	19,274,382	28,630,000	72,942	201,992,617	2,408	83,900
2013	23,245,000	124,800,000	-	-	18,392,152	27,645,000	53,478	194,135,630	2,309	84,060

Note: Special Assessment Bonds have no City commitments.

Source:

(a) California Municipal Statistics

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

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

	Outstanding General Bond Debt				
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Total	Percent of Assessed Value	Per Capita
2004	13,825,000	55,720,000	69,545,000	1.04%	939
2005	13,435,000	55,050,000	68,485,000	0.88%	875
2006	13,025,000	54,070,000	67,095,000	0.77%	834
2007	12,600,000	53,065,000	65,665,000	0.73%	810
2008	14,685,000	52,030,000	66,715,000	0.76%	818
2009	24,215,000	50,965,000	75,180,000	0.82%	920
2010	23,830,000	49,860,000	66,400,000	0.90%	815
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

Source:
Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2013

2012-13 Assessed Valuation: $ 6,897,641,813

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 06/30/2013	% Applicable (1)	City's Share of Debt 06/30/2013
San Joaquin Delta Community College District	$ 125,821,425	12.092 %	$ 15,214,327
Tracy Unified School District	46,460,000	62.346	28,965,952
Tracy Unified School District School Facilities Improvement Distict No. 3	33,004,637	91.016	30,039,500
Banta School District	680,000	34.663	235,708
Jefferson School District	29,341,664	62.957	18,472,631
City of Tracy Community Facilities District No. 87-1	12,960,000	100.	12,960,000
City of Tracy Community Facilities District No. 89-1	8,465,000	100.	8,465,000
City of Tracy Community Facilities District No. 93-1	2,860,000	100.	2,860,000
City of Tracy Community Facilities District No. 98-1	55,410,000	100.	55,410,000
City of Tracy Community Facilities District No. 98-3	2,620,000	100.	2,620,000
City of Tracy Community Facilities District No. 99-1	6,725,000	100.	6,725,000
City of Tracy Community Facilities District No. 99-2	10,085,000	100.	10,085,000
City of Tracy Community Facilities District No. 2000-1	12,855,000	100.	12,855,000
City of Tracy Community Facilities District No. 2006-1	10,500,000	100.	10,500,000
City of Tracy 1915 Act Bonds	11,695,000	100.	11,695,000
California Statewide Community Development Authority 1915 Act Bonds	7,246,315	100.	7,246,315
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$ 376,729,041		$ 234,349,433
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	$ 168,325,000	13.313 %	$ 22,409,107
Lammersville Joint Unified School District General Fund Obligations	30,345,000	1.046	317,409
Byron -Bethany Irrigation District General Fund Obligation	5,160,000	10.926	563,782
City of Tracy General Fund Obligations	**23,245,000**	**100.**	**23,245,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			$ 46,535,298
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	46,275,000	100. %	46,275,000
TOTAL DIRECT DEBT			**23,245,000**
TOTAL OVERLAPPING DEBT:			303,914,731
COMBINED TOTAL DEBT			$ 327,159,731 (2)

(1) The percentage of overlapping adebt 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 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt……	3.40%
Total Direct Debt ($23,245,000)……..	**0.34%**
Combined Total Debt……	4.74%

Ratios to redevelopment Incremental Valuation ($795.733,527)

Total Overlapping Tax Increment Debt……	5.82%

Source: MuniServices, LLC.
City of Tracy

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assessed Value	$ 6,898	$ 6,827	$ 7,307	$ 7,340	$ 9,132	$ 9,563	$ 9,003	$ 7,775	$ 7,879	$ 6,769
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,725	1,707	1,827	1,835	2,283	2,391	2,251	1,944	1,970	1,692
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	259	256	274	275	342	359	338	292	296	254
Total net debt applicable to limit	69	71	121	122	138	132	136	125	130	135
Legal debt margin	$ 190	$ 185	$ 153	$ 153	$ 204	$ 227	$ 202	$ 167	$ 166	$ 119

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 form the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

CITY OF TRACY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water revenue bonds/EDA note										
Water revenue	$ 15,649,302	$ 14,559,197	$ 14,651,850	$ 15,036,909	$ 15,963,584	$ 15,433,890	$ 14,341,129	$ 13,381,880	$ 12,354,096	$ 12,795,412
Less: operating expenses	(13,103,307)	(12,196,098)	(12,450,281)	(10,740,838)	(10,485,876)	(10,360,873)	(9,384,661)	(8,821,723)	(5,383,787)	(6,047,909)
Net available revenue	2,545,995	2,363,099	2,201,569	4,296,071	5,477,708	5,073,017	4,956,468	4,560,157	6,970,309	6,747,503
Debt service:										
Principal	882,230	4,128,612	1,099,165	1,035,686	964,703	878,166	1,960,910	938,962	1,038,703	275,000
Interest	465,690	531,639	637,999	665,810	731,215	850,589	791,373	477,056	568,637	288,618
Total Debt Service	1,347,920	4,660,251	1,737,164	1,701,496	1,695,918	1,728,755	2,752,283	1,416,018	1,607,340	563,618
Coverage	1.89	0.51	1.27	2.52	3.23	2.93	1.80	3.22	4.34	11.97
Wastewater revenue bonds:										
Wastewater revenue	12,025,189	11,713,538	12,038,615	11,695,124	12,060,864	13,158,013	12,896,719	9,255,199	8,752,321	6,974,031
Less: operating expenses	(6,378,330)	(7,617,428)	(7,784,380)	(6,249,869)	(6,846,611)	(5,030,130)	(4,666,466)	(4,509,073)	(4,150,266)	(4,526,278)
Net available revenue	5,646,859	4,096,110	4,254,235	5,445,255	5,214,253	8,127,883	8,230,253	4,746,126	4,602,055	2,447,753
Debt service:										
Principal	985,000	950,000	993,010	911,535	885,000	910,000	290,000	280,000	280,000	270,000
Interest	1,285,258	1,313,920	1,342,757	1,366,758	1,375,786	1,370,803	1,413,783	1,429,186	1,699,361	797,849
Total Debt Service	2,270,258	2,263,920	2,335,767	2,278,293	2,260,786	2,280,803	1,703,783	1,709,186	1,979,361	1,067,849
Coverage	2.49	1.81	1.82	2.39	2.31	2.81	4.83	2.78	2.33	2.29
Tax allocation bonds:										
Tax increment	-	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405	9,459,352	7,943,581	6,449,080	6,590,591
Debt service:										
Principal	-	1,195,000	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000	980,000	670,000	2,825,622
Interest	-	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489	2,714,677	2,739,269	2,753,317	2,503,186
Total Debt Service	-	2,457,289	3,721,992	3,718,989	3,734,812	3,725,489	3,719,677	3,719,269	3,423,317	5,328,808
Coverage	-	1.77	2.04	2.38	2.75	2.73	2.54	2.14	1.88	1.24

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.
Operating expenses do not include interest or depreciation expenses.

Source: City of Tracy. Finance and Administrative Services Department

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF TRACY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

	City of Tracy							San Joaquin County				
		Labor		Unemployment		Census Ratios			Labor		Unemployment	
Fiscal Year	Population (2)	Force (1)	Employment (1)	Rate (1)	Number (1)	Employed (1)	Unemployed (1)	Population (2)	Force (1)	Employment (1)	Rate (1)	Number (1)
2004	74,080	32,000	30,300	5.4%	1,700	N/A	N/A	642,049	283,900	258,900	8.8%	25,000
2005	78,310	32,400	30,800	4.8%	1,500	N/A	N/A	655,866	286,100	263,700	7.8%	22,400
2006	80,461	32,800	31,300	4.4%	1,400	N/A	N/A	662,395	288,600	267,800	7.2%	20,800
2007	81,107	33,100	31,600	4.7%	1,500	N/A	N/A	667,886	292,400	270,000	7.7%	22,400
2008	81,548	33,700	31,700	5.8%	2,000	N/A	N/A	672,388	299,500	271,100	9.5%	28,400
2009	81,714	33,700	30,500	9.3%	3,100	N/A	N/A	674,860	306,600	261,100	14.8%	45,500
2010	81,519	33,900	30,400	10.3%	3,500	N/A	N/A	685,306	310,900	260,000	16.4%	50,900
2011	83,418	33,200	29,700	10.5%	3,500	0.116975	0.068724	682,660	305,100	254,200	16.7%	51,000
2012	83,900 #	33,700	30,500	9.4%	3,200	N/A	N/A	695,750	306,600	260,800	15.0%	45,900
2013	84,060	34,400	31,800	7.4%	2,500	0.116975	0.068724	698,414	308,900	271,900	12.0%	37,000

Sources:

(1) California Employment Development Department-Labor Market Information

(2) California State Department of Finance (data shown is for the City of Tracy)

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

	2013			2004		
Taxpayer Name	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Tracy Mall Partners LP	100,302,124	1	1.48%	79,584,812	1	1.06%
Leprino Foods Company Corp	88,565,340	2	1.31%	-		-
Catellus Corporate Ctr Tracy L	64,221,194	3	0.95%	-		-
Central Valley Ltd Liability	52,182,057	4	0.77%	33,300,444	2	0.44%
Prologis	50,511,677	5	0.75%	-		-
US Industrial Reit Container I	42,449,093	6	0.63%	-		-
TCE Tracy LLC	32,071,197	7	0.47%	-		-
Car Corral Hollow LLC	30,557,092	8	0.45%	-		-
US Cold Storage Of Calif	28,845,265	9	0.43%	-		-
YRC Inc	26,579,875	10	0.39%	-		-
LBA PPF Industrial Macarthur	24,830,209	11	0.37%	-		-
Kaiser Foundation Health Plan	20,724,676	12	0.31%	-		-
Fairfield Edgewood Station LP	20,678,755	13	0.31%	-		-
AMB Property LP	19,890,000	14	0.29%	-		-
Sycamore Village Invest	19,840,813	15	0.29%	-		-
Taylor Farms Pacific Inc	19,138,655	16	0.28%	-		-
Queirolo Shirlee M	18,324,455	17	0.27%	15,309,123	7	0.20%
Inland Container Corp	17,976,267	18	0.27%	14,913,372	8	0.20%
Save Mart Supermarket	17,970,711	19	0.27%	14,181,624	10	0.19%
Costco Wholesale Corp	17,679,455	20	0.26%	-		-
Red Maple Village LP	16,627,588	21	0.25%	-		-
O Brien Mark T	16,382,724	22	0.24%	-		-
Comcast Corp	14,711,115	23	0.22%	14,824,430	9	0.20%
Barbosa Investment Group Ltd P	14,503,668	24	0.21%	-		-
2800 North Tracy Blvd	14,500,000	25	0.21%	-		-
Standard Pacific Corp	-		-	25,619,085	3	0.34%
Pattillo Development Partners	-		-	18,100,000	4	0.24%
RRG RMC Tracy LLC	-		-	17,106,452	5	0.23%
Suncrest Homes	-		-	15,646,290	6	0.21%
Consolidated Container Company	-		-	13,008,607	11	0.17%
Shea Homes Limited Partnership	-		-	12,702,076	12	0.17%
Pulte Home Corp	-		-	12,145,317	13	0.16%
Stuart Limited Partnership	-		-	11,460,960	14	0.15%
Richard American Homes Cal In	-		-	10,631,946	15	0.14%
McCorduck Properties LLC	-		-	10,447,416	16	0.14%
Rehrig Prop New Hampshireinc	-		-	10,338,740	17	0.14%
New America Homes Corp	-		-	10,283,033	18	0.14%
Home Depot USA Inc	-		-	10,213,921	19	0.14%
Sei Tracy Corp	-		-	9,140,328	20	0.12%
Acacia Credit Fund 7 LLC	-		-	8,919,743	21	0.12%
Redbridge LLC	-		-	8,151,862	22	0.11%
American Store Properties Inc	-		-	7,664,792	23	0.10%
Warmington San Marco Assoc LP	-		-	7,645,796	24	0.10%
Ryland Homes of California Inc	-		-	7,312,355	25	0.10%
Total Top 25 Taxpayers	790,064,005		11.69%			5.30%
Total Taxable Assessed Value	6,756,875,560		100.00%	7,523,314,957		100.00%

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

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

2013		2004	
Taxpayer Name	**Business Type**	**Taxpayer Name**	**Business Type**
American Truck & Trlr Body	Auto Parts/Repair	Albertson's Food Centers	Food Markets
Arco AM/PM Mini Marts	Service Stations	American Truck & Trlr Body	Auto Parts/Repair
Best Buy Stores	Furniture/Appliance	Arco AM/PM Mini Marts	Service Stations
Chevron Service Stations	Service Stations	Best Buy Stores	Furniture/Appliance
Costco Wholesale	Department Stores	Boat Center	Misc. Vehicle Sales
Crate & Barrel	Miscellaneous Retail	Chevron Service Stations	Service Stations
Independent Utility Supply	Bldg. Matls-Whsle	Costco Wholesale	Department Stores
Macy's Department Store	Department Stores	Gottschalks Department Store	Department Stores
Nixon-Egli Equipment Company	Bldg. Matls-Whsle	Kenko Utility Supply	Bldg. Matls-Whsle
Premier Hyundai of Tracy	Auto Sales - New	Morri Automotive	Auto Sales - New
Safeway Service Stations	Service Stations	Nixon-Egli Equipment Company	Bldg. Matls-Whsle
Save Mart Supermarkets	Food Markets	Safeway Service Stations	Service Stations
Shell Service Stations	Service Stations	Safeway Stores	Food Markets
Target Stores	Department Stores	Sears Roebuck & Company	Department Stores
The Home Depot	Bldg. Matls-Retail	Target Stores	Department Stores
Tracy Chevrolet	Auto Sales - New	The Home Depot	Bldg. Matls-Retail
Tracy Chrysler Jeep Dodge	Auto Sales - New	Tracy Chevrolet	Auto Sales - New
Tracy Ford Mercury	Auto Sales - New	Tracy Chrysler/Plymouth Dodge	Auto Sales - New
Tracy Honda	Auto Sales - New	Tracy Honda	Auto Sales - New
Tracy Hyundai	Auto Sales - New	Tracy Nissan	Auto Sales - New
Tracy Mazda	Auto Sales - New	Tracy Pontiac/Cadillac/GMC	Auto Sales - New
Tracy Nissan	Auto Sales - New	Tracy Toyota	Auto Sales - New
Tracy Toyota	Auto Sales - New	Tracy Truck & Auto Stop	Service Stations
Tracy Truck & Auto Stop	Service Stations	Tracy Volkswagen	Auto Sales - New
Wal-Mart Stores	Department Stores	Wal-Mart Stores	Department Stores

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

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	4	5	4	4	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	7	16	17	6	6	6	6
Human Resources	5	6	6	6	9	9	9	7	7	6
Finance & Information Systems	23	23	23	23	26	27	25	25	24	24
Police	135	134	133	135	154	155	141	132	126	123
Fire	80	82	78	78	85	84	81	107	104	104
Economic Development	2	4	8	6	6	5				
Development and Engineering	38	48	41	44	55	55	52	54	52	52
Public Works	46	59	59	66	71	74	80	64	66	66
Parks and Community Services	41	50	59	50	48	49	40	18	18	19
Water	39	40	40	41	44	44	40	38	38	37
Wastewater	26	28	28	29	29	29	25	24	24	23
Airport	2	1	2	2	2	2	1	1	1	1
Solid waste	1	2	1	1	1	1	1	1	2	1
Transit	2	2	2	2	2	2	2	2	2	1
Drainage	3	2	2	2	2	2	2	2	2	2
Total	460	499	499	502	560	565	515	491	482	475

Source: City of Tracy, Finance and Administrative Services Department

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OPERATING INDICATORS

CITY OF TRACY
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Building Permits Issued	1,435	1,293	915	844	898	774	790	1,136	1,271	1,587
Building Inspections requested	6,189	4,568	2,975	3,377	2,859	5,334	7,920	18,008	24,093	34,337
Police:										
Arrests	2,765	2,896	2,941	3,415	4,435	4,450	4,448	3,561	3,787	3,367
Parking citations issued	1,472	2,196	3,153	4,704	2,948	2,916	2,292	2,107	2,282	1,956
Traffic violations	3,519	5,281	6,668	7,347	7,007	6,867	8,059	6,132	6,959	6,662
Fire:										
Number of emergency calls	6,322	5,951	5,570	5,717	6,159	6,165	6,580	5,907	5,135	5,092
Inspections	3,114	3,416	2,383	1,614	3,776	3,814	3,586	2,316	2,106	2,590
Water:										
Water Mains (miles)	410	410	402	402	402	402	400	395	390	380
New connections	23	20	20	22	25	40	40	600	1,200	1,500
Maximum Daily Capacity (gallons)										
(millions of gallons)	57	57	57	57	57	57	57	57	57	42
Average daily consumptions (gallons)										
(millions of gallons)	15	15	14.4	16	16	16	16	16	16	16
Sewer:										
Sanitary Sewer (miles)	410	410	400	400	400	400	400	395	390	380
New connections	22	14	20	22	25	40	40	600	1,200	1,500
Average daily treatment (gallons)										
(millions of gallons)	9.5	9	9	9	9	9	9	9	9	8
Airport:										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	205	198	194	227	339	342	339	325	339	326
Recyclables collected (tons per day)	65	64	66	49	26	28	27	27	27	12
Transit:										
Average daily passengers	418	357	325	334	323	329	325	318	361	381
Total route miles	237,089	226,808	152,284	158,211	154,937	236,684	236,689	213,928	206,975	213,210

Source: City of Tracy, Finance and Administrative Services Department

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	7	7	7	7	7	7	7	7	7	7
Public works:										
Number of street lights	5,430	5,430	5,430	4,781	4,770	4,763	4,752	4,658	3,967	3,693
Number of traffic signals	78	78								
Parks and recreation:										
Number of parks	76	76	76	76	76	76	74	74	69	68
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	410	410	395	395	395	395	395	395	390	380
Wastewater										
Sanitary sewers (miles)	410	410	395	395	395	395	395	395	390	380
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	8	8	8	8	8	6	8	8	8	8

Source: City of Tracy, Finance and Administrative Services Department

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