

CITY OF MERCED



CITY OF MERCED, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

City of Merced

Merced, California

Comprehensive Annual Financial Report

For the year ended June 30, 2009

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2009

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Transmittal Letter.....	v
Organization Chart.....	xi
Responsible Officials.....	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting	xiii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities and Changes in Net Assets	18
 Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	28
 <i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	30
Statement of Revenues, Expenses and Changes in Net Assets	31
Statement of Cash Flows.....	32
 <i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets	36
Statement of Changes in Fiduciary Net Assets.....	37
Notes to Basic Financial Statements	39

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2009

Table of Contents, Continued

	<u>Page</u>
 <u>FINANCIAL SECTION, Continued</u>	
Required Supplementary Information:	
Budgetary Control and Accounting	88
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	89
Redevelopment Agency Special Revenue Fund – Major Fund	92
Housing Special Revenue Fund – Major Fund	93
Development Services Special Revenue Fund – Major Fund	94
Public Facilities Impact Special Revenue Fund – Major Fund	95
Public Employee Retirement Systems Schedule of Funding Progress	97
Postemployment Healthcare Plan Schedule of Funding Progress	97
 Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	112
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Redevelopment Agency Debt Service Fund – Major Fund	117
Park Reserve Capital Projects Fund – Major Fund	118
Redevelopment Agency Capital Projects Fund – Major Fund	119
Downtown Parking Special Revenue Fund	120
Downtown Special Revenue Fund	121
Local Transportation Special Revenue Fund	122
Gas Tax Special Revenue Fund	123
Traffic Safety Special Revenue Fund	124
Street Trees Special Revenue Fund	125
Traffic Congestion Relief Special Revenue Fund	126
Streets and Street Lights Maintenance Special Revenue Fund	127
Recreation and Parks Special Revenue Fund	128
Surface Transportation Program Special Revenue Fund	129
Proposition 172 Special Revenue Fund	130
Public Works Administration Special Revenue Fund	131
OTS Grant Special Revenue Fund	132
Supplemental Law Enforcement Services Special Revenue Fund	133
Justice Assistance Grant Special Revenue Fund	134
Parking Enforcement Special Revenue Fund	135

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2009

Table of Contents, Continued

Page

FINANCIAL SECTION, Continued

Supplementary Information, Continued:

Non-Major Governmental Funds, Continued:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, Continued:

Child Development Special Revenue Fund	136
Maintenance Districts Special Revenue Fund.....	137
CFD Services Special Revenue Fund	138
Measure C Special Revenue Fund.....	139
PEG Access Fee Special Revenue Fund	140
Developer Capital Fees Special Revenue Fund	141
Proposition 1B Special Revenue Fund	142
Bell Station Building Special Revenue Fund.....	143
Public Financing Authority Debt Service Fund.....	144
Airport Industrial Park Capital Projects Fund	145
Streets and Signals Capital Projects Fund	146
Fire Station Capital Projects Fund	147
Police Mobile Computers Capital Projects Fund.....	148
Merced Theatre Restoration Capital Projects Fund	149
Parks & Community Service Capital Projects Fund	150
PCE Remediation Capital Projects Fund	151
Fire Station #55 Fund Capital Projects Fund	152

Enterprise Funds:

Combining Schedule of Net Assets	154
Combining Schedule of Revenues, Expenses and Changes in Net Assets	158
Combining Schedule of Cash Flows.....	162

Internal Service Funds:

Combining Statement of Net Assets	170
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	172
Combining Statement of Cash Flows.....	174

Private Purpose Trust Funds:

Statement of Fiduciary Net Assets	180
Statement of Changes in Fiduciary Net Assets.....	181

Agency Funds:

Balance Sheet	184
Statement of Changes in Fiduciary Assets and Liabilities	187

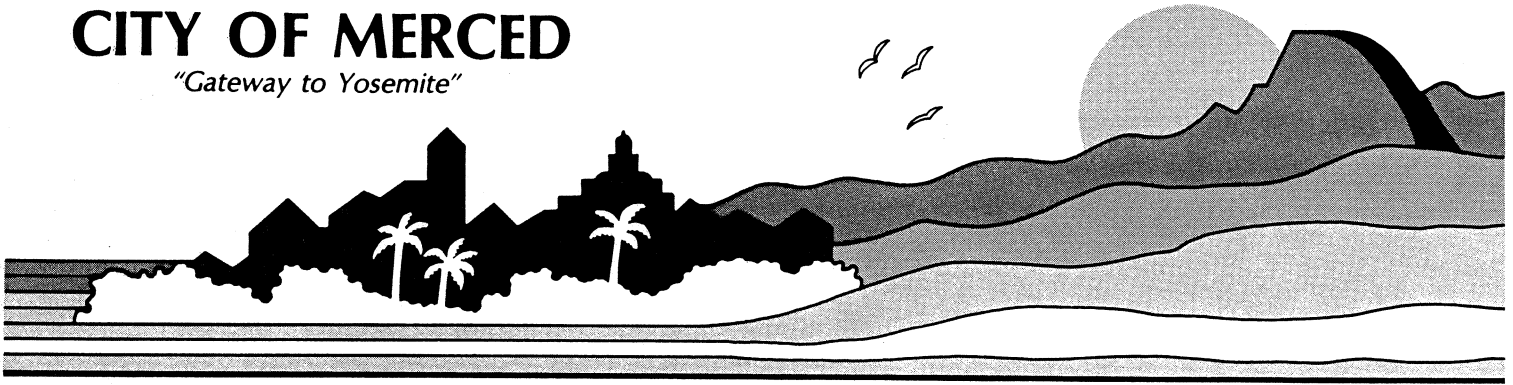
City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2009

Table of Contents, Continued

	<u>Page</u>
 <u>STATISTICAL SECTION (Unaudited)</u>	
Net Assets by Component - Last Seven Fiscal Years (accrual basis of accounting).....	195
Changes in Net Assets - Last Seven Fiscal Years (accrual basis of accounting)	196
Governmental Activities Tax Revenues By Source - Last Seven Fiscal Years (accrual basis of accounting)	198
Fund Balances of Governmental Funds - Last Seven Fiscal Years (modified accrual basis of accounting)	199
Changes in Fund Balances of Governmental Funds - Last Seven Fiscal Years (modified accrual basis of accounting)	200
Assessed Value and Estimated Actual Value of Taxable Property - Last Seven Fiscal Years.....	201
Property Tax Rates, Direct and Overlapping Governments.....	202
Principal Property Taxpayers - Current Year and Nine Years Ago	203
Property Tax Levies and Collections - Last Seven Fiscal Years.....	204
Ratios of Outstanding Debt by Type - Last Seven Fiscal Years.....	205
Ratios of General Bonded Debt Outstanding - Last Seven Fiscal Years.....	208
Direct and Overlapping Governmental Activities Debt.....	209
Legal Debt Margin Information - Last Seven Fiscal Years.....	210
Pledged-Revenue Coverage - Last Seven Fiscal Years	211
Demographic and Economic Statistics - Last Seven Fiscal Years.....	212
Principal Employers for Fiscal Year 2009.....	213
Full-Time Equivalent City Government Employees by Function - Last Seven Fiscal Years	214
Operating Indicators by Function - Last Seven Fiscal Years.....	215
Capital Asset Statistics by Function - Last Seven Fiscal Years	216

CITY OF MERCED

"Gateway to Yosemite"



December 15, 2009

Honorable Mayor and
Members of the City Council
of the City of Merced:

The Comprehensive Annual Financial Report (CAFR) of the City of Merced for the fiscal year ending June 30, 2009 is hereby submitted in accordance with the City Charter. 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.

Caporicci & Larson, Certified Public Accountants, have audited the City's financial statements. The auditors have issued an unqualified ("clean") opinion on the City of Merced's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

In addition to the annual audit, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separate single audit 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 complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Merced was incorporated in 1889 and operates as a charter city. It has a council-manager form of government. The Merced City Council is composed of six members at large, elected to serve four-year terms, and the mayor who is elected to serve a two-year term. The City Council appoints the City Manager, City Attorney and Finance Officer.

The City of Merced is a full service city. Services provided include police, fire, general maintenance, water, sewer, refuse collection, public improvements, parks and recreation, planning and zoning, airport, and general administrative services.

The report of the basic financial statements includes all the funds of the primary government, the City of Merced, as well as component units, the Redevelopment Agency of the City of Merced (Agency) and the City of Merced Public Financing Authority (Authority). In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the financial activities of the Agency and Authority have been blended with the financial statements of the City. The Redevelopment Agency is a legally separate entity whose purpose is to carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. The City Council sits as the governing body of the Agency and the City provides loans and management assistance to the Agency. The Authority is a legally separate public entity created to provide for the financing of all or a prescribed cost and expense of acquisition, construction and installation of authorized public capital improvements for the members through any financing procedure legally available to the members. All powers are vested in the governing board, which consists of the members of the City Council.

LOCAL ECONOMY

The City of Merced is located in the Central Valley of California. The City is situated 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles. The City has a population of approximately 80,000 and serves as the county seat. Merced is located on Highway 99, the dominant north-south freeway in California, and is served also by Highways 140 and 59. Two railroads, Union Pacific and Burlington Northern Santa Fe, have main lines that pass through the City.

The City of Merced has experienced two years of economic downturn. The community has been severely impacted by an unemployment rate of 20% and a high rate of foreclosures. Stalled real estate and construction markets and significant job losses have resulted in seven quarters of declining sales tax revenue. Declining property values have had a direct effect on the property tax revenues.

Nationally, Merced ranked in the top 10 for the areas with the highest number of foreclosures. Declining home values resulted in a record number of negative loan to value ratios.

The closure of several nationally known retail businesses, as well as regional businesses, added to the high number of job losses and declining retail sales. Store closures included Mervyn's, Circuit City, Linens 'N Things, BMC West, and Gottschalks. Industries were also impacted with layoffs and closures. Quebecor, one of Merced's major employers, declared bankruptcy leading to over 200 layoffs. WestAmerica Bank assumed County Bank, which was founded in Merced in 1977, after the Federal Deposit Insurance Corporation (FDIC) was appointed receiver.

The change in the financial market resulted in new banks coming to the City of Merced. They are Farmers & Merchants Bank and Rabobank.

Interest in Merced sharply rose when it was announced First Lady Michelle Obama would be the keynote speaker at University of California Merced's commencement. Another activity drawing attention to the Merced market included the construction of Mercy Medical Center's new campus valued at over \$200 million.

LONG-TERM FINANCIAL PLANNING

The City of Merced maintains a "Cash Basis Fund," which holds operating reserves sufficient to meet the demands against the City for the first five months, or other necessary period, of the succeeding fiscal year prior to the receipt of ad valorem tax revenues. Transfers may be made by the city council from such funds to any fund for the purpose of placing the fund on a cash basis. All moneys transferred from the Cash Basis Fund are required to be returned before the end of the fiscal year.

The City of Merced adopts a Five-Year Capital Improvement Program (Program) each year. The Program identifies physical improvements, provides a planning schedule and identifies options for financing. The Program provides a link between the City's comprehensive General Plan, Public Facility Financing Plan, the overall priorities and the annual budget. The Program assists in implementing the General Plan; encourages early review of priorities; provides opportunities for project coordination and planning; and is a tool for long-range financial planning. The fiscal year 2009-13 Five-Year Capital Improvement Program identifies capital improvements projects with a cost of \$196 million.

A Public Facilities Financing Plan was implemented in 2003 to meet the goals and objectives of the General Plan and to mitigate the impacts caused by future development in Merced. Public facilities impact fees are charged in order to finance public facilities and to pay for each development's fair share of the construction costs of these improvements.

RELEVANT FINANCIAL POLICIES

Internal Controls

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

Budgetary Controls

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds have a legally adopted budget. The level of budgetary control, at which expenditures cannot legally exceed the budgeted amount, is at the fund level. This means that expenditures cannot legally exceed the amount appropriated by the City Council.

The City also maintains encumbrance accounting as another method for accomplishing budgetary control. A commitment for an expenditure is earmarked for its use and funds become unavailable. Unencumbered amounts lapse at fiscal year-end. Encumbered amounts at year-end are rolled over and become part of the next year's budget.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Cash Management

Cash temporarily idle during the year was invested in Certificate of Deposits, Government Obligations, Mutual Funds, and the State Treasurer's Investment Pool. The maturities of the investments generally range from 1 month to 34 months, with the average maturity being 341 days. The average yield on investments was 2.02 percent.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all of the investments held by the government at June 30, 2009 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management

During fiscal year 1978, the City established two risk management funds, the Workers' Compensation Insurance Fund and the Liability Insurance Fund (both Internal Service Funds) to account for and finance its uninsured risks of loss, with the exception of the Property and Airport insurance, which is fully insured and accounted for in the Liability Insurance Fund. Under this program, the Workers' Compensation Insurance Fund provides coverage for up to a maximum of \$250,000 for each workers' compensation claim. The City purchases commercial insurance for claims in excess of the coverage provided in the fund. The City is a member of the Central San Joaquin Valley Risk Management Authority, with self-insured retention for each claim of \$100,000 for general liability and error and omissions, and \$100,000 for vehicle liability. Settled claims have not exceeded this commercial coverage. All funds of the City participate in the program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Single Audit

As a recipient of federal, state and local financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal staff of the government. As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over Federal award programs and whether the City has complied with all applicable laws and regulations.

MAJOR INITIATIVES

New City Manager

John Bramble was hired in December 2008 to be the new City Manager for Merced. Mr. Bramble replaced Jim Marshall, who retired after serving as City Manager for 16 years. Mr. Bramble has 37 years of government experience, working in the Colorado communities of Brighton, Pueblo and Commerce City; the Nevada community of Las Vegas; and the California communities of Bell and Belmont.

High Speed Rail

The California voters approved Proposition 1A in November 2008, authorizing \$9.95 billion in bonds for the High Speed Rail system. The High Speed Rail system will connect San Francisco to Los Angeles with a segment of the system running through the Central Valley with stations in key cities. Merced has been suggested as a key city for a station. The High Speed Rail will greatly improve mobility and increase accessibility throughout Central California, with independent ridership estimated to be 100 million passengers by 2030. The system will strengthen California's economy by creating an estimated 450,000 jobs and will help stimulate a new industry for skilled workforce and Career Technology Education programs.

Wastewater Treatment Plant Project

The City of Merced has initiated a significant upgrade and expansion design project for the City's Gove Road Wastewater Treatment Plant (WWTP). The project is required to comply with new state and federal water quality mandates as well as expansion of treatment capacity for the City. The City was approved in fiscal year 2008-09 for a \$37 million loan from the State Water Resources Control Board State Revolving Fund Loan Program (SRF) to partially fund the construction of the upgrade of the WWTP. The SRF Loan Program is a joint federal and state program that provides low interest loans to local governments in California for construction of wastewater treatment facilities. The program is partially funded by the U.S. Environmental Protection Agency and administered by the State Water Resources Control Board. In addition the City received a \$2 million contingent principal forgiveness funded by the American Recovery and Reinvestment Act funds.

Agency Gateways Project Area

The Agency Gateways Project Area issued \$13.1 million in tax allocation bonds. The bond will fund \$2 million of housing projects, \$9.4 million of non-housing projects, and \$1.7 million of cost of issuance and reserve requirements. The Agency activities to be funded with the bond proceeds consist of land acquisitions and assistance for low and moderate income housing projects and public improvements, including right-of-way acquisitions, street widening, street resurfacing, signalization, beautification, curbs, gutters, sidewalks, drainage and alley improvements.

G Street Undercrossing Project

On August 28, 2008, the California Transportation Commission awarded the City of Merced a \$9 million grant to construct the G Street Railroad Undercrossing at the Burlington Northern & Santa Fe tracks. This is part of the Proposition 1B \$250 million Highway-Railroad Crossing Safety Account Program.

The conversion of the City's G Street at-grade railroad crossing to an undercrossing has been a long-term goal of the City of Merced. The Merced Vision 2015 General Plan describes how the long freight trains have created significant traffic congestion and delays for vehicles waiting for them to pass, especially during peak hours along the major north-south routes on G, M and R Streets.

The total project cost is estimated at \$19 million. The project will be funded with the \$9 million grant and the remaining local matching funds will come from four sources: BNSF Railroad, existing and future City impact fees, and Agency bond funds.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merced for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2009. This was the thirteenth consecutive year the City received this prestigious award. The Certificate of Achievement is a national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The award is valid for a period of one year only. The City believes that this CAFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to GFOA to determine its eligibility for another award.

This report was prepared through the commitment and team efforts of the entire Finance Department. We wish to express our gratitude to every member of the City of Merced Finance Department. In addition, we would like to thank the independent auditors', Caporicci & Larson, Certified Public Accountants, staff for their recommendations and assistance during the preparation of this Comprehensive Annual Financial Report.

We would like to acknowledge the City Council for their continuous support in planning and conducting the financial operations of the City of Merced in a responsible and progressive manner.

Respectfully submitted,



Bradley R. Grant
Finance Officer

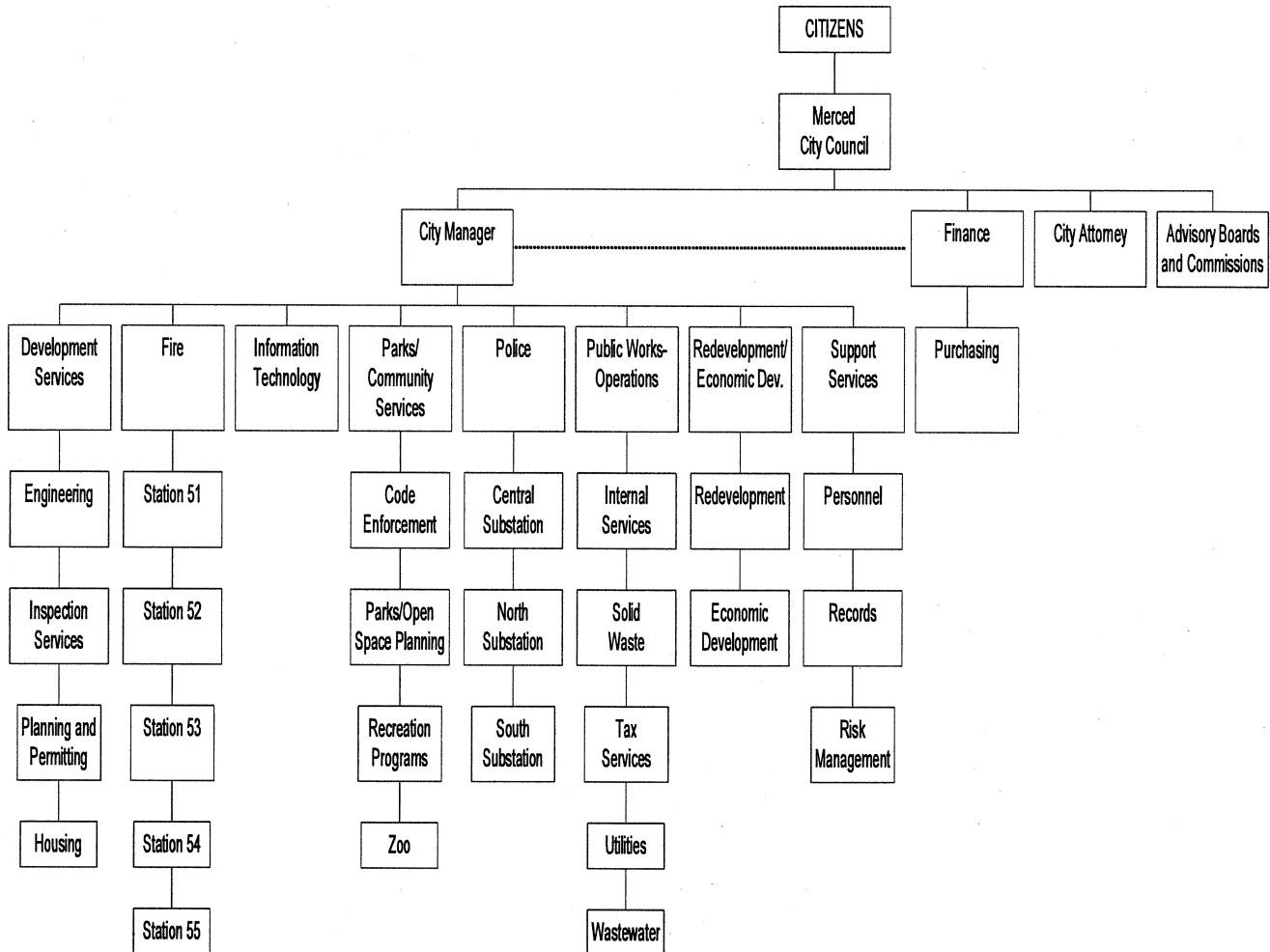


John Bramble
City Manager

City of Merced

Organizational Chart

June 30, 2009



CITY OF MERCED
RESPONSIBLE OFFICIALS
June 30, 2009

Mayor
Mayor Pro-Tempore
Council Member
Council Member
Council Member
Council Member
Council Member

City Manager
Assistant City Manager
City Attorney
Finance Officer
Police Chief
Fire Chief
Interim Director of Public Works Operations
Director of Support Services
Director of Parks and Community Services
Interim Director of Development Services
Director of Information Technology

Ellie Wooten
John Carlisle
Joseph Cortez
Michele Gabriault-Acosta
Noah Lor
James Sanders
William Spriggs

John M. Bramble
William Cahill
Gregory Diaz
Bradley R. Grant
Russ L. Thomas
Kenneth W. Mitten
Mike Wegley
Deneen Proctor
Alexander Hall
Dave Gonzalves
Jeff Lewis

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Merced
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



President

Executive Director

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Merced
Merced, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including the City. These actions by the State include:

- 8% of Property Taxes borrowed – to be repaid in 3 years
- Redevelopment Agency funds – prepared to be taken for fiscal year 2010

The amounts are significant to the City and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. The State has passed legislation is also in process to aid local governments to be able to obtain funding for the 8% of property taxes to be borrowed by the State. For more detailed information, see Note 20 in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of the City Council
of the City of Merced
Merced, California
Page 2

As described in Note 1 to the financial statements, the City adopted the following Statements of the Governmental Accounting Standards Board:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
December 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Merced (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found in the introductory section of this report, and the City's Financial Statements, which follows this discussion.

FINANCIAL HIGHLIGHTS

- The City's net assets as shown on the Statement of Activities increased by \$9.9 million. The governmental net assets decreased by \$3.6 million and the business-type net assets increased by \$13.5 million.
- As shown on the Statement of Net Assets, the assets of the City exceeded its liabilities at the close of the fiscal year by \$603.9 million.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$11.9 million, or 63% percent of the General Fund fund balance.
- The net increase to governmental activity long-term debt was \$10.9 million. New debt issued during the year was a \$13.1 million Redevelopment Agency Tax Allocation Bonds for public improvements and housing projects in the Gateways Project Area. The net decrease to the business-type activity long-term debt was \$1.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Merced's basic financial statements. The City of Merced's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements - Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Merced's finances, in a manner similar to a private-sector business.

The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by fund type) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and compensated absence).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks, and capital outlay. The business-type activities of the City include an airport, water, wastewater and refuse services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Redevelopment Agency (Agency) and a legally separate Public Financing Authority (Authority) for which the City is financially accountable. The financial information for these component units is blended with the City and reported in the governmental activities of the Government-wide Financial Statements and the Fund Financial Statements.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The City maintains forty one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Redevelopment Agency Special Revenue Fund, Housing Special Revenue Fund, Development Services Special Revenue, Public Facilities Impact Special Revenue, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, and Park Reserve, which are considered to be major funds. Data from the other thirty three governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison has been provided for the General Fund in the Required Supplementary Information to demonstrate compliance with the budget.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the Proprietary Statement of Net Assets and the Propriety Statement of Revenues, Expense and Changes in Fund Net Assets for the Wastewater System, Water System, Refuse Collection and Merced Municipal Airport, which are considered major 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 Worker's Compensation, Liability Insurance, Unemployment, Employee Benefits, Fleet Management and Replacement, Facility Maintenance, Support Services and Personal Computer Maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a governments' financial position. In the case of the City, assets exceeded liabilities by \$603.9 million at the close of the most recent fiscal year.

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 142,155,383	\$ 137,859,750	\$ 105,004,133	\$ 96,752,124	\$ 247,159,516	\$ 234,611,874
Capital assets	351,935,319	344,118,808	114,306,813	110,011,192	466,242,132	454,130,000
Total assets	494,090,702	481,978,558	219,310,946	206,763,316	713,401,648	688,741,874
Current liabilities	14,171,615	12,972,894	7,362,780	7,416,091	21,534,395	20,388,985
Noncurrent liabilities	53,001,516	38,486,851	34,939,890	35,877,108	87,941,406	74,363,959
Total liabilities	67,173,131	51,459,745	42,302,670	43,293,199	109,475,801	94,752,944
Net assets:						
Invested in capital assets, net of debt	315,446,531	319,244,656	78,912,846	73,181,722	394,359,377	392,426,378
Restricted	53,595,622	39,957,242	15,532,992	15,709,079	69,128,614	55,666,321
Unrestricted	57,875,418	71,316,915	82,562,438	74,579,316	140,437,856	145,896,231
Total net assets	\$ 426,917,571	\$ 430,518,813	\$ 177,008,276	\$ 163,470,117	\$ 603,925,847	\$ 598,988,930

The largest portion of the City's net assets, 65%, reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and structures, machinery and equipment, and improvements other than buildings, structures and land improvements), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Eleven percent of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$140.4 million is the unrestricted net assets. The Governmental Activities unrestricted net assets of \$57.8 million includes \$27.5 million of fund balance reserved, \$1.8 million of fund balance designations, \$24.3 million earmarked as special revenue which is legally restricted to expenditures for specified purposes and \$18.3 million earmarked for capital projects. The Business-Type Activities unrestricted net assets of \$82.5 million includes \$54 million earmarked for capital projects.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Analysis of the City's Operations - The following table provides a summary of the changes in net assets for governmental and business-type activities.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 23,757,949	\$ 22,495,603	\$ 41,041,644	\$ 36,970,305	\$ 64,799,593	\$ 59,465,908
Operating grants and contributions	7,321,285	8,289,789			7,321,285	8,289,789
Capital grants and contributions	10,380,895	21,366,033	1,761,808	12,914,315	12,142,703	34,280,348
General revenues and transfers:						
Property taxes	24,560,717	25,824,787			24,560,717	25,824,787
Sales taxes	11,768,163	13,796,334			11,768,163	13,796,334
Franchise taxes	1,572,984	1,450,967			1,572,984	1,450,967
Transient occupancy tax	904,175	901,585			904,175	901,585
Business license tax	1,159,991	1,286,895			1,159,991	1,286,895
Cost recovery impact study	4,135	119,682			4,135	119,682
Business improvement area	79,798	91,443			79,798	91,443
Other	1,773,517	2,881,802	2,623,993	3,410,691	4,397,510	6,292,493
Total revenues	83,283,609	98,504,920	45,427,445	53,295,311	128,711,054	151,800,231
Expenses						
Governmental activities:						
General government	33,551,460	29,549,528			33,551,460	29,549,528
Public Safety	29,146,402	28,182,100			29,146,402	28,182,100
Public Works	15,264,700	15,711,235			15,264,700	15,711,235
Parks	5,658,167	6,782,539			5,658,167	6,782,539
Other	1,536,098	1,375,397			1,536,098	1,375,397
Business-type activities:						
Wastewater system			11,997,758	11,377,729	11,997,758	11,377,729
Water system			9,956,804	9,598,777	9,956,804	9,598,777
Refuse collection			10,839,549	11,527,731	10,839,549	11,527,731
Merced municipal airport			823,199	739,812	823,199	739,812
Total expenses	85,156,827	81,600,799	33,617,310	33,244,049	118,774,137	114,844,848
Increase in net assets before transfers	(1,873,218)	16,904,121	11,810,135	20,051,262	9,936,917	36,955,383
Transfers	(1,728,024)	(314,723)	1,728,024	314,723	0	0
Changes in net assets	(3,601,242)	16,589,398	13,538,159	20,365,985	9,936,917	36,955,383
Net assets beginning of year	430,518,813	413,929,415	163,470,117	143,104,132	593,988,930	557,033,547
Net assets ending of year	\$ 426,917,571	\$ 430,518,813	\$ 177,008,276	\$ 163,470,117	\$ 603,925,847	\$ 593,988,930

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities - Governmental Activities decreased the City's net assets by \$3.6 million. Taxes provided 48% of the revenue and charges for services provided 29% of the revenue, and capital grants and contributions provided 12% of the revenue received during the year.

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs.

Net Cost of Governmental Activities
For the Fiscal Year Ended June 30, 2009

	Total Cost of Services	Net Cost of Services
General Government	\$ 33,551,460	\$ (14,173,144)
Public Safety	29,146,402	(24,557,646)
Public Works	15,264,700	306,641
Parks	5,658,167	(3,736,451)
Other	1,536,098	(1,536,098)
Total	<u>\$ 85,156,827</u>	<u>\$ (43,696,698)</u>

The costs for all governmental activities during the year were \$85.1 million, which is 72% of total expenses. The City's taxpayers paid for \$40.0 million of these costs. Fees, grants and contributions funded the balance of the cost.

Business-Type Activities - Business-type activities increased the City's net assets by \$13.5 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities total \$50 million. Program revenues of the City's business-type activities total \$42.8 million. Expenses of business-type activities were \$33.6 million. Transfers to the City's business-type activities were \$1.7 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The City's governmental funds reported a combined fund balance at June 30, 2009 of \$84 million, an increase of \$3.5 million. The net increase was due to proceeds from issuance of debt and use of accumulated funds to maintain operations and finance capital projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$18.8 million and the unreserved, undesignated fund balance was \$11.9 million. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The unreserved fund balance represents 33% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$2.5 million during the fiscal year. The decrease in the General Fund is attributable to the continued need to provide services to a community during an economic downturn with a reduction in revenue such as sales tax and property tax.

Other changes in fund balances include the following:

Redevelopment Agency Special Revenue Fund-

- This major fund decreased by \$60,232 due to expenditures exceeding revenues and transfers in.

Development Services Special Revenue Fund-

- This major fund decreased by \$2.1 million due to a reduction in revenues and the use of accumulated funds for operations.

Public Facilities Impact Fees Special Revenue Fund-

- This major fund decreased by \$1.3 million due to the use of accumulated funds for capital outlay.

Redevelopment Agency Debt Service Fund-

- This major fund increased by \$3.1 million due to the increase in tax increment revenue and the accumulation of funds for the debt service and reserve requirement for the new bond issue.

Redevelopment Agency Capital Projects Fund-

- This major fund increased by \$10 million due to the transfer in of funds from the Redevelopment Agency Debt Service Fund from the new bond issue.

Park Reserve Capital Projects-

- This major fund decreased by \$2.3 million due to the use of accumulated funds to finance capital projects.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail.

The unrestricted net assets of the Governmental Activities Internal Service Funds were \$19.6 million. The unrestricted net assets of the enterprise funds were \$82.5 million. The total change in net assets for the Governmental Activities Internal Service Funds and the Enterprise Funds were (\$1.5) million and \$13.5 million, respectively. Other factors concerning the finances of the Proprietary funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the City Council approved budgetary revisions for supplemental appropriations, which increased appropriations in individual funds and transfers between funds.

The difference between the General Fund original budget and the final budget was an increase of \$1.7 million, which includes interfund transactions, machinery and equipment, professional services, utilities and personnel related expenditures. The actual expenditures were under budget by \$4.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Merced's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$466.2 million. This investment in capital assets includes land and improvements, construction in progress, buildings and structures, machinery and equipment, improvements other than buildings, structures, and land improvement. Additional information on the City of Merced's capital assets can be found in Note 7. Capital Assets.

	Capital Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Non-depreciable Assets:						
Land and improvements	\$ 68,337,337	\$ 61,843,612	\$ 258,681	\$ 258,681	\$ 68,596,018	\$ 62,102,293
Construction in progress	38,387,789	37,061,479	25,178,935	29,041,317	63,566,724	66,102,796
Total non-depreciable assets	106,725,126	98,905,091	25,437,616	29,299,998	132,162,742	128,205,089
Depreciable Assets:						
Building and structures	9,632,640	9,335,272	2,511,934	2,511,934	12,144,574	11,847,206
Machinery and equipment	36,542,387	33,695,138	3,878,228	3,702,440	40,420,615	37,397,578
Improvements other than buildings, structures and land improvements	79,092,738	74,186,056	88,111,673	77,300,989	167,204,411	151,487,045
Infrastructure	371,314,610	363,633,318	35,541,395	33,573,787	406,856,005	397,207,105
Sub-total depreciable assets						
	(251,372,182)	(235,636,067)	(41,174,033)	(36,377,956)	(292,546,215)	(272,014,023)
Accumulated depreciation						
Total depreciable assets, net	245,210,193	245,213,717	88,869,197	80,711,194	334,079,390	325,924,911
Total capital assets	\$ 351,985,319	\$ 344,118,808	\$ 114,306,813	\$ 110,011,192	\$ 466,242,132	\$ 454,130,000

The change to capital assets during the current fiscal year included the following:

- Infrastructure was added in the amount of \$9.6 million.
- The Wastewater Treatment Plant upgrade and expansion had \$1.9 million in construction costs.
- Construction costs of \$1.4 million for the Nested T- Hangar at the Merced Municipal Airport.
- Construction costs of \$1.0 million for Water Well #18 at Burbank Park.
- Construction costs of \$1.0 million for the completion of Merced Municipal Airport Drainage System
- Improvement costs of \$1.0 million along eight city blocks for brick pavers, sidewalk repairs, antique green streetlights, new street trees, and additional on street parking along N & 19th.
- Apartment Complex on Hwy 59 was purchased for the Hwy 59 widening for \$879,000.

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Long-Term Debt - At the end of the current fiscal year, the City had \$82.5 million in outstanding debt consisting of tax allocation bonds, pension obligation bonds, revenue bonds, improvement bonds, participation and development agreements, loans payable and loan guarantees payable. All of the debt was secured or earmarked by specific revenue sources. Additional information on the City of Merced's debt can be found in Note 10. Long-Term Debt.

Outstanding Debt June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Tax allocation bonds payable	\$ 36,042,825	\$ 24,572,825	\$	\$	\$ 36,042,825	\$ 24,572,825
Pension obligation bonds	7,000,000	7,115,000			7,000,000	7,115,000
Participation and development agreements		75,000				75,000
Loan payable	3,284,893	3,501,327			3,284,893	3,501,327
Loan guarantee	825,415	960,688			825,415	960,688
Revenue bonds payable			26,076,224	27,182,261	26,076,224	27,182,261
Loan payable			8,017,743	8,163,193	8,017,743	8,163,193
Improvement bonds payable			1,300,000	1,595,000	1,300,000	1,595,000
Total	<u>\$ 47,133,133</u>	<u>\$ 36,224,840</u>	<u>\$ 35,393,967</u>	<u>\$ 36,940,454</u>	<u>\$ 82,547,100</u>	<u>\$ 73,165,294</u>

During the current fiscal year, the City's total debt increased by \$9.3 million or 12.82%. The overall increase in outstanding debt was a result of a new RDA Tax Allocation Bond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City began to address the economic downturn in fiscal year 2008-09 by freezing vacant positions, restructuring the employee health benefit plan and offering early retirement plans for fiscal years 2008-09 and 2009-10.
- The City was approved for a 20 year State Revolving Fund (SRF) Loan through the State Water Resources Control Board, which will fund the Wastewater Treatment Plant improvements required by the Central Valley Regional Water Quality Control Board. As part of the American Recovery and Reinvestment Act, the City will receive \$2 million in loan forgiveness and an interest rate of 1% on the SRF loan.
- The State of California enacted Proposition 1A which allows the State to borrow 8% of local government's property tax revenues in fiscal year 2009-10. This results in the State borrowing \$1.2 million from the City of Merced. The City will participate in the California Statewide Communities Development Authorities securitization program in order to fund core services.
- There is over \$20 million in funding opportunities in the American Recovery and Reinvestment Act that the City has identified and will aggressively pursue.
- The State budget contemplates taking \$2.05 billion from Redevelopment Agencies throughout the State in fiscal years 2009-10 and 2010-11. If these takings are allowed, the RDA will lose \$3.4 million in tax increment revenues, which would impact capital improvement projects and assistance to new employers.
- The City developed a five year financial plan beginning in fiscal year 2009-10 that utilizes prior year revenues, General Fund reserves of \$2.1 million and expenditure reductions yet maintains core services.
- The City's 2009-10 budget includes over \$50 million in capital improvement projects for construction and maintenance of the City's infrastructure that have a positive impact on the economy by supporting the job market.
- A wastewater rate study will be conducted during fiscal year 2009-10.
- The 2009-10 budget includes a contribution of \$250,000 to the Other Post Employment Benefits (OPEB) trust fund with California Employers' Retiree Benefit Trust.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Merced's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, City of Merced, 678 West 18th Street, Merced, CA, 95340.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

City of Merced
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 93,703,993	\$ 87,044,941	\$ 180,748,934
Restricted cash held by fiscal agent	3,399,045	5,057,780	8,456,825
Receivables, net	3,144,656	4,452,153	7,596,809
Condemnation deposits	92,000		92,000
Due from other governments	7,097,251	7,893,176	14,990,427
Prepaid items	115,057		115,057
Inventory	107,825	97,376	205,201
Total current assets	107,659,827	104,545,426	212,205,253
Noncurrent assets:			
Land held for resale	4,248,322		4,248,322
Notes receivable	27,380,778	12,101	27,392,879
Loan guarantee receivable	831,626		831,626
Other assets	2,034,830		2,034,830
Deferred charges		446,606	446,606
Subtotal noncurrent assets	34,495,556	458,707	34,954,263
Capital assets:			
Nondepreciable	106,725,126	25,437,616	132,162,742
Depreciable, net of accumulated depreciation	245,210,193	88,869,197	334,079,390
Total capital assets, net	351,935,319	114,306,813	466,242,132
Total noncurrent assets	386,430,875	114,765,520	501,196,395
Total assets	494,090,702	219,310,946	713,401,648
LIABILITIES			
Current liabilities:			
Accounts payable	1,359,036	1,117,361	2,476,397
Payroll liabilities	1,803,749	373,634	2,177,383
Deposits	20,359	885,317	905,676
Unearned revenue	218,866	2,627,501	2,846,367
Accrued interest payable	260,842	452,758	713,600
Other liabilities	5,973,011	169,172	6,142,183
Compensated absences, due within one year	890,374	145,969	1,036,343
Claims payable, due within one year	1,437,483		1,437,483
Long-term debt, due within one year	2,207,895	1,591,068	3,798,963
Total current liabilities	14,171,615	7,362,780	21,534,395
Noncurrent liabilities:			
Compensated absences, due in more than one year	2,574,992	430,697	3,005,689
Claims payable, due in more than one year	1,814,580		1,814,580
Long-term debt, due in more than one year	44,945,238	33,802,899	78,748,137
Net OPEB obligation	3,666,706	706,294	4,373,000
Total noncurrent liabilities	53,001,516	34,939,890	87,941,406
Total liabilities	67,173,131	42,302,670	109,475,801
NET ASSETS			
Invested in capital assets, net of related debt	315,446,531	78,912,846	394,359,377
Restricted for:			
Special projects and programs	25,462,690	10,421,267	35,883,957
Debt service	8,612,165	456,382	9,068,547
Capital projects	19,520,767	4,655,343	24,176,110
Total restricted	53,595,622	15,532,992	69,128,614
Unrestricted	57,875,418	82,562,438	140,437,856
Total net assets	\$ 426,917,571	\$ 177,008,276	\$ 603,925,847

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 33,551,460	\$ 13,020,790	\$ 6,109,135	\$ 248,391	\$ 19,378,316
Public safety	29,146,402	3,954,542	634,214		4,588,756
Public works	15,264,700	5,673,283		9,898,058	15,571,341
Parks	5,658,167	1,109,334	577,936	234,446	1,921,716
Interest on long-term debt	1,536,098				
Total governmental activities	85,156,827	23,757,949	7,321,285	10,380,895	41,460,129
Business-type activities:					
Wastewater system	11,997,758	18,174,214		468,832	18,643,046
Water system	9,956,804	10,643,630		440,955	11,084,585
Refuse collection system	10,839,549	10,743,387		852,021	11,595,408
Merced municipal airport	823,199	1,480,413			1,480,413
Total business-type activities	33,617,310	41,041,644		1,761,808	42,803,452
Total government	\$ 118,774,137	\$ 64,799,593	\$ 7,321,285	\$ 12,142,703	\$ 84,263,581

General revenues:

Taxes:

Property

Sales

Franchise taxes

Transient occupancy tax

Business license tax

Cost recovery impact study taxes

Business improvement area taxes

Total taxes

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net Assets:

Beginning of year

End of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (14,173,144)	\$	\$ (14,173,144)
(24,557,646)		(24,557,646)
306,641		306,641
(3,736,451)		(3,736,451)
(1,536,098)		(1,536,098)
(43,696,698)		(43,696,698)
	6,645,288	6,645,288
	1,127,781	1,127,781
	755,859	755,859
	657,214	657,214
	9,186,142	9,186,142
(43,696,698)	9,186,142	(34,510,556)
24,560,717		24,560,717
11,768,163		11,768,163
1,572,984		1,572,984
904,175		904,175
1,159,991		1,159,991
4,135		4,135
79,798		79,798
40,049,963		40,049,963
1,347,878	2,623,993	3,971,871
425,639		425,639
(1,728,024)	1,728,024	
40,095,456	4,352,017	44,447,473
(3,601,242)	13,538,159	9,936,917
430,518,813	163,470,117	593,988,930
\$ 426,917,571	\$ 177,008,276	\$ 603,925,847

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - This fund is used to account for financial resources applicable to the General Governmental Operations of the City of Merced which are not required to be accounted for in another fund.

Redevelopment Agency Special Revenue Fund - This fund is used to account for revenues and expenditures associated with the administration of the Redevelopment Agency.

Housing Special Revenue Fund - This fund provides programs and activities aimed at benefiting low and moderate income persons. The Block Grant is used for providing loans to low and moderate income persons for rehabilitation of dwelling units, and support to other funds which provide grant-eligible services such as Community Police.

Development Services Special Revenue Fund - This fund was established to account for revenues and expenditures associated with Future Planning, Engineering, One-Stop Application Processing, and Inspection Services.

Public Facilities Impact Special Revenue Fund - This fund is to account for the facilities fees collected for the project category Roadways, Bridges and Railroad Crossings, Traffic Signals, Fire, Police and Parks, Recreation and Bikeways.

Redevelopment Agency Debt Service Fund - This fund is used to collect tax increment and disburse funds for payment of debt service, project costs, administration, and 20% Housing Set-A-Side.

Park Reserve Capital Projects Fund - This fund is used to account for all in-lieu fees which may only be used for the purpose of acquiring necessary land and developing new or rehabilitating existing parks or recreational facilities reasonably related to serving the subdivision.

Redevelopment Agency Capital Projects Fund - This fund is used for projects carried out within the Redevelopment Agency Area.

City of Merced
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
ASSETS					
Cash, cash equivalents and investments	\$ 16,126,254	\$ 1,235,540	\$ 243,400	\$ 701,622	\$ 14,631,631
Cash held by fiscal agent	1,609				
Receivables	593,535	118,605	130,848	35,615	535,130
Condemnation deposits					
Due from other governments	2,256,479		46,394		
Due from other funds	27,697	204,302			63,756
Inventory	18,801				
Land held for resale		3,961,484			
Notes receivable		6,299,796	16,926,443		154,539
Loan guarantee receivable					
Advances to other funds	1,720,992				
Other assets					2,034,830
Total assets	\$ 20,745,367	\$ 11,819,727	\$ 17,347,085	\$ 737,237	\$ 17,419,886
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 233,442	\$ 2,286	\$ 2,503	\$ 91,983	\$
Payroll liabilities	1,428,706	18,578	13,472	180,278	
Deposits		15,850			
Deferred revenue	206,777	3,485,228	17,120,515		
Due to other funds					
Advances from other funds					
Other liabilities	5,543		3,005		2,109,687
Total liabilities	1,874,468	3,521,942	17,139,495	272,261	2,109,687
Fund Balances:					
Reserved	2,958,980	7,116,254	178,098	232,123	218,295
Unreserved, designated , reported in:					
General Fund	4,000,000				
Special revenue funds					
Capital project funds					
Total unreserved, designated	4,000,000				
Unreserved, undesignated reported in:					
General Fund	11,911,919				
Special revenue funds		1,181,531	29,492	232,853	15,091,904
Debt service funds					
Capital project funds					
Total unreserved, undesignated	11,911,919	1,181,531	29,492	232,853	15,091,904
Total fund balances	18,870,899	8,297,785	207,590	464,976	15,310,199
Total liabilities and fund balances	\$ 20,745,367	\$ 11,819,727	\$ 17,347,085	\$ 737,237	\$ 17,419,886

See accompanying Notes to Basic Financial Statements.

Major Funds				
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 3,547,632	\$ 2,074,626	\$ 16,870,591	\$ 14,851,682	\$ 70,282,978
3,397,436				3,399,045
593,748	35,913	26,150	598,244	2,667,788
		92,000		92,000
1,021,512	153,937	672,918	2,936,105	7,087,345
				295,755
				18,801
			286,838	4,248,322
4,000,000				27,380,778
831,626				831,626
				1,720,992
				2,034,830
<u>\$ 13,391,954</u>	<u>\$ 2,264,476</u>	<u>\$ 17,661,659</u>	<u>\$ 18,672,869</u>	<u>\$ 120,060,260</u>
\$	\$ 13,417	\$ 25,349	\$ 588,496	\$ 957,476
				1,641,034
			4,509	20,359
4,582,849			12,168	25,407,537
204,302			91,453	295,755
			1,720,992	1,720,992
	3,348,809		490,997	5,958,041
<u>4,787,151</u>	<u>3,362,226</u>	<u>25,349</u>	<u>2,908,615</u>	<u>36,001,194</u>
<u>8,604,803</u>	<u>1,822,605</u>	<u>988,947</u>	<u>5,465,840</u>	<u>27,585,945</u>
				4,000,000
			584,717	584,717
	(2,818,522)	92,000		(2,726,522)
	<u>(2,818,522)</u>	<u>92,000</u>	<u>584,717</u>	<u>1,858,195</u>
				11,911,919
			7,818,455	24,354,235
			7,362	7,362
	(101,833)	16,555,363	1,887,880	18,341,410
	<u>(101,833)</u>	<u>16,555,363</u>	<u>9,713,697</u>	<u>54,614,926</u>
<u>8,604,803</u>	<u>(1,097,750)</u>	<u>17,636,310</u>	<u>15,764,254</u>	<u>84,059,066</u>
<u>\$ 13,391,954</u>	<u>\$ 2,264,476</u>	<u>\$ 17,661,659</u>	<u>\$ 18,672,869</u>	<u>\$ 120,060,260</u>

This page intentionally left blank.

City of Merced

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets June 30, 2009

Total Fund Balances - Total Governmental Funds

\$ 84,059,066

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Non-depreciable, net of Internal Service Fund assets of \$240,490

\$ 106,484,636

Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$7,543,344

237,666,849

344,151,485

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-term debt due within one year

(2,207,895)

Long-term debt due in more than one year

(44,945,238)

Net OPEB obligation, net of Internal Service Fund obligation of \$323,567

(3,343,139)

Compensated absences, net of Internal Service Fund liability of \$335,918

(3,129,448)

(53,625,720)

Deferred revenues recorded in the governmental funds resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.

25,188,671

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.

(260,842)

Internal service funds are used by management to charge the costs of certain activities to individual funds. This amount represents the net assets of the Internal Service Funds.

27,404,911

Net Assets of Governmental Activities

\$ 426,917,571

City of Merced

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2009

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
REVENUES:					
Taxes	\$ 26,083,134	\$	\$	\$	\$
Licenses and permits	33,378				
Intergovernmental	754,572		2,159,398		
Service charges	6,910,535		338,000	3,374,545	1,323,827
Fines, forfeitures and penalties	573,294				
Other	1,086,538	482,779	15,936	196,331	449,572
Total revenues	35,441,451	482,779	2,513,334	3,570,876	1,773,399
EXPENDITURES:					
Current operating:					
General government	5,666,627	1,706,956	1,573,561	4,503,767	119,476
Public safety	27,742,172				
Public works				1,680,417	
Parks	2,018,131				
Total current operating	35,426,930	1,706,956	1,573,561	6,184,184	119,476
Capital outlay	186,704			9,134	117,740
Debt service:					
Principal	115,000				
Interest	408,250				
Total expenditures	36,136,884	1,706,956	1,573,561	6,193,318	237,216
REVENUES OVER (UNDER) EXPENDITURES	(695,433)	(1,224,177)	939,773	(2,622,442)	1,536,183
OTHER FINANCING SOURCES (USES):					
Issuance of debt					
Transfers in	1,287,168	2,912,840	5,295	494,174	32,583
Transfers out	(3,134,974)	(1,748,894)	(995,279)	(56,693)	(2,906,810)
Total other financing sources (uses)	(1,847,806)	1,163,946	(989,984)	437,481	(2,874,227)
Net change in fund balances	(2,543,239)	(60,231)	(50,211)	(2,184,961)	(1,338,044)
FUND BALANCES:					
Beginning of year	21,414,138	8,358,016	257,801	2,649,937	16,648,243
End of year	<u>\$ 18,870,899</u>	<u>\$ 8,297,785</u>	<u>\$ 207,590</u>	<u>\$ 464,976</u>	<u>\$ 15,310,199</u>

See accompanying Notes to Basic Financial Statements.

Major Funds				
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 8,990,006	\$	\$	\$ 4,976,823	\$ 40,049,963
				33,378
	24,084	204,807	5,501,737	8,644,598
212,051			1,805,751	13,964,709
			216,258	789,552
113,088	320,466	240,914	4,320,239	7,225,863
9,315,145	344,550	445,721	16,820,808	70,708,063
2,098,527	172,620	180,230	10,528,452	26,550,216
				27,742,172
			3,531,297	5,211,714
			2,855,831	4,873,962
2,098,527	172,620	180,230	16,915,580	64,378,064
	2,509,945	3,097,788	5,441,090	11,362,401
2,060,273		16,434		2,191,707
1,049,633	15,000	3,072		1,475,955
5,208,433	2,697,565	3,297,524	22,356,670	79,408,127
4,106,712	(2,353,015)	(2,851,803)	(5,535,862)	(8,700,064)
13,120,000				13,120,000
354,850	16,706	14,012,595	11,238,689	30,354,900
(14,415,404)	(10,638)	(1,088,225)	(6,827,027)	(31,183,944)
(940,554)	6,068	12,924,370	4,411,662	12,290,956
3,166,158	(2,346,947)	10,072,567	(1,124,200)	3,590,892
5,438,645	1,249,197	7,563,743	16,888,454	80,468,174
\$ 8,604,803	\$ (1,097,750)	\$ 17,636,310	\$ 15,764,254	\$ 84,059,066

City of Merced

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 3,590,892
--	--------------

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

Governmental funds report acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	11,362,401
---	------------

Developer contributions that were made during the year in the form of capital asset dedication and donations did not constitute revenues that were available and were not recorded in the governmental funds. They were recorded in the Government-Wide Financial Statements as general revenues.	9,742,310
---	-----------

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. This amount is net of internal service fund depreciation expense of \$2,433,748	(13,985,968)
--	--------------

Loss on disposal of capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the loss was not reported as expenditures in the governmental funds.	(449,851)
--	-----------

Expenses in the Statement of Activities which do not require the use of current financial resources are not reported as expenditures in the governmental funds. These expenditures are reported as loans receivable and deferred revenues in the governmental funds.	2,147,833
--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Issuance of long term debt	(13,120,000)
Principal payment	2,191,707

The liability for compensated absences does not require the use of current financial resources. As a result, these costs were not recorded in the governmental funds. This amount represents the current year's costs which were recorded in the Government-Wide Statement of Activities and Changes in Net Assets.	(101,060)
---	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net OPEB Obligation, net of Internal Service Fund obligation expense of \$323,567	(3,343,139)
---	-------------

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from the prior year.	(60,143)
---	----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in Net Assets of the internal service funds is reported with governmental activities.	(1,576,224)
---	-------------

Change in Net Assets of Governmental Activities	\$ (3,601,242)
--	-----------------------

PROPRIETARY FUND FINANCIAL STATEMENTS

Wastewater System - This fund is used to account for the City's wastewater utility, which provides wastewater collection and treatment services to the residents of the City and some residents of the County.

Water System - This fund is used to account for the City's water utility, which provides water delivery services to the residents of the City and some residents of the County.

Refuse Collection System - This fund is used to account for the collection and disposal of municipal solid waste for industrial, commercial and residential customers.

Merced Municipal Airport - This fund was established to maintain and operate the airport in accordance with Federal Regulations Part 139 (Maintenance) and Part 107 (Security).

Internal Service Funds - These funds were used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units, on a cost reimbursement basis.

City of Merced
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds					Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds	Activities Internal Service Funds
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 40,234,897	\$ 41,850,386	\$ 4,721,777	\$ 237,881	\$ 87,044,941	\$ 23,421,015
Cash held by fiscal agent	4,963,411	94,369			5,057,780	
Receivables	2,024,649	1,528,294	876,157	23,053	4,452,153	476,868
Due from other governments	4,047,003	3,823,082		23,091	7,893,176	9,906
Prepaid items						115,057
Inventory	1,540	95,836			97,376	89,024
Total current assets	51,271,500	47,391,967	5,597,934	284,025	104,545,426	24,111,870
Noncurrent assets:						
Notes receivable-private parties	12,101				12,101	
Advances to other funds	12,432	388,865			401,297	
Deferred charges	314,123	132,483			446,606	
Capital assets:						
Nondepreciable	16,289,168	7,322,314	42,055	1,784,079	25,437,616	240,490
Depreciable, net of accumulated depreciation	33,108,445	34,573,756	16,590,706	4,596,290	88,869,197	7,543,344
Total capital assets	49,397,613	41,896,070	16,632,761	6,380,369	114,306,813	7,783,834
Total noncurrent assets	49,736,269	42,417,418	16,632,761	6,380,369	115,166,817	7,783,834
Total assets	101,007,769	89,809,385	22,230,695	6,664,394	219,712,243	31,895,704
LIABILITIES						
Current liabilities:						
Accounts payable	333,096	566,640	187,919	29,706	1,117,361	401,560
Payroll payable	137,839	95,359	127,237	13,199	373,634	162,715
Deposits	179,210	528,784	158,957	18,366	885,317	
Unearned revenue	875,183	1,046,160	706,158		2,627,501	
Accrued interest payable	304,466	148,292			452,758	
Other liabilities	127,434	11,848		29,890	169,172	14,970
Compensated absences payable, due within one year	103,006	4,558	37,492	913	145,969	56,221
Insurance claims, due within one year						1,437,483
Long-term debt, due within one year	1,169,951	421,117			1,591,068	
Total current liabilities	3,230,185	2,822,758	1,217,763	92,074	7,362,780	2,072,949
Noncurrent liabilities:						
Advances from other funds	12,432			388,865	401,297	
Compensated absences payable, due in more than one year	146,084	126,614	148,187	9,812	430,697	279,697
Insurance claims, due in more than one year						1,814,580
Long-term debt, due in more than one year	22,461,283	11,341,616			33,802,899	
Net OPEB obligation	256,166	181,565	242,846	25,717	706,294	323,567
Total noncurrent liabilities	22,875,965	11,649,795	391,033	424,394	35,341,187	2,417,844
Total liabilities	26,106,150	14,472,553	1,608,796	516,468	42,703,967	4,490,793
NET ASSETS						
Invested in capital assets, net of related debt	25,766,379	30,133,337	16,632,761	6,380,369	78,912,846	7,783,834
Restricted						
Special projects and programs	9,452,805	749,512	76,183	142,767	10,421,267	
Debt service	402,438			53,944	456,382	
Capital projects	4,560,974	94,369			4,655,343	
Unrestricted	34,719,023	44,359,614	3,912,955	(429,154)	82,562,438	19,621,077
Total net assets	\$ 74,901,619	\$ 75,336,832	\$ 20,621,899	\$ 6,147,926	\$ 177,008,276	\$ 27,404,911

See accompanying Notes to Basic Financial Statements.

City of Merced

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2009

	Enterprise Funds					Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds	Activities Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 17,376,875	\$ 10,593,398	\$ 10,740,851	\$ 1,480,413	\$ 40,191,537	\$ 21,432,270
Other revenues	797,339	50,232	2,536		850,107	42,845
Total operating revenues	18,174,214	10,643,630	10,743,387	1,480,413	41,041,644	21,475,115
OPERATING EXPENSES:						
Personnel services	3,356,946	2,330,857	3,195,802	326,619	9,210,224	4,118,886
Materials, supplies and other services	3,600,198	4,005,812	5,529,138	252,487	13,387,635	5,304,030
Depreciation	1,990,298	1,705,696	927,168	177,739	4,800,901	2,433,748
Administrative shared expenses	514,956	522,215	323,214	55,013	1,415,398	555,287
Costs applied-labor, materials, supplies and services	1,386,049	863,709	864,227		3,113,985	10,443,956
Total operating expenses	10,848,447	9,428,289	10,839,549	811,858	31,928,143	22,855,907
Capital outlay						16,987
OPERATING INCOME (LOSS)	7,325,767	1,215,341	(96,162)	668,555	9,113,501	(1,397,779)
NONOPERATING						
REVENUES (EXPENSES):						
Interest and investment earnings	1,228,681	1,277,099	115,588	2,625	2,623,993	685,402
Interest and related expenses	(1,149,311)	(528,515)		(11,341)	(1,689,167)	
Gain (loss) on sale of equipment						35,133
Total nonoperating revenues (expenses)	79,370	748,584	115,588	(8,716)	934,826	720,535
INCOME (LOSS) BEFORE TRANSFERS						
CAPITAL CONTRIBUTIONS	7,405,137	1,963,925	19,426	659,839	10,048,327	(677,244)
TRANSFERS AND						
CAPITAL CONTRIBUTIONS:						
Capital contributions	468,832	440,955	852,021		1,761,808	
Transfers in	4,729,174	654,080	64,926	2,036,644	7,484,824	109,095
Transfers out	(4,752,597)	(604,203)		(400,000)	(5,756,800)	(1,008,075)
Total transfers and capital contributions	445,409	490,832	916,947	1,636,644	3,489,832	(898,980)
Change in net assets	7,850,546	2,454,757	936,373	2,296,483	13,538,159	(1,576,224)
NET ASSETS:						
Beginning of year	67,051,073	72,882,075	19,685,526	3,851,443	163,470,117	28,981,135
End of year	\$ 74,901,619	\$ 75,336,832	\$ 20,621,899	\$ 6,147,926	\$ 177,008,276	\$ 27,404,911

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2009

	Enterprise Funds					Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds	Activities Internal Service Funds
CASH FLOWS FROM						
OPERATING ACTIVITIES:						
Cash received from customers, including cash deposits	\$ 17,752,886	\$ 10,693,040	\$ 10,663,535	\$ 1,468,997	\$ 40,578,458	\$ 21,456,596
Cash paid to suppliers	(5,736,280)	(5,297,995)	(6,761,088)	(252,115)	(18,047,478)	(5,295,715)
Cash paid to employees	(3,312,276)	(2,303,681)	(3,182,999)	(320,177)	(9,119,133)	(4,086,700)
Cash (paid to) received from other governments	923,464	150,751		27,884	1,104,635	(11,030,806)
Net cash provided (used) by operating activities	9,627,794	3,242,115	721,984	924,589	14,516,482	1,043,375
CASH FLOWS FROM NONCAPITAL						
FINANCING ACTIVITIES:						
Advances from other funds	(3,464)		(12,382)		373,019	74,002
Advances to other funds	3,464				514,599	
Notes receivable						127,120
Transfers from other funds	4,729,174	654,080		2,036,644	7,484,824	109,095
Transfers to other funds	(4,752,597)	(604,203)		(400,000)	(5,756,800)	(1,008,075)
Net cash provided (used) by noncapital financing activities	(23,423)	561,012	52,544	2,025,509	2,615,642	(697,858)
CASH FLOWS FROM CAPITAL AND						
RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(2,460,049)	(2,068,351)	(20,860)	(2,785,454)	(7,334,714)	(3,581,364)
Payment of long-term debt	(879,709)	(229,047)	242,846	25,717	(840,193)	
Interest payments	(1,115,110)	(517,452)	(371)	(11,341)	(1,644,274)	
Proceeds from disposal of equipment						35,133
Net cash provided (used) by capital and related financing activities	(4,454,868)	(2,814,850)	221,615	(2,771,078)	(9,819,181)	(3,546,231)
CASH FLOWS FROM						
INVESTING ACTIVITIES:						
Investment earnings	1,236,918	1,333,027	118,216	1,908	2,690,069	741,088
Payments from notes to private parties	1,686	1,481	125		3,292	
Net cash provided (used) by investing activities	1,238,604	1,334,508	118,341	1,908	2,693,361	741,088
Net increase (decrease) in cash and cash equivalents	6,388,107	2,322,785	1,114,484	180,928	10,006,304	(2,459,626)
Cash and cash equivalents at beginning of year	38,810,201	39,621,970	3,607,293	56,953	82,096,417	25,880,641
Cash and cash equivalents at end of year	<u>\$ 45,198,308</u>	<u>\$ 41,944,755</u>	<u>\$ 4,721,777</u>	<u>\$ 237,881</u>	<u>\$ 92,102,721</u>	<u>\$ 23,421,015</u>

(Continued)

City of Merced
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2009

	Enterprise Funds				Total	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport	Enterprise Funds	Activities Internal Service Funds
RECONCILIATION OF OPERATING						
INCOME (LOSS) TO NET CASH						
PROVIDED (USED) BY OPERATING						
ACTIVITIES:						
Operating income (loss)	\$ 7,325,767	\$ 1,215,341	\$ (96,162)	\$ 668,555	\$ 9,113,501	\$ (1,397,779)
Adjustments to reconcile operating income						
(loss) to net cash provided						
(used) by operating activities:						
Depreciation	1,990,298	1,705,696	927,168	177,739	4,800,901	2,433,748
Receivables	317,228	253,212	(99,784)	(2,124)	468,532	24,326
Inventory	(40)	11,196			11,156	38,748
Due from other governments	126,441	100,519		27,884	254,844	3,351
Prepays						(110,786)
Accounts payable	(240,725)	82,545	(44,509)	25,495	(177,194)	99,465
Payroll liabilities	36,786	17,187	26,600	2,082	82,655	19,314
Deposits	34,271	(182,972)	2,621	3,824	(142,256)	
Deferred revenue	24,196	29,402	19,847	(13,116)	60,329	
Other liabilities	5,688			29,890	35,578	333,263
Insurance claims						(413,147)
Compensated absences	7,884	9,989	(13,797)	4,360	8,436	12,872
Total adjustments	2,302,027	2,026,774	818,146	256,034	5,402,981	2,441,154
Net cash provided (used) by						
operating activities	\$ 9,627,794	\$ 3,242,115	\$ 721,984	\$ 924,589	\$ 14,516,482	\$ 1,043,375
NON CASH ITEMS:						
Developer contributions of capital assets	\$ 468,832	\$ 440,955	\$ 852,021	\$	\$ 1,761,808	\$

(Concluded)

This page intentionally left blank.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds - These funds are used to account for assets held by the government in a trustee capacity.

Agency Funds - These funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

City of Merced
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 419,666	\$ 2,979,175
Restricted cash held by fiscal agent		2,578,315
Accounts receivables	92,633	235,038
Interest receivables	1,318	4,518
Deposits		179,477
Due from other governments		593,800
Due from other funds		7,694
Total assets	513,617	\$ 6,578,017
LIABILITIES		
Accounts payable	81,228	
Deposits		1,756,213
Other liabilities		234,100
Due to other funds		7,694
Due to bondholders		4,580,010
Total liabilities	81,228	\$ 6,578,017
NET ASSETS		
Held in trust for other purposes	432,389	
Total net assets	\$ 432,389	

See accompanying Notes to Basic Financial Statements.

City of Merced

Statement of Changes in Fiduciary Net Assets Fiduciary Funds - Private Purpose Trust Funds For the year ended June 30, 2009

	Private Purpose Trust Funds
ADDITIONS:	
Investment earnings	\$ 21,716
Miscellaneous	436,739
Total additions	458,455
DEDUCTIONS:	
General government	470,422
Total deductions	470,422
Net decrease	(11,967)
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES:	
Beginning of year	444,356
End of year	\$ 432,389

This page intentionally left blank.

City of Merced
Notes to Basic Financial Statements
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Merced, California, (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated April 1, 1889. The current Charter for the City's government was ratified by electors on April 12, 1949, and approved by the legislature of the State of California on May 11 and May 12, 1949. The City operates under a Council-Manager form of government and provides the following services: safety (police and fire), highways and streets, wastewater, water, refuse, parks and recreation, planning and zoning, airport and general administrative services.

The financial reporting entity, as defined by GASB, consists of the primary government, the City, organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The City of Merced Redevelopment Agency (Agency)
- The City of Merced Public Financing Authority (Authority)

As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. A separate financial statement for the Agency can be obtained from the City's Finance Department located at the City of Merced Civic Center.

The Agency of the City was established pursuant to the State of California Health and Safety Code Section 33000, entitled Community Redevelopment Law. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of project areas within the territorial limits of the City.

The Authority was re-created on January 1, 2003, by a City and Redevelopment Resolution. The Authority had originally been created in August 1987 but had expired by its terms. The Authority is a separate public entity and is to provide for the financing of costs and expenses of acquisition, construction and installation of authorized public capital improvements for the members through any financing procedures legally available to the members. All powers are vested in the governing board.

All entities included in this financial statement maintain June 30 as their fiscal year-end.

The City provides accounting and investing services for the Merced Mariposa Narcotics Task Force and Merced Somoto Sister City, whose funds are included in the City's pooled cash for investing purposes only. The City does not have the ability to exercise influence over them, therefore these entities are reported in the accompanying financial statements as Agency Funds in the Fiduciary Fund Financial Statements.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-Wide Fund Financial Statements

The basic financial statements include both Government-Wide (based on the City as a whole) and Fund Financial Statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the Fund Financial Statements). Major Funds are funds whose revenues, expenditures or expenses, assets, or liabilities are at least ten percent of the corresponding totals for all Governmental or Enterprise Funds and at least five percent of the aggregate amount for all Governmental and Enterprise Funds for the same item. The General Fund is always a Major Fund and any other government or enterprise fund may be reported as a Major Fund if the City believes that fund is particularly important to financial statement users.

The Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities and change in Net Assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-Wide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the Fund Financial Statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

Property taxes, special assessments, sales taxes, licenses, intergovernmental revenues, investment earnings, charges for services and fines and penalties associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes attach as an enforceable lien on property. Secured and unsecured property taxes are levied on July 1. The unsecured and secured property tax lien date is January 1. Unsecured property taxes become delinquent on August 31. Secured property taxes are payable in two installments, on November 1 and February 1 of each year, and become delinquent on December 10 and April 10, respectively. The County of Merced, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The County is permitted by State law to levy property taxes at 1% of properties assessed value and can increase property assessed value no more than 2% per year.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency Special Revenue Fund is used to account for revenues and expenditures associated with the administration of the Agency.

The Housing Special Revenue Fund provides programs and activities aimed at benefiting low and moderate income persons.

The Development Services Special Revenue Fund is used to account for revenues and expenditures associated with Future Planning, Engineering, One-Stop Application Processing, Inspection Services and Code Enforcement.

The Public Facilities Impact Special Revenue Fund is used to account for the facilities fees collected for the project category Roadways, Bridges and Railroad Crossings, Traffic Signals, Fire, Police and Parks, Recreation and Bikeways.

The Redevelopment Agency Debt Service Fund is used to account for the collection of tax increment and disburse funds for payment of debt service, project costs, administration, and 20% Housing Set-A-Side.

The Park Reserve Fund Capital Projects Fund is used to account for all in-lieu fees collected which are deposited into this fund and may only be used for the purpose of acquiring necessary land and developing new or rehabilitating existing parks or recreational facilities.

The Redevelopment Agency Capital Project Fund is used for projects carried out within the Agency.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

The City reports all of its proprietary funds as major:

The Wastewater System Fund is used to account for treatment of industrial and domestic wastewater. The fund collects all user fees and disburses all expenditures for this purpose. The fund also collects fees resulting from new growth. These funds will be used in the future to expand capacity of the wastewater treatment plant required due to growth.

The Water System Fund is used to account for operation and maintenance of a water system consisting of well sites, deep well pumps, fluoridation facilities, distribution pipeline and elevated storage tanks.

The Refuse Collection System Fund is used to account for collection and disposal of municipal solid waste for industrial, commercial and residential customers. In addition, the fund provides for a green waste and recycling program which were created to divert waste from the landfill.

The Municipal Airport Fund is used to account for operation and maintenance of the airport in accordance with Federal regulations.

Additionally, the government reports the following fund types:

Internal Service Funds are used to account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The City has Internal Service Funds for Workers' Compensation Insurance, Liability Insurance, Unemployment Insurance, Employee Benefits, Fleet Management, Fleet Replacement, Facility Maintenance, Support Services and Personal Computer Replacement.

The Private Purpose Trust Funds are used to account for resources legally held in trust for the Task Force Trust, Youth Programs Endowment, Wahneta Hall Trust, Missing Children Trust and Regional Transportation Trust.

The Agency Funds are used to account for resources held by the City in a purely custodial capacity.

Certain eliminations have been made as prescribed by GASB Statement No. 34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total governmental column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

Amounts reported as program revenues include 1) charges to customers for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

D. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

E. Cash, Cash Equivalents, and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents, and Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments 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.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled 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 to change in interest rates.

F. Receivables

All receivables are shown net of an allowance for doubtful accounts. Service charges revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed monthly. Amounts unbilled at June 30 are recorded as a receivable and recognized as revenue.

G. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

H. Inventory

Inventory is valued at average cost, which approximates cost as determined on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is equally offset by a fund balance reservation, which indicates that it does not constitute expendable available financial resources. Inventories in the proprietary funds are recorded at cost, which approximates market.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Land Held for Resale

Land held for resale consists of land and project costs relating to property acquired or constructed which will be sold under terms of disposition and development agreements between the Agency and developers. The land held for resale is recorded at the lower of cost or estimated net realizable value. Reported amounts are fully reserved, which indicates that they do not constitute expendable available resources. In the Fund Financial Statements an amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance the City's current operations.

J. Capital Assets

Capital assets, which include land and improvements, buildings and structures, improvements other than buildings, structures, and land improvements, machinery and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General capital assets	\$	500
Infrastructure capital assets		500

Depreciation has been provided on a straight-line basis over the following useful lives:

	<u>Years</u>
Infrastructure	10-40
Buildings and Structures	15-20
Improvements other than buildings	15
Machinery and equipment	5

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include: streets, water, and sewer systems, park land, and other similar items. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements.

Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost for the business-type and proprietary funds.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Capital Assets, Continued

The City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as historical cost or estimated historical cost if actual cost was not available. The accumulated depreciation was calculated from the date of construction/acquisition to the current date on a straight line basis. The book value can be computed by deducting the accumulated depreciation from the original cost.

K. Compensated Absences

The City accounts for compensated absences in accordance with GAAP. In the Government-Wide Financial Statements and Proprietary Financial Statements, which use the accrual basis of accounting, accrued compensated absences benefits are recorded as liabilities as vested and earned.

L. Deferred Revenue/Unearned Revenue

In the Government-Wide Financial Statements, unearned revenue is recorded for transactions for which revenues have not been earned.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations.

M. Long-Term Liabilities

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements long-term debt and other financed obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as expenditures.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Assets and Fund Equity

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. New Pronouncements

In 2009, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions* - This Statement establishes accounting and financial reporting standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities. Information is disclosed in notes to financial statements or presented as required supplementary information (RSI).
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements, Continued

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* – The objective of this Statement is to incorporate into Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presents in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Finance Officer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on daily cash and investment balances in these funds.

A. Cash Deposits

At June 30, 2009, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a balance of \$2,770,775 and petty cash of \$2,975. Bank balances in the City's general checking accounts were \$4,965,662 and were fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS

B. Investments

The City is authorized by State statutes and in accordance with the City's Investment Policy (the Policy) to invest in the following:

- U.S. Treasury and U.S. Agency Issues
- Non-Negotiable Certificates of Deposit
- California Local Agency Investment Fund (LAIF)
- Government Bonds and Notes
- Passbook Savings
- Bankers Acceptances
- Commercial Paper (Corporations)
- Medium-Term Corporate Notes
- Repurchase Agreements
- Mutual Funds

C. Summary of Cash and Investments

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2009:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 93,703,993	\$ 87,044,941	\$ 180,748,934	\$ 3,398,841	\$ 184,147,775
Restricted Cash held by fiscal agent	\$ 3,399,045	\$ 5,057,780	\$ 8,456,825	\$ 2,578,315	\$ 11,035,140

D. Risks

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

Pooled cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2009 are shown below:

Investment Type	Fair Value	Investment Maturities (in years)
		3 years or less
Cash:		
Cash Deposits	\$ 2,770,775	\$ 2,770,775
Petty Cash	2,975	2,975
Total cash:	2,773,750	2,773,750
Investments:		
Money Market Fund	2,813,551	2,813,551
U.S. Government Agency Securities	86,534,075	86,534,075
Local Agency Investment Fund	92,026,399	92,026,399
Total investments	181,374,025	181,374,025
Total cash and investments	\$ 184,147,775	\$ 184,147,775
Restricted Cash with Fiscal Agents:		
Local Agency Investment Fund	\$ 5,586,480	\$ 5,586,480
Money Market Funds	3,377,660	3,377,660
U.S. Agency Securities	2,071,000	2,071,000
Total restricted cash with fiscal agents	\$ 11,035,140	\$ 11,035,140

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the June 30, 2009 rating which meets the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements:

	Credit Quality Ratings
Investments:	
U.S. Agency Securities	AAA
Money Market Fund	AAA
Local Agency Investment Fund	Not rated
Fiscal Agents:	
Local Agency Investment Fund	Not rated
Money Market Funds	AAA
U.S. Agency Securities	Not rated

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

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 failure of the counter party (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 City). The market 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.

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2009 from June 30, 2008 amounted to an unrealized gain of \$623,186.

F. Investments in Local Agency Investment Fund

The City's investments with LAIF at June 30, 2009, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the City had \$92,026,399 invested in LAIF, which had invested 14.71% of the pooled investment funds in Structured Notes and Asset-Backed Securities as compared to 14.72% in the previous year. The LAIF fair value factor of 1.001364207 was used to calculate the fair value of the investments in LAIF.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

G. Cash and Investments with Fiscal Agents

Funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated "A" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2009, cash and investments with fiscal agents totaling \$11,035,140 were recorded at fair value.

3. RECEIVABLES

A. Government Wide Financial Statements

At June 30, 2009, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 1,690,339	\$ 4,181,017	\$ 5,871,356
Interest receivable	1,454,317	271,136	1,725,453
Total	\$ 3,144,656	\$ 4,452,153	\$ 7,596,809

B. Fund Financial Statements

At June 30, 2009, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts receivable	\$ 1,646,465	\$ 4,181,017	\$ 43,874	\$ 327,671	\$ 6,199,027
Interest receivable	1,021,323	271,136	432,994	5,836	1,731,289
Total	\$ 2,667,788	\$ 4,452,153	\$ 476,868	\$ 333,507	\$ 7,930,316

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2009, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 543,892
Housing Special Revenue Fund	
Redevelopment Special Revenue Fund	2,926
Development Service Special Revenue Fund	33,253
Public Facilities Impact Special Revenue Fund	481,596
Redevelopment Agency Debt Service Fund	
Park Reserve Capital Project Fund	29,750
Redevelopment Capital Projects	
Nonmajor Funds	555,048
Total governmental funds	<u>\$ 1,646,465</u>
<i>Enterprise Funds:</i>	
Wastewater System	1,892,662
Water System	1,403,980
Refuse Collection System	862,039
Merced Municipal Airport	22,336
Total enterprise funds	<u>4,181,017</u>
<i>Internal Service Funds</i>	<u>43,874</u>
Total internal service funds	<u>43,874</u>
<i>Fiduciary Funds - Private Purpose Trust Funds</i>	
Agency Funds	235,038
Regional Transportation Improvement	92,633
Total Fiduciary Funds	<u>327,671</u>
Total Accounts Receivable	<u><u>\$ 6,199,027</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Interest Receivable

Interest receivable consisted of interest from investments pooled by the City, which is distributed among the funds at the end of the accounting period and interest from notes receivable. The interest receivable as of June 30, 2009, was as follows:

	City Pooled Investments	Fiscal Agent Investments	Total
<i>Governmental Funds:</i>			
General Fund	\$ 49,643	\$	\$ 49,643
Redevelopment Agency Special Revenue Fund	115,679		115,679
Housing Special Revenue Fund	130,848		130,848
Development Services Special Revenue Fund	2,362		2,362
Public Facilities Impact Special Revenue Fund	53,534		53,534
Redevelopment Agency Debt Service Fund	593,748		593,748
Park Reserve Capital Projects Fund	6,163		6,163
Redevelopment Agency Capital Projects Fund	12,848	13,301	26,150
Nonmajor Governmental Funds	43,196		43,196
Total governmental funds	1,008,021	13,301	1,021,323
<i>Enterprise Funds:</i>			
Wastewater System	131,987		131,987
Water System	124,314		124,314
Refuse Collection System	14,118		14,118
Airport	717		717
Total enterprise funds	271,136		271,136
<i>Internal Service Funds:</i>	432,994		432,994
Total	1,712,151	13,301	1,725,453
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	1,318		1,318
Agency Funds	2,964	1,554	4,518
Total fiduciary funds	4,282	1,554	5,836
Total interest receivable	\$ 1,716,433	\$ 14,855	\$ 1,731,289

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. DEFERRED REVENUE/UNEARNED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in the Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2009, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 218,866	\$	\$ 218,866
Service charges received in advance		2,627,501	2,627,501
	<u>\$ 218,866</u>	<u>\$ 2,627,501</u>	<u>\$ 2,846,367</u>

B. Fund Financial Statements

At June 30, 2009, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Redevelopment Agency Revenue	Housing Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 206,777	\$	\$	\$	\$ 12,089	\$ 218,866
Long-term loans receivable		3,485,228	17,120,515	4,582,849	79	25,188,671
Total	<u>\$ 206,777</u>	<u>\$ 3,485,228</u>	<u>\$ 17,120,515</u>	<u>\$ 4,582,849</u>	<u>\$ 12,168</u>	<u>\$ 25,407,537</u>

Proprietary Funds:

	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 875,183	\$ 1,046,160	\$ 706,158	\$ 2,627,501
Total	<u>\$ 875,183</u>	<u>\$ 1,046,160</u>	<u>\$ 706,158</u>	<u>\$ 2,627,501</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To, Due From

At June 30, 2009, the City had the following short-term interfund receivables and payables:

	Due From				
	Governmental Activities				
	Redevelopment Agency Special		Public Facilities Impact	Non-Major	Total
	General	Revenue	Fees	Funds	
Due To					
<i>Governmental Activities:</i>					
Redevelopment Agency Debt Service	\$	\$ 204,302	\$	\$	\$ 204,302
Non-Major Funds	27,697		63,756		91,453
Totals	<u>\$ 27,697</u>	<u>\$ 204,302</u>	<u>\$ 63,756</u>	<u>\$</u>	<u>\$ 295,755</u>

The amount due to the Redevelopment Agency Special Revenue Fund represents the 20% housing set aside due from the Redevelopment Agency Debt Service Fund. Other current interfund balances arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Long-Term Advances

At June 30, 2009, the City had the following interfund long-term advances:

Advances to Other Funds		
	Governmental Activities	Business-Type Activities
	General	Water System
		Total
<i>Governmental Activities:</i>		
Non-major funds	\$ 1,720,992	\$ 1,720,992
<i>Business-type Activities:</i>		
Merced Municipal Airport		388,865
Total	<u>\$ 1,720,992</u>	<u>\$ 2,109,857</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

A. Fund Financial Statements, Continued

Long-Term Advances, Continued

Advance to the Community Facility District Fund (a non-major fund) represents an advance from the General Fund. Interest rate is equal to the rate earned on the City's investment portfolio from the date of disbursements. Advance to be repaid from funds received by annual special tax apportioned among the parcels within the district. Advance balance as of June 30, 2009 is \$1,710,992.

Advance to the Community Facility District Fund (a non-major fund) represents an advance from the General Fund of \$10,000 from per City Council action June 15, 2009. Advance to be repaid with interest from developer settlement.

Advance to the Airport Debt Service Fund represents an advance from the Wastewater Enterprise Fund of \$400,000 per City Council action November 17, 2008. The advance is to increase funding to purchase general aviation hangars. Advance to be repaid back over ten years at a rate of 6.210% with monthly payments of \$4,495. Advance balance as of June 30, 2009 is \$388,865.

Transfers

At June 30, 2009, the City had the following transfers:

Transfers Out	Transfers In								
	Governmental Activities								
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Special Revenue	Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Nonmajor Funds
Governmental Activities:									
General	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,907,373
RDASpecial Revenue								1,736,596	12,298
Housing Special Revenue	230,000			383,601		354,850			26,827
Development Services	56,698								
Public Facilities	55,260						16,706		
RDADebt Service		2,202,752						12,212,652	
Park Reserve Capital									10,638
RDACapital Projects		701,618						63,347	
Nonmajor Funds	494,620			22,710	32,583				
Business-type Activities:									
Water System									37
Wastewater System									
Internal Service Funds	450,595	8,470	5,295	87,863					189,230
Total	\$ 1,287,168	\$ 2,912,840	\$ 5,295	\$ 494,174	\$ 32,583	\$ 354,850	\$ 16,706	\$ 14,012,595	\$ 11,238,689

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

A. Fund Financial Statements, Continued

Transfers, Continued

	Transfers In							
	Business Activities							
	Merced Municipal Airport Revenue	Refuse Fund Revenue	Wastewater System Revenue	Water System Revenue	Total Business Activities Funds	Internal Services Funds Revenue	Total Government	Total All Funds
Transfers Out								
<i>Governmental Activities:</i>								
General	\$ 227,601	\$	\$	\$	\$ 227,601	\$	\$ 2,907,373	\$ 3,134,974
RDA Special Revenue							1,748,894	1,748,894
Housing Special Revenue							995,278	995,278
Development Services							56,693	56,693
Public Facilities							2,906,809	2,906,809
RDA Debt Service							14,415,404	14,415,404
Park Reserve Capital							10,638	10,638
RDA Capital Projects						13,000	1,075,225	1,088,225
Nonmajor Funds	1,313,560				1,313,560	16,373	5,497,096	6,827,029
<i>Business-type Activities:</i>								
Water System				604,166	604,166		37	604,203
Wastewater System	90,000		4,662,597		4,752,597			4,752,597
Merced Municipal Airport	400,000				400,000			400,000
<i>Internal Service Funds</i>	5,483	64,926	66,577	49,914	186,900	79,722	741,453	1,008,075
Total	\$ 2,036,644	\$ 64,926	\$ 4,729,174	\$ 654,080	\$ 7,484,824	\$ 109,095	\$ 30,354,900	\$ 37,948,819

The following are explanations for the transfers in and out for the major funds:

1. Transfers from the General Fund to the Merced Municipal Airport Fund were for the General Fund subsidy for airport operations.
2. Transfers from the RDA Special Revenue to the RDA Capital Project Fund were for capital outlay projects.
3. Transfers from the Housing Fund to General Fund were for police officers and community aide.
4. Transfers from the Housing Fund to the Development Service Funds were for planning and urban development services provided to the Housing Fund and to subsidize Code Enforcement operations.
5. Transfers from the Housing Fund to the Redevelopment Agency Debt Service funds were for HUD 108 loan debt service.
6. Transfers from the Development Services to the General Fund were for LAFCO Operations.
7. Transfers from the Public Facilities Impact Fund to the Capital Projects Funds were for capital outlay projects.
8. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Special Revenue Funds were for the required 20% set aside and reimbursement for administration expenses.
9. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds were for capital outlay projects.
10. Transfers from the RDA Capital Projects to the RDA Special Revenue were to reimburse previous transfers for capital outlay projects.
11. Transfers from Public Facilities Impact Fund to the General Fund were for the new police station project.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LAND HELD FOR RESALE

At June 30, 2009, the City's land held for resale consisted of the following:

Airport Industrial Park	\$	286,838
Southern Pacific Land		413,172
150 W. 19th Street		73,600
606 W. 19th Street		688,286
376 S West Avenue		96,068
2321 G Street		180,447
1744 I Street		181,044
1815 I Street		85,260
1823 I Street		19,050
205 W. 18th St.		85,370
33 Parsons Ave		191,704
406 Childs Ave		468,694
2824 N. Hwy 59		95,897
2872 N. Hwy 59		286,455
2922 N. Hwy 59		241,366
2940 N. Hwy 59		276,494
2960 N. Hwy 59		135,983
2906 N. Hwy 59		241,302
73 South R St		201,293
Total governmental funds	\$	4,248,322

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2009, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 68,337,337	\$ 258,681	\$ 68,596,018
Construction in process	38,387,789	25,178,935	63,566,724
Total nondepreciable assets	106,725,126	25,437,616	132,162,742
<i>Depreciable Assets:</i>			
Buildings and structures	9,632,640	2,511,934	12,144,574
Machinery and equipment	36,542,387	3,878,228	40,420,615
Improvements other than buildings, structures, and land improvements	79,092,738	88,111,673	167,204,411
Infrastructure	371,314,610	35,541,395	406,856,005
Total depreciable Assets:	496,582,375	130,043,230	626,625,605
Less accumulated depreciation	(251,372,182)	(41,174,033)	(292,546,215)
Total depreciable assets, net	245,210,193	88,869,197	334,079,390
Total capital assets	\$ 351,935,319	\$ 114,306,813	\$ 466,242,132

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2008	Additions	Deletions	Reclassification	Adjustments	Balance June 30, 2009
<i>Non-depreciable Assets:</i>						
Land and improvements	\$ 61,843,612	\$ 3,070,400	\$	\$ 3,423,325	\$	\$ 68,337,337
Construction in progress	37,061,479	8,086,227	(444,838)	(6,315,079)		38,387,789
Total nondepreciable assets	98,905,091	11,156,627	(444,838)	(2,891,754)		106,725,126
<i>Depreciable Assets:</i>						
Buildings and structures	9,335,272	85,509		211,859		9,632,640
Machinery and equipment	33,695,138	3,560,441	(713,192)			36,542,387
Improvements other than buildings, structures, and land improvements	74,186,056	2,226,787		2,679,895		79,092,738
Infrastructure	363,633,318	7,681,292				371,314,610
Total depreciable assets	480,849,784	13,554,029	(713,192)	2,891,754		496,582,375
<i>Accumulated depreciation:</i>						
Buildings and structures	(4,914,073)	(467,314)				(5,381,387)
Machinery and equipment	(26,134,850)	(3,050,624)	683,601			(28,501,873)
Improvements other buildings, than buildings, structures, and land improvements	(35,917,826)	(3,649,211)				(39,567,037)
Infrastructure	(168,669,318)	(9,252,567)				(177,921,885)
Total accumulated depreciation	(235,636,067)	(16,419,716)	683,601			(251,372,182)
Total depreciable assets, net	245,213,717	(2,865,687)	(29,591)	2,891,754		245,210,193
Total governmental activities, net	\$ 344,118,808	\$ 8,290,940	\$ (474,429)	\$	\$	\$ 351,935,319

Governmental activities depreciation expense for capital assets for the year ended June 30, 2009 was as follows:

General Government	\$ 3,231,870
Public Safety	851,352
Public Works	11,641,562
Parks	694,931
Total depreciation expense	<u>\$ 16,419,716</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2008	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2009
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$	\$	\$	\$ 258,681
Construction in progress	29,041,317	5,914,768	(30,835)	(9,746,315)	25,178,935
Total nondepreciable assets	29,299,998	5,914,768	(30,835)	(9,746,315)	25,437,616
<i>Depreciable Assets:</i>					
Buildings and structures	2,511,934				2,511,934
Machinery and equipment	3,702,440	181,083	(5,295)		3,878,228
Improvements other buildings, than buildings, structures, and land improvements	77,300,989	1,064,369		9,746,315	88,111,673
Infrastructure	33,573,787	1,967,608			35,541,395
Total depreciable assets	117,089,150	3,213,060	(5,295)	9,746,315	130,043,230
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,377,252)	(21,747)			(2,398,999)
Machinery and equipment	(2,645,432)	(378,294)	4,823		(3,018,903)
Improvements other buildings, than buildings, structures, and land improvements	(27,452,175)	(3,409,802)			(30,861,977)
Infrastructure	(3,903,097)	(991,057)			(4,894,154)
Total accumulated depreciation	(36,377,956)	(4,800,900)	4,823		(41,174,033)
Total depreciable assets, net	80,711,194	(1,587,840)	(472)	9,746,315	88,869,197
Total business-type activities	\$ 110,011,192	4,326,928	\$ (31,307)	\$	\$ 114,306,813

Business-type activities depreciation expense for capital assets for the year ended June 30, 2009, was as follows:

Wastewater System Fund	\$ 1,990,298
Water System Fund	1,705,696
Refuse Collection System	927,167
Merced Municipal Airport	177,739
Total depreciation expense	\$ 4,800,900

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The Fund Financial Statements do not present general government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

8. DEFERRED CHARGES

At June 30, 2009, the City had the following deferred charges:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
CSCDA Wastewater Revenue Bond	\$ 317,885	\$	\$ (32,433)	\$ 285,452
Improvement Bonds Payable	43,968		(15,297)	28,671
CSCDA Water Revenue Bond	147,530		(15,047)	132,483
Total	\$ 509,383	\$	\$ (62,777)	\$ 446,606

These deferred charges represent bond issuance costs, which are being amortized over the life of the related bonds using the straight line method. Amortization expense for the year ended June 30, 2009 was \$62,777.

9. OTHER LIABILITIES

Other liabilities consists of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2009, were as follows:

Developer Credits	\$ 5,457,737
Miscellaneous Liabilities	500,304
Total	\$ 5,958,041

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year	Due in More than One Year
Tax Allocation Bonds	\$ 24,572,825	\$ 13,120,000	\$ (1,650,000)	\$ 36,042,825	\$ 1,715,000	\$ 34,327,825
Pension Obligation Bonds	7,115,000		(115,000)	7,000,000	140,000	6,860,000
Participation and Development Agreements	75,000		(75,000)			
Loan Payable	3,501,327		(216,434)	3,284,893	217,622	3,067,271
Loan Guarantee	960,688		(135,273)	825,415	135,273	690,142
Total	\$ 36,224,840	\$ 13,120,000	\$ (2,191,707)	\$ 47,153,133	\$ 2,207,895	\$ 44,945,238

A. Government-Wide Financial Statements

Tax Allocation Bonds Payable

Tax allocation bonds payable at June 30, 2009, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 12,170,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,145,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	8,607,825
2009 \$13,120,000 Tax Allocation Bonds, Series A	13,120,000
Total	\$ 36,042,825

For the year ended June 30, 2009, the combined principal and interest on the Tax Allocation Bonds used 26% of the total tax increment revenues pledged.

1999 \$25,000,000 Tax Allocation Bonds, Series A

1999 \$25,000,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$1,100,000 to \$1,975,000 principal payable annually, interest at 3.50% to 4.75%, payable semi-annually, matures 2015. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issued as a parity debt to the 1999 RDA Project Area 2 Tax Allocation Bonds. Annual principal and interest payments on the 1999 and 2003 RDA Project Area 2 Tax Allocation Bonds were expected to use 68% of tax revenues in 2008-09. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$14,212,210 and \$18,096,746, respectively. For the current year, total principal and interest paid was \$2,213,283 and property tax increment revenue was \$5,966,901. The tax allocation bonds used 37% of current year's tax revenue.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

1999 \$25,000,000 Tax Allocation Bonds, Series A, Continued

The annual debt service requirements for the 1999 \$25,000,000 Tax Allocation Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 1,525,000	\$ 511,353	\$ 2,036,353
2011	1,590,000	446,510	2,036,510
2012	1,655,000	376,710	2,031,710
2013	1,730,000	301,375	2,031,375
2014	1,805,000	221,838	2,026,838
2015-2016	3,865,000	184,424	4,049,424
Total	\$ 12,170,000	\$ 2,042,210	\$ 14,212,210

2001 \$2,400,000 Tax Allocation Bonds, Series A

2001 \$2,400,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$40,000 to \$80,000 of principal payable annually, interest at 5.00% to 5.60%, payable semi-annually, matures 2031. The tax allocation bonds are secured by property tax increments. The 2009 RDA Gateways Tax Allocation Bonds were issues as a parity debt to the 2001 RDA Gateways Tax Allocation Bonds. Annual principal and interest payments on the 2001 Gateways Tax Allocation Bonds were expected to use 24% of tax revenues in 2008-09. The total principal and interest remaining to be paid on the 2001 and 2009 Gateways bonds is \$3,858,301 and \$30,267,745, respectively. For the current year, principal and interest paid was \$166,473 and property tax increment revenue was \$3,023,105. No principal or interest paid was paid on the 2009 bonds. The tax allocation bonds used 6% of current year's tax revenue.

The annual debt service requirements for the 2001 \$2,400,000 Tax Allocation Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 45,000	\$ 119,223	\$ 164,223
2011	50,000	116,848	166,848
2012	50,000	114,348	164,348
2013	55,000	111,695	166,695
2014	55,000	108,863	163,863
2015-2019	350,000	492,403	842,403
2020-2024	450,000	379,787	829,787
2025-2029	620,000	228,449	848,449
2030-2032	470,000	41,685	511,685
Total	\$ 2,145,000	\$ 1,713,301	\$ 3,858,301

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

2003 \$9,007,825 Tax Allocation Bonds, Series A

2003 \$9,007,825 Tax Allocation Bonds, Series A, Redevelopment Agency, consisting of \$1,220,000 Current Interest Bonds and \$7,522,825 Capital Appreciation Bonds, \$130,000 to \$1,156,807 of principal payable annually, interest payable annually, matures 2023. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issued as a parity debt to the 1999 RDA Project Area 2 Tax Allocation Bonds. Annual principal and interest payments on the 1999 and 2003 RDA Project Area 2 Tax Allocation Bonds were expected to use 68% of tax revenues in 2008-09. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$14,212,210 and \$18,096,746, respectively. For the current year, total principal and interest paid was \$2,213,283 and property tax increment revenue was \$5,966,901. The tax allocation bonds used 37% of current year's tax revenue.

The interest rate on the Current Interest Bonds is 2.0% to 3.625%. The yield to maturity on the Capital Appreciation Bonds is 4.5% to 5.15%.

The annual debt service requirements for the 2003 \$9,007,825 Tax Allocation Bonds are as follows:

For the Years Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		
	Principal	Interest	Initial Amount	Accreted Interest	Value at Maturity
2010	\$ 145,000	\$ 32,745	\$	\$	\$
2011	145,000	28,830			
2012	150,000	24,384			
2013	155,000	19,521			
2014	160,000	14,303			
2015-2019	330,000	11,964	4,238,800	4,201,200	8,440,000
2020-2024			3,284,025	5,155,975	8,440,000
Total	\$ 1,085,000	\$ 131,746	\$ 7,522,825	\$ 9,357,175	\$ 16,880,000

2009 \$13,120,000 Tax Allocation Bonds, Series A

2009 \$13,120,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$170,000 to \$1,050,000 of principal payable annually, interest at 3.00% to 6.50%, payable semi-annually, matures 2039. The tax allocation bonds are secured by property tax increments. The 2009 RDA Gateways Tax Allocation Bonds were issues as a parity debt to the 2001 RDA Gateways Tax Allocation Bonds. Annual principal and interest payments on the 2001 Gateways Tax Allocation Bonds were expected to use 24% of tax revenues in 2008-09. The total principal and interest remaining to be paid on the 2001 and 2009 Gateways bonds is \$3,858,301 and \$30,267,745, respectively. For the current year, principal and interest paid was \$166,473 and property tax increment revenue was \$3,023,105. No principal or interest paid was paid on the 2009 bonds. The tax allocation bonds used 6% of current year's tax revenue.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

2009 \$13,120,000 Tax Allocation Bonds, Series A, Continued

The annual debt service requirements for the 2009 \$13,120,000 Tax Allocation Bonds are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	\$ 602,586	\$ 602,586
2011	170,000	792,069	962,069
2012	175,000	786,456	961,456
2013	180,000	780,019	960,019
2014	185,000	772,944	957,944
2015-2019	1,085,000	3,721,925	4,806,925
2020-2024	1,380,000	3,398,419	4,778,419
2025-2029	1,810,000	2,933,203	4,743,203
2030-2034	2,760,000	2,246,188	5,006,188
2035-2039	4,325,000	1,079,813	5,404,813
2040	1,050,000	34,125	1,084,125
Total	<u>\$ 13,120,000</u>	<u>\$ 17,147,745</u>	<u>\$ 30,267,745</u>

Pension Obligation Bonds

California Statewide Communities Development Authority Taxable Pension Obligation Bonds

On June 1, 2005, the California Statewide Communities Development Authority (CSCDA) issued bonds pursuant to the terms of a Trust Agreement dated June 1, 2005 by and between the CSCDA and Wells Fargo Bank (Trustee) as trustee for the purpose of purchasing taxable pension obligation bonds of participating counties and cities (Local Agencies). The obligations of each Local Agency are imposed by law. The total amount of the bonds issued was \$197,084,195. The City's obligation amounted to \$7,355,000.

The bond proceeds were used by each Local Agency to meet obligations to pay the Local Agency's unfunded accrued actuarial liability to the California Public Employees' Retirement System. The bonds are an unconditional obligation of the Local Agencies payable from legally available funds.

Principal payments are due on June 1 of each year and interest payments ranging from 2.65% to 5.58% are due on June 1 and December 1 of each year. Local Agencies are obligated to deposit with the Trustee an amount equal to the annual debt service by August 1 of each year.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Pension Obligation Bonds, Continued

California Statewide Communities Development Authority Taxable Pension Obligation Bonds, Continued

The annual debt service requirements for the Pension Obligation Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 140,000	\$ 408,063	\$ 548,063
2011	170,000	396,315	566,315
2012	205,000	387,781	592,781
2013	245,000	377,162	622,162
2014	285,000	364,104	649,104
2015-2019	2,145,000	1,530,568	3,675,568
2020-2024	3,810,000	720,491	4,530,491
Total	\$ 7,000,000	\$ 4,179,484	\$ 11,179,484

Participation and Development Agreements

1997 \$800,000 Participation Agreement

1997 \$800,000 Participation Agreement between the Agency and a participant for financing of facilities and capital equipment. Assistance ranges from \$50,000 to \$100,000 beginning in 2001 for 8 years, not to exceed \$800,000.

The 1997 \$800,000 Participation Agreement was paid in full in the current fiscal year.

Loans Payable

Loans payable at June 30, 2009 consisted of the following:

2003 \$4,000,000 Loans Payable	\$ 3,000,000
2003 \$129,109 Real Estate Loan Payable	34,893
2008 \$250,000 Property Acquisition Loan Payable	250,000
Total	\$ 3,284,893

2003 \$4,000,000 Loans Payable

2003 \$4,000,000 Loans Payable for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974. Principal payments are \$200,000 annually. Interest is 2.0% to 6.5% payable semi-annually.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable, Continued

2003 \$4,000,000 Loans Payable, Continued

The annual debt service requirements for the 2003 \$4,000,000 loan payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 200,000	\$ 147,520	\$ 347,520
2011	200,000	139,550	339,550
2012	200,000	130,960	330,960
2013	200,000	121,860	321,860
2014	200,000	112,370	312,370
2015-2019	1,000,000	410,640	1,410,640
2020-2024	1,000,000	140,690	1,140,690
Total	\$ 3,000,000	\$ 1,203,590	\$ 4,203,590

2003 \$129,109 Real Estate Purchase Agreement

2003 \$129,109 Real Estate Purchase Agreement for the purchase of property in a Redevelopment project area. Monthly payments are \$1,626 for 120 months.

The annual debt service requirements for the 2003 \$129,109 Real Estate Purchase Agreement are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 17,622	\$ 1,884	\$ 19,506
2011	17,271	610	17,881
Total	\$ 34,893	\$ 2,494	\$ 37,387

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable, Continued

2008 \$250,000 Real Estate Purchase Agreement

2008 \$250,000 Real Estate Purchase Agreement for the purchase of park land in Fahrens Park. Payments are \$15,000 interest only for 4 years. A balloon payment of \$250,000 principal and \$15,000 interest will be paid in year 5. The annual debt service requirements for the 2008 \$250,000 Real Estate Purchase Agreement are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$	\$ 15,000	\$ 15,000
2011		15,000	15,000
2012		15,000	15,000
2013	250,000	15,000	265,000
Total	\$ 250,000	\$ 60,000	\$ 310,000

Loan Guarantee

Loans guarantees at June 30, 2009, consisted of the following:

2001 Debt Service Agreement	\$ 303,740
2005 Debt Service Agreement	521,675
Total	\$ 825,415

2001 \$789,724 Debt Service Funding Agreement

2001 \$789,724 Debt Service Funding Agreement with Developer. Developer agrees to make the monthly payments to the Agency for the repayment of its loan with a financial lender. The Agency guarantees the monthly payments to the lender. The Agency has a deposit of \$60,748 to be used as a reserve. Payments are \$5,062 for 156 months. The loan does not bear interest and matures in year 2014. The balance outstanding at June 30, 2009 was \$303,740. An amount equal to the loan payable has been recorded as a loan guarantee receivable from the developer.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Guarantee, Continued

2001 \$789,724 Debt Service Funding Agreement, Continued

The annual debt service requirements for the 2001 \$789,724 Debt Service Funding Agreement are as follows:

For the Years Ending June 30,		
2010	\$	60,748
2011		60,748
2012		60,748
2013		60,748
2014		60,748
Total	\$	303,740

2005 \$894,300 Debt Service Funding Agreement

2005 \$894,300 Debt Service Funding Agreement for the purchase of property in an Agency project area. Developer agrees to make the monthly payments to the Agency for the repayment of its loan with a financial lender. The Agency guarantees the monthly payments to the lender. Monthly payments are \$6,210 for 145 months. The loan does not bear interest and matures in year 2016. The balance outstanding at June 30, 2009 was \$521,675. An amount equal to the loan payable has been recorded as a loan guarantee receivable from the developer.

The annual debt service requirements for the 2005 \$894,300 Debt Service Funding Agreement are as follows:

For the Years Ending June 30,		
2010	\$	74,525
2011		74,525
2012		74,525
2013		74,525
2014		74,525
2015-2016		149,050
Total	\$	521,675

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2009

	Balance June 30, 2008	Additions	Retirements	Bond Amortization	Balance June 30, 2009	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 27,182,261	\$	\$ (1,065,000)	\$ (41,037)	\$ 26,076,224	\$ 1,144,780	\$ 24,931,444
Loan payable	8,052,209		(125,000)		7,927,209	125,000	7,802,209
Water well development agreement	110,984		(20,450)		90,534	21,288	69,246
Improvement bonds payable	1,595,000		(295,000)		1,300,000	300,000	1,000,000
Total	\$ 36,940,454	\$	\$ (1,505,450)	\$ (41,037)	\$ 35,393,967	\$ 1,591,068	\$ 33,802,899

Revenue Bonds Payable

Revenue bonds payable at June 30, 2009, consisted of the following:

CSCDA Water Revenue Bonds Payable	\$ 7,671,312
CSCDA Wastewater Revenue Bonds Payable	18,404,912
Total	\$ 26,076,224

CSCDA Water and Wastewater Revenue Bonds Series 2005A

On June 29, 2005, the CSCDA issued Water and Wastewater Revenue Bonds (Pooled Financing Program) in the amount of \$56,880,000 pursuant to an Indenture by and between the CSCDA and Union Bank of California (Trustee) as trustee. The pooled financing program was available to California cities and special districts that operate water and wastewater enterprises. The bonds were authorized by law and were used to finance and refinance certain public capital improvements of the four project participants. The City's obligation was \$8,755,000 for its Water Enterprise Fund and \$21,000,000 for its Wastewater Enterprise Fund.

The proceeds of the bonds were used to refinance the 2003 Local Agency Revenue Refunding Bonds and to make improvements to the water and the wastewater systems. The bonds are secured by pledges of the water and wastewater net revenues under the respective installment purchase agreements for each individual program participant. Program participants are not obligated to make up for any deficiency in the installment payments of other program participants.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

CSCDA Water and Wastewater Revenue Bonds Series 2005A, Continued

Principal payments are due on October 1 of each year and interest payments ranging from 3% to 5.25% are due on April 1 and October 1 of each year.

The total principal and interest remaining to be paid on the CSCDA Water Revenue Bonds is \$11,328,955. For the current year, principal and interest paid was \$715,037 and water system net revenues were \$4,231,036, all of which are pledged. For the year ended June 30, 2009 principal and interest on the Water bonds used 17% of the system net revenues.

The total principal and interest remaining to be paid on the CSCDA Wastewater Revenue Bonds is \$27,176,084. For the current year, principal and interest paid was \$1,709,556 and water system net revenues were \$9,902,448, all of which are pledged. For the year ended June 30, 2009, principal and interest on the Wastewater Revenue bonds used 18% of the system net revenues.

The annual debt service requirements for the CSCDA Water Revenue Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 325,000	\$ 387,517	\$ 712,517
2011	335,000	374,543	709,543
2012	350,000	358,540	708,540
2013	370,000	339,954	709,954
2014	385,000	320,470	705,470
2015-2019	2,240,000	1,272,705	3,512,705
2020-2024	2,890,000	586,329	3,476,329
2025	670,000	17,588	687,588
	7,565,000	3,657,643	11,222,643
Add unamortized premium	106,312		106,312
Total	\$ 7,671,312	\$ 3,657,643	\$ 11,328,955

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

CSCDA Water and Wastewater Revenue Bonds Series 2005A, Continued

The annual debt service requirements for the CSCDA Wastewater Revenue Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 780,000	\$ 929,628	\$ 1,709,628
2011	810,000	898,363	1,708,363
2012	845,000	859,701	1,704,701
2013	880,000	815,184	1,695,184
2014	925,000	768,596	1,693,596
2015-2019	5,375,000	3,051,084	8,426,084
2020-2024	6,925,000	1,406,356	8,331,356
2025	1,610,000	42,263	1,652,263
	18,150,000	8,771,172	26,921,172
Add unamortized premium	254,912		254,912
Total	\$ 18,404,912	\$ 8,771,172	\$ 27,176,084

Loan Payable

Loans payable at June 30, 2009 consisted of the following:

California Infrastructure Bank and Economic Development Bank (CIED)	
Enterprise Fund Installment Sales Agreement	\$ 7,927,209
Water Well Development Agreement	90,534
Improvement Bond Payable	1,300,000
Total	\$ 9,317,743

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement

On October 1, 2003, the City entered into an Enterprise Fund Installment Sales Agreement with California Infrastructure and Economic Development Bank for the purchase of water and sewer improvements for the University of California Merced Campus. The promissory note is not to exceed \$9 million and bears interest of 3.17%.

Principal payments are due on October 1 of each year and interest payments are due on February 1 and August 1 of each year.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement, Continued

The annual debt service requirements for the Enterprise Fund Installment Sales Agreement are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 125,000	\$ 249,311	\$ 374,311
2011	150,000	244,953	394,953
2012	150,000	240,198	390,198
2013	175,000	235,046	410,046
2014	175,000	229,499	404,499
2015-2019	1,100,000	1,050,413	2,150,413
2020-2024	1,575,000	840,004	2,415,004
2025-2029	2,050,000	554,308	2,604,308
2030-2034	2,427,209	198,044	2,625,253
Total	\$ 7,927,209	\$ 3,841,775	\$ 11,768,984

Water Well Development Agreement

During fiscal year 2002, the City entered into a Development Agreement with Zelman Retail Partners, Inc. (Developer) which contained a provision for the construction of a water well site. The City determined that the fair value of the well site was \$250,000 which the City agreed to pay to the Developer in ten equal annual installments. The accreted interest was calculated at a rate of 4.1% resulting in a principal amount of \$201,767.

The annual debt service requirements of the Development are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 21,288	\$ 3,712	\$ 25,000
2011	22,161	2,839	25,000
2012	23,070	1,930	25,000
2013	24,015	985	25,000
Total	\$ 90,534	\$ 9,466	\$ 100,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

Improvement Bonds Payable

1999 \$4,024,381 Improvement Bonds, North Merced Sewer Improvement Refunding Reassessment City, \$264,381 to \$430,000 principal payable annually, interest at 4.35% to 5.55% payable semi-annually, matures 2012, secured by assessments.

The annual debt service requirements for the Improvement Bonds Payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 300,000	\$ 63,118	\$ 363,118
2011	315,000	46,434	361,434
2012	335,000	28,638	363,638
2013	350,000	9,713	359,713
Total	\$ 1,300,000	\$ 147,901	\$ 1,447,901

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government long-term debt. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The long-term debt of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' long-term debt is combined with governmental activities.

C. Debt with No City Commitment

The following bond issues are not reported in the City's financial statements, because the City acts solely as an agent for the bond holders in collecting and forwarding the special assessment. Accordingly, no liability for these bonds has been recorded in the City's general purpose financial statements.

The City of Merced has issued bonds under the "Mello-Roos Community Facilities Act of 1982." These bonds are secured by real property within the district boundaries. Special taxes levied on these properties are used to pay the bonds. Property tax delinquencies have triggered the foreclosure covenants in CFD 2005-1 Bellevue Ranch West and 2006-1 Moraga of Merced. The City will commence foreclosure and collection proceedings against those properties in default

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

10. LONG-TERM DEBT, Continued

C. Debt with No City Commitment, Continued

	June 30, 2009
1998 Liberty Park Refunding Assessment District	\$ 386,000
16th Street Refunding Assessment District	292,000
Fahrens Park Refunding Assessment District	4,630,000
Bellevue Ranch East CFD	10,665,000
Bellevue Ranch West CFD	7,210,000
Moraga CFD	5,735,000

11. COMPENSATED ABSENCES

The City's compensated absences consist of accrued vacation pay and floating holiday pay for all permanent full-time employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Government-Wide Financial Statements and charges for compensated absences expense is charged to the General Fund, Development Services Fund, Housing Fund, Street Trees Fund, Streets and Street Light Maintenance Fund, Recreation & Parks Fund, Public Works Administration Fund, Measure "C" Fund, Maintenance Districts Fund, and the Community Facilities Districts Services Fund.

A summary of changes in compensated absences for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year	Due in More than One Year
Governmental Activities	\$ 3,351,434	\$ 948,689	\$ (834,757)	\$ 3,465,366	\$ 890,374	\$ 2,574,992
Business-type Activities	568,230	82,143	(73,707)	576,666	145,969	430,697
Total	\$ 3,919,664	\$ 1,030,832	\$ (908,464)	\$ 4,042,032	\$ 1,036,343	\$ 3,005,689

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

12. CLASSIFICATION OF RESTRICTED NET ASSETS

Restricted net assets for special projects and programs at June 30, 2009 consisted of the following:

Special Projects and Programs	Governmental Activities	Business-Type Activities	Total
Restricted for:			
Capital Projects	\$ 17,374,741	\$ 8,925,762	\$ 26,300,503
Community Development	232,123		232,123
Child Development	708,373		708,373
Housing	427,149		427,149
Public Safety	3,030,749		3,030,749
Streets and Street Lights	1,913,210		1,913,210
Special Districts	1,310,289		1,310,289
Other Restrictions	466,056	1,495,505	1,961,561
	<u>\$ 25,462,690</u>	<u>\$ 10,421,267</u>	<u>\$ 35,883,957</u>

13. CLASSIFICATION OF FUND BALANCE

In governmental funds, reservation and designations are presented as components of fund balance as follows:

	General Fund	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Service Special Revenue	Public Facilities Impact Special Revenue	Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
<i>Reserved:</i>										
Encumbrances	\$ 1,189,165	\$ 44,749	\$ 178,098	\$ 232,123	\$	\$	\$ 1,822,605	\$ 988,947	\$ 4,482,205	\$ 8,937,892
Petty cash	2,325									2,325
Condemnation Deposit										-
Notes & loans receivable		2,905,719			154,539					3,060,258
Inventory	18,801									18,801
Due from other funds	27,697	204,302			63,756					295,755
Land held for resale		3,961,484							286,838	4,248,322
Cash Held by Fiscal Agent										-
Advances to other funds	1,720,992									1,720,992
Child development									696,797	696,797
Park planning zones										-
Debt service						8,604,803				8,604,803
Total reserved	2,958,980	7,116,254	178,098	232,123	218,295	8,604,803	1,822,605	988,947	5,465,840	27,585,945
<i>Unreserved, Designated:</i>										
Contingencies	4,000,000									4,000,000
Reported in Special Revenue Funds:										
Pump replacements									358,023	358,023
Facilities development							(2,818,522)	92,000	226,694	(2,499,828)
Total unreserved, designated	4,000,000						(2,818,522)	92,000	584,717	1,858,195
<i>Unreserved, Undesignated</i>										
Reported in:										
General Fund	11,911,919									11,911,919
Special Revenue Funds		1,181,531	29,492	232,853	15,091,904				7,818,455	24,354,235
Debt Service Funds									7,362	7,362
Capital Project Funds							(101,833)	16,555,363	1,887,880	18,341,410
Total unreserved, undesignated	11,911,919	1,181,531	29,492	232,853	15,091,904		(101,833)	16,555,363	9,713,697	54,614,926
Total	\$ 18,870,899	\$ 8,297,785	\$ 207,590	\$ 464,976	\$ 15,310,199	\$ 8,604,803	\$ (1,097,750)	\$ 17,636,310	\$ 15,764,254	\$ 84,059,066

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. OTHER FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2009, the funds below had the following deficit fund balance or net assets:

Special Revenue Funds

Communities Facilities District Funds	\$ (364,901)
---------------------------------------	--------------

The CFD-Services established in new developments are generating revenues at a slower pace than anticipated. This is due primarily to the housing market downturn. The CFD-Service's have received a loan from pooled cash to meet the increased service needs in these new developments. As housing stock develops, funds will be available to carry the full service cost and repay the debt to the governmental funds.

Capital Project Funds

Park Reserve Fund	\$ (1,097,750)
-------------------	----------------

This fund is used to account for all in-lieu fees. As a condition of approval of a final subdivision map or parcel map, a subdivider shall dedicate land, pay a fee in lieu, or both, at the option of the City, for neighborhood and community park or recreational purposes. The deficit was caused by the City receiving dedicated park land which resulted in a developer credit.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

14. OTHER FUND DISCLOSURES, Continued

A. Deficit Fund Balances, Continued

Internal Service Funds

Workers Compensation Insurance Fund	\$ (1,731,675)
-------------------------------------	----------------

The deficit net assets was caused by the adoption of Statement No 10 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Risk Financing and related Insurance," which established accounting and financial reporting standards for risk financing and insurance- related activities of state and local governmental entities. The Governmental Accounting Standards Board No 10 requires an accrual of claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenditures, that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The recording of these estimated future claims and IBNR has caused the net assets deficit balance.

Liability Insurance Fund	\$ (71,299)
--------------------------	-------------

Governmental Accounting Standards Board, "Accounting and Financial Reporting for Risk Financing and related Insurance," which established accounting and financial reporting standards for risk financing and insurance- related activities of state and local governmental entities. The Governmental Accounting Standards Board No 10 requires an accrual of claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenditures, that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The recording of

15. RISK MANAGEMENT

The City maintains internal service funds to account for the City's general liability insurance and workers' compensation insurance. All unpaid claims that were probable liabilities that occurred prior to the year-end and that were estimated based on actuarial studies or historical data were recorded in accordance with GASB Statement No. 10. As of June 30, 2009, claims for general liability and workers' compensation were \$646,999 and \$2,605,064 respectively.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

15. RISK MANAGEMENT, Continued

The Liability Insurance Fund is used to account for all general liability claims against the City, except for Property and Airport. The City is a member of the Central San Joaquin Valley Risk Management Authority, with a self-insured retention of \$100,000 for general liability and errors and omissions, and \$100,000 for vehicle liability. Settled claims have not exceeded the commercial claims in any fiscal year. The changes in the general claims liability were as follows:

Year Ended June 30,	Claims Payable July 1	Claims and Changes in Estimates	Claims Payments	Claims Payable June 30	Due Within One Year
2006	\$ 740,440	\$ 569,652	\$ (882,864)	\$ 427,228	\$ 125,000
2007	427,228	1,148,571	(919,207)	656,592	150,000
2008	656,592	1,511,373	(1,387,119)	780,846	727,852
2009	780,846	1,823,307	(1,957,153)	646,999	646,999

The Workers' Compensation Insurance Fund is used to account for all workers' compensation claims against the City. The fund provides for a maximum of \$250,000 for each claim. The City purchases commercial insurance for claims in excess of the coverage provided in the fund. Settled claims have not exceeded the commercial claims in any fiscal year. The changes in the workers' compensation claims liability were as follows:

Year Ended June 30,	Claims Payable July 1	Claims and Changes in Estimates	Claims Payments	Claims Payable June 30	Due Within One Year
2006	\$ 3,891,145	\$ 709,193	\$ (1,075,177)	\$ 3,525,161	\$ 891,250
2007	3,525,161	666,197	(951,181)	3,240,177	992,599
2008	3,240,177	484,987	(840,800)	2,884,364	977,015
2009	2,884,364	298,263	(577,563)	2,605,064	790,484

16. RETIREMENT PLANS

Pension Plan

Plan Description - The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' Annual Financial Report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

16. RETIREMENT PLANS, Continued

Pension Plan, Continued

Funding Policy - Active plan members are required by State Statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The required employee contribution was paid by the City on behalf of the employees and for their account. This amounted to \$2,755,533 for the year ended June 30, 2009. The City employer was required to contribute for fiscal year 2008-2009 at an actuarially determined rate of 9.233% and 17.427% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer miscellaneous rate of 17.233%, miscellaneous employees contributed 2.95% of annual covered payroll. Of the combined employee and employer safety rate of 26.427%, safety employees contributed 4.743% of annual covered payroll. See the Required Supplementary Information for the Schedule of Funding Progress.

Annual Pension Cost - For fiscal year 2008-2009, the City's annual pension cost was equal to the City's required and actual contributions of \$4,139,516. The required contribution was determined as part of the June 30, 2006, 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 range from 3.25% to 14.45% for miscellaneous and 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. CalPERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, was 32 years for safety employees and 16 years for miscellaneous employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Miscellaneous Employees Annual Required Contribution (ARC)	Safety Employees Annual Required Contribution (ARC)	Total Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/2007	\$ 1,213,585	\$ 1,775,572	\$ 2,989,157	100%	\$ 0
6/30/2008	1,687,826	2,159,962	3,847,788	100%	0
6/30/2009	1,694,688	2,444,828	4,139,516	100%	0

Funded Status of Plan

The City contributed to the California Public Employees' Retirement System (CalPERS), as an agent multiple-employer public employee defined benefit pension plan. The amounts reflected herein represent the City's portion as reported by CalPERS.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

16. RETIREMENT PLANS, Continued

Pension Plan, Continued

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2008	\$ 73,135,917	\$ 80,401,788	\$ 7,265,871	91.0%	\$ 18,184,702	40.0%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2008	\$ 80,206,712	\$ 88,099,098	\$ 7,892,386	91.0%	\$ 13,987,485	56.4%

** Additional information regarding the funded status of the miscellaneous employees' retirement plan can be found in the Required Supplementary Information section.

17. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description. The City of Merced Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and Memorandums of Understanding (MOU) between the City, its management employees, and unions representing City employees.

Out of approximately 495 full-time employees, there are approximately 285 full-time employees that current MOU's call for the City to provide health care insurance upon retirement. Employees hired after December 31, 2002 in the Public Safety Bargaining Unit, December 31, 2003 in the AFSCME Bargaining Unit, December 31, 2004 in the MACE Bargaining Unit and July 4, 2006 in the Unrepresented Management Employees are not eligible for retirement health benefits.

To be eligible for postretirement healthcare benefits, employees must retire directly from the City with at least 10 years of City service. There is no minimum service requirement if retirement is due to a service-connected disability. The City pays the retiree-only premium for medical coverage, up to a capped amount that varies by bargaining unit. Spouse and dependent coverage is available only until the retiree is deceased, and at their own expense. Medical coverage is with Anthem Blue Cross of California. Dental and vision benefits are also available to retirees, but at their own expense. Based on the employee's MOU, employees hired after certain dates are not offered the City's healthcare plans after retirement.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

17. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

The City's medical premium structure results in implied subsidies of retiree claim costs from premiums paid for active employees.

Funding Policy. The contribution requirements of the plan members and the City are established by and may be amended by the City. The plan is currently funded on a pay-as-you-go basis. The City intends to make a one-time pre-funding contribution for fiscal year 2009-10 to the California Employers' Retiree Benefit Trust (CERBT). No additional pre-funding is currently planned.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2008-09, the City contributed \$1,439,444 to the plan, including \$1,097,444 in medical premium payments for 211 retirees and \$342,000 for implied subsidies. The City allows retirees to participate in the same City medical plan (Blue Cross) as active employees. Because active employees and retirees have pooled premiums (before Medicare eligibility), retirees pay less than they would if they were in a stand-alone medical plan. The difference between the expected claims for retirees and the premium charged is the implied subsidy. The implied subsidy has been included in the actuarial valuation as required under GASB 45, and therefore the corresponding benefit payments are included as an offset to the Annual OPEB Cost accrual.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Annual required contribution	\$5,812,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	5,812,000
Benefit payments	-1,439,000
Increase in net OPEB obligation	4,373,000
Net OPEB obligation - beginning of year	0
Net OPEB obligation - end of year	<u>\$4,373,000</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

17. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$5,812,000	23.5%	\$4,373,000

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2007, the plan's most recent actuarial valuation date, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	\$56,272
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	\$56,272
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (eligible active plan members)	\$20,746
UAAL as a percentage of covered payroll	271%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 June 30, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the City's investments, a 3% general inflation assumption, and an annual medical cost trend rate of 11.3% for 2008 decreasing to 4.5% after 9 years. The caps on the City-paid medical benefits were assumed to increase with the medical cost trend rate. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis. The remaining amortization period at June 30, 2007 was 30 years.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

18. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

As of June 30, 2009, the City was a party to various actions involving eminent domain and condemnation proceedings. There are certain personal injury claims that have been denied by the City Council. The outcome and eventual liability to the City in these cases, if any, is not known at this time. Management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

The City of Merced has issued bonds under the "Refunding Act of 1984 for 1915 Act Improvement Bonds." These bonds are secured by real property within the district boundaries. Assessments levied on these properties are used to pay the bonds. Property tax delinquencies have triggered the foreclosure covenants in the North Merced Sewer Assessment District. The City will commence foreclosure and collection proceedings against those properties in default.

Project Commitments

As of June 30, 2009, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
C Overaa & Co Inc	\$ 3,233,250
Eco:Logic	2,916,542
Carollo Engineers	2,111,684
Teichert Construction Inc	1,889,955
Merced Union High School District	1,576,004
Merced Co Parks & Recreation	774,805
Provost & Pritchard Eng. Group	543,233
Total	\$ 13,045,472

19. POLLUTION REMEDIATION OBLIGATIONS

The City of Merced and Agency have various contaminated sites throughout the City, which contain certain gasoline chemicals and other contaminants such as pesticides and solvents. The City is participating on behalf of private responsible parties in pollution remediation activities such as site assessments and cleanups per certain local and state regulations or requirements.

The State of California Regional Water Quality Control Board requires the City to expend \$250,000 annually on perchloroethylene (PCE) remediation efforts at certain dry cleaner sites. Costs for these activities are funded through existing water service fees.

The City and Agency initiated litigation with a variety of entities regarding contamination at specific sites. The liabilities associated with these sites are not reasonably estimable and, as such, are not recorded in the financial statements.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

20. SUBSEQUENT EVENT

State Budget

A State of California budget trailer bill (ABX4-26) passed in July 2009, as part of the 2009-10 state budget, contemplates shifting \$2.05 billion over the next two years in tax increment revenues from California Redevelopment Agencies to K-12 schools through the Supplemental Educational Revenue Augmentation Funds (SERAF). The Redevelopment Agency of the City of Merced would lose \$3.4 million in tax increment if this action were to take place. This loss would reduce funds available for capital projects.

The California Redevelopment Association (CRA) is filing a lawsuit to challenge the constitutionality of the 2009-10 budget shift.

The CRA filed a lawsuit challenging the State's fiscal year 2008-09 proposed shift of \$350 million. In April 2009, the Sacramento Superior Court ruled in favor of CRA and invalidated the shift.

REQUIRED SUPPLEMENTARY INFORMATION

City of Merced
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGETARY CONTROL AND ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted by the City Council in June of each year for all funds. The resolution sets a combined appropriation of the funds for the operation of the City.
2. The City Manager is authorized to transfer budgeted amounts between departments and line items to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds and transfers between funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds.
4. Budgets for the governmental fund types are adopted and recorded on the modified basis of accounting on a basis consistent with GAAP. Budget appropriations lapse at the end of the fiscal year. Supplemental appropriations were adopted by the City Council and have been included in the statements of revenues, expenditures, and changes in fund balance - budget to actual. Budgets are also prepared for proprietary fund types, which include debt service principal payments, capital outlay, but do not include depreciation.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2009, proceeds of taxes did not exceed allowable appropriations.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund present comparisons of the legally-adopted budget with actual data on a basis consistent with GAAP.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balance since they represent commitments, which will be honored during the subsequent year. Encumbrances do not represent expenditures or liabilities.

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 6,324,000	\$ 6,324,000	\$ 6,354,178	\$ 30,178
Unsecured	376,000	376,000	362,828	(13,172)
Supplemental roll:				
Prior year - unsecured	5,000	5,000	5,342	342
Prior year - supplemental roll	35,000	35,000	(119,785)	(154,785)
Sales and use	8,214,000	8,214,000	6,972,173	(1,241,827)
Transient occupancy tax	833,000	833,000	904,175	71,175
Franchise	1,452,000	1,452,000	1,471,949	19,949
Business license	1,296,000	1,296,000	1,159,991	(136,009)
CRIS fee	327,600	327,600	4,135	(323,465)
Real property transfer	100,000	100,000	165,091	65,091
Triple flip backfill	2,835,000	2,835,000	2,718,850	(116,150)
Vehicle in lieu backfill	6,992,893	6,992,893	6,084,207	(908,686)
Total taxes	28,790,493	28,790,493	26,083,134	(2,707,359)
Licenses and permits:				
Animal licenses	28,000	28,000	22,973	(5,027)
Bicycle licenses	450	450	608	158
Other licenses and permits	14,200	14,200	9,797	(4,403)
Total licenses and permits	42,650	42,650	33,378	(9,272)
Intergovernmental:				
Motor vehicle in lieu tax	372,000	372,000	289,087	(82,913)
Homeowners property tax relief	75,000	75,000	78,512	3,512
Police standards and training	60,000	60,000	83,378	23,378
Other state grant		369,450	6,608	(362,842)
Other federal grants	113,724	236,233	236,559	326
Office BJA - bullet proof vest grant	14,380	14,700	13,554	(1,146)
State mandated cost reimbursement	32,868	32,868	46,874	14,006
Total intergovernmental	667,972	1,160,251	754,572	(405,679)

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund, Continued

	Budget			
	Original	Final	Actual	Variance
REVENUES, Continued:				
Service charges:				
Incident recovery fees	\$ 54,000	\$ 54,000	\$ 94,267	\$ 40,267
Fire department special services	85,000	385,000	457,724	72,724
Fire prevention	88,000	88,000	77,856	(10,144)
Accident reports	5,000	5,000	3,506	(1,494)
Weed and lot cleaning	25,000	25,000	98,413	73,413
PERS - EE share 2.5% at 55	165,456	165,456	151,672	(13,784)
PERS - EE share 3% at 50	523,967	523,967	540,743	16,776
Administrative	3,840,608	3,844,257	3,844,170	(87)
Cost applied	1,496,907	1,527,024	1,527,024	
Other current service charges	109,200	109,200	115,160	5,960
Total service charges	6,393,138	6,726,904	6,910,535	183,631
Fines, forfeitures and penalties:				
Criminal fines	64,000	64,000	72,323	8,323
Parking Fines	348,000	348,000	500,971	152,971
Total fines, forfeitures and penalties	412,000	412,000	573,294	161,294
Other:				
Investment earnings	476,000	476,000	397,903	(78,097)
Rent and concessions (other than recreation)	92,306	92,306	93,011	705
Interest on loans			11	11
Unclassified revenue	16,500	16,500	43,643	27,143
Miscellaneous	66,400	439,850	302,310	(137,540)
Animal control services	14,000	14,000	7,366	(6,634)
School police officer	126,122	126,122	160,409	34,287
Valley High School police officer	85,000	85,000	68,014	(16,986)
Cash overages (shortages)	100	100	(27)	(127)
Donations/contributions	500	4,000	4,117	117
S.M.I.P. fees	500	500		(500)
Repayment on loan				
Property sales	2,179	2,179	9,781	7,602
Total other	879,607	1,256,557	1,086,538	(170,019)
Total revenues	37,185,860	38,388,855	35,441,451	(2,947,404)

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund, Continued

	Budget			
	Original	Final	Actual	Variance
EXPENDITURES:				
Current operating:				
General government:				
City Council	\$ 318,261	\$ 376,087	\$ 289,642	\$ 86,445
City Manager	1,000,453	1,026,810	873,506	153,304
City Attorney	1,138,486	1,216,320	1,057,444	158,876
Finance	2,659,292	2,842,327	2,683,944	158,383
Purchasing	315,374	315,433	300,913	14,520
Economic development	310,489	361,105	302,136	58,969
Visitor's Services	231,483	231,483	159,042	72,441
Total general government	5,973,838	6,369,565	5,666,627	702,938
Public safety:				
Police protection	20,111,117	21,128,522	18,253,677	2,874,845
Fire protection and weed abatement	9,880,484	10,250,038	9,488,495	761,543
Total public safety	29,991,601	31,378,560	27,742,172	3,636,388
Parks	2,343,199	2,343,199	2,018,131	325,068
Total current operating	38,308,638	40,091,324	35,426,930	4,664,394
Capital outlay:				
Purchase of machinery and equipment	99,035	147,303	111,620	35,683
Capital improvements	143,614	119,825	75,084	44,741
Total capital outlay	242,649	267,128	186,704	80,424
Debt service:				
Principal	115,000	115,000	115,000	
Interest	408,250	408,250	408,250	
Total debt service	523,250	523,250	523,250	
Total expenditures	39,074,537	40,881,702	36,136,884	4,744,818
REVENUES OVER (UNDER) EXPENDITURES	(1,888,677)	(2,492,847)	(695,433)	1,797,414
OTHER FINANCING SOURCES (USES):				
Transfers in	1,386,651	1,386,595	1,287,168	(99,427)
Transfers out	(4,242,536)	(4,219,116)	(3,134,974)	1,084,142
Total other financing sources (uses)	(2,855,885)	(2,832,521)	(1,847,806)	984,715
Net change in fund balance	\$ (4,744,562)	\$ (5,325,368)	(2,543,239)	\$ 2,782,129
FUND BALANCE:				
Beginning of year			21,414,138	
End of year			\$ 18,870,899	

(Concluded)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Special Revenue Fund

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Rental income	\$ 62,300	\$ 62,300	\$ 95,142	\$ 32,842
Investment earnings	32,000	32,000	38,828	6,828
Loan interest	49,462	49,462	73,281	23,819
Repayment of note	77,961	161,915	18,681	(143,234)
Housing set-aside loans	18,201	18,201	25,464	7,263
Miscellaneous	409,300	393,151	231,383	(161,768)
Total revenues	649,224	717,029	482,779	(234,250)
EXPENDITURES:				
Current operating:				
General government	1,365,560	1,407,198	1,280,311	126,887
Administrative shared expenditures	426,645	426,645	426,645	
Total current operating	1,792,205	1,833,843	1,706,956	126,887
Total expenditures	1,792,205	1,833,843	1,706,956	126,887
REVENUES OVER (UNDER) EXPENDITURES	(1,142,981)	(1,116,814)	(1,224,177)	(107,363)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,708,702	1,708,702	2,912,840	1,204,138
Transfers out	(1,075,811)	(1,748,894)	(1,748,894)	
Total other financing sources (uses)	632,891	(40,192)	1,163,946	1,204,138
Net change in fund balance	\$ (510,090)	\$ (1,157,006)	(60,231)	\$ 1,096,775
FUND BALANCE:				
Beginning of year			8,358,016	
End of year			\$ 8,297,785	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Housing Special Revenue Fund

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
CDBG Program	\$ 2,320,124	\$ 1,594,782	\$ 1,384,107	\$ (210,675)
Home Grant Program	2,006,707	1,610,539	740,428	(870,111)
BEGIN Program	670,000	610,000	30,874	(579,126)
State Rental Rehabilitation Program	3,000	3,000	3,989	989
Other current service charges		338,000	338,000	
Other:				
Investment earnings			9,273	9,273
PERS - EE share 2.5% at 55	5,550	5,550	5,663	113
Miscellaneous	1,000	1,000	1,000	
Total revenues	5,006,381	4,162,871	2,513,334	(1,649,537)
EXPENDITURES:				
Current operating:				
General government	4,075,699	2,815,948	1,496,175	1,319,773
Administrative shared expenditures	77,212	77,212	77,386	(174)
Total current operating	4,152,911	2,893,160	1,573,561	1,319,599
Capital outlay				
Total expenditures	4,152,911	2,893,160	1,573,561	1,319,599
REVENUES OVER (UNDER) EXPENDITURES	853,470	1,269,711	939,773	(329,938)
OTHER FINANCING SOURCES (USES):				
Transfers in	360,145	5,295	5,295	
Transfers out	(1,493,778)	(1,175,061)	(995,279)	179,782
Total other financing sources (uses)	(1,133,633)	(1,169,766)	(989,984)	179,782
Net change in fund balance	\$ (280,163)	\$ 99,945	(50,211)	\$ (150,156)
FUND BALANCE:				
Beginning of year			257,801	
End of year			\$ 207,590	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Development Services Special Revenue Fund - Major Fund

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Services charges	\$ 3,408,886	\$ 3,413,467	\$ 3,374,545	\$ (38,922)
Other:				
Investment earnings	89	89	38,880	38,791
Miscellaneous	822,484	868,301	157,451	(710,850)
Total revenues	4,231,459	4,281,857	3,570,876	(710,981)
EXPENDITURES:				
Current operating:				
General government	4,905,399	5,508,559	4,079,286	1,429,273
Administrative shared expenditures	424,481	424,481	424,481	
Public works	1,822,775	1,865,459	1,680,417	185,042
Total current operating	7,152,655	7,798,499	6,184,184	1,614,315
Capital outlay	10,800	11,893	9,134	2,759
Total expenditures	7,163,455	7,810,392	6,193,318	1,617,074
REVENUES OVER (UNDER) EXPENDITURES	(2,931,996)	(3,528,535)	(2,622,442)	906,093
OTHER FINANCING SOURCES (USES):				
Transfers in	1,215,828	1,215,778	494,174	(721,604)
Transfers out	(56,693)	(56,693)	(56,693)	
Total other financing sources (uses)	1,159,135	1,159,085	437,481	(721,604)
Net change in fund balance	\$ (1,772,861)	\$ (2,369,450)	(2,184,961)	\$ 184,489
FUND BALANCE:				
Beginning of year			2,649,937	
End of year			\$ 464,976	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Facilities Impact Special Revenue Fund - Major Fund

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 5,385,810	\$ 5,385,810	\$ 1,323,827	\$ (4,061,983)
Other:				
Investment earnings	502,500	502,500	449,572	(52,928)
Total revenues	5,888,310	5,888,310	1,773,399	(4,114,911)
EXPENDITURES:				
Current operating:				
General government	33,490	33,490	92,545	(59,055)
Administrative shared expenditures	26,931	26,931	26,931	
Total current operating	60,421	60,421	119,476	(59,055)
Capital outlay	623,168	623,168	117,740	505,428
Total expenditures	683,589	683,589	237,216	446,373
REVENUES OVER (UNDER) EXPENDITURES	5,204,721	5,204,721	1,536,183	(3,668,538)
OTHER FINANCING SOURCES (USES):				
Transfers in	32,583	32,583	32,583	
Transfers out	(11,065,789)	(11,091,208)	(2,906,810)	8,184,398
Total other financing sources (uses)	(11,033,206)	(11,058,625)	(2,874,227)	8,184,398
Net change in fund balance	\$ (5,828,485)	\$ (5,853,904)	(1,338,044)	\$ 4,515,860
FUND BALANCE:				
Beginning of year, as restated			16,648,243	
End of year			\$ 15,310,199	

This page intentionally left blank.

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2009

2. PUBLIC EMPLOYEE RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2006	\$ 60,439,554	\$ 63,668,571	\$ 3,229,017	94.9%	\$ 15,258,972	21.2%
6/30/2007	66,657,013	71,135,615	4,478,602	93.7%	17,501,469	25.6%
6/30/2008	73,135,917	80,401,788	7,265,871	91.0%	18,184,702	40.0%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2006	\$ 68,512,230	\$ 73,306,462	\$ 4,794,232	93.5%	\$ 9,165,439	52.3%
6/30/2007	74,355,111	80,024,461	5,669,350	92.9%	12,415,816	45.7%
6/30/2008	80,206,712	88,099,098	7,892,386	91.0%	13,987,485	56.4%

3. POSTEMPLOYMENT HEALTHCARE PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2007	\$0	\$56,272,000	\$56,272,000	0%	\$20,746,000	271%

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Downtown Parking Fund - This fund is used for the collection and disbursement of any funds under the Merced Municipal Code Sections 20.58.510 and 10.28.420.

Downtown Fund - This fund accounts for activity within the "Business Improvement Area A" which was established for the promotion, improvements to capital items, and such other uses as the City Council, upon the recommendation of the advisory board, shall approve by ordinance or resolution.

Local Transportation Fund - This fund accounts for revenues derived from 1/4 cent of the 8 1/4 cents retail sales tax collected statewide. Local Transportation Fund money must first be used for all reasonable unmet transit needs and then may be used for street and road costs.

Gas Tax Fund - This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Sections 2106, 2107, and 2107.5. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

Traffic Safety Fund - This fund is used to account for fines and forfeitures which the City receives as a result of arrests by City officers for Vehicle Code violations. This fund may only be expended for traffic control devices; maintenance of traffic control devices; equipment and supplies for traffic law enforcement and traffic accident prevention; maintenance, improvement, or construction of public streets, bridges or culverts; and the compensation of school crossing guards who are not regular full-time members of the police department.

Street Trees Fund - This fund was established to track expenditures for the support of the City owned trees. Funds are transferred from the General Fund as necessitated by expenditures.

Traffic Congestion Relief Fund - This fund is used to account for funds received for the Traffic Congestion Relief Act of 2000 approved by Assembly Bill 2928. The purpose of these funds are to relieve traffic congestion, provide additional funding for local street and road deferred maintenance, and provide additional transportation and capacity in high growth areas of the state.

Streets and Street Lights Maintenance Fund - This fund was established to track expenditures for the maintenance of the City's streets and lights. Revenues are accounted for in a separate fund to meet grantor agency's auditing and accounting requirements. Funds are transferred in as necessitated by expenditures.

Recreation and Parks Fund - This fund is used to account for revenues and expenditures associated with Recreation and Parks.

Surface Transportation Program Fund - This fund is used to account for the collection and disbursement of funds locally apportioned by the Federal Intermodal Surface Transportation Efficiency Act (ISTEA). STP exchange funds are to be used for transportation-related projects.

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS, Continued

Proposition 172 Fund - This fund accounts for 1/2 cent sales tax revenues restricted for the purpose of supporting public safety services. Allocation is based on 5% of the Countywide Public Safety Administration Fund then multiplied by the City's sales tax allocation factor.

Public Works Administration Fund - This fund accounts for administrative costs for all Public Works Operations, Safety Specialist, and clerical support.

OTS Grant Fund - This fund is used to account for the Office of Traffic Safety grant funds.

Supplemental Law Enforcement Services Fund - AB 3229 established a Supplemental Law Enforcement Services Fund (SLESF) to be established by each County treasurer. The funds are to be allocated 12 1/2% to the County Sheriff, 12 1/2% to the District Attorney and 75% to uniformed enforcement agencies within the County in accordance with relative population of cities within the county and unincorporated area of the County. All funds allocated to a city shall be deposited in a SLESF established in the city treasury. Monies allocated from a SLESF to a recipient entity shall be expended exclusively to provide front-line enforcement services provided by that entity. There is in each County a Supplemental Law Enforcement Oversight Committee (SLEOC), consisting of five (5) members as follows: One municipal Police Chief, the County Sheriff, the District Attorney, the County's Executive Officer and one City Manager. The SLEOC shall determine whether recipient entities have expended monies received from the SLESF in compliance with the law.

Justice Assistance Grant Fund - This fund is used to account for the Justice Assistance Grant funds.

Parking Enforcement Fund - This fund accounts for money collected and disbursed for support of parking enforcement within the City of Merced, and citation processing for outside agencies.

Child Development Fund - Pursuant to the provisions of the Federal Block Grant, the City of Merced, as grantee, maintains a special revenue fund entitled "Child Development Fund" for the receipt of and distribution of proceeds from the grant. The City sub-contracts with the Merced City School District for the operations of this program, including all day care for school age children, for "off-track" students, after school care for "on-track" students, and summer care for traditionally tracked students. The grant, in part, subsidizes income-qualified families for this program.

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS, Continued

Maintenance Districts Fund - These funds are used for the expenses of maintaining and operating public improvements which are local in nature. Funding comes from owners of individual parcels benefiting from the maintenance and operation of the public improvements.

Community Facilities Districts (CFD) Services Fund - These funds are used for the expenses of certain public services and maintenance, including but not limited to public safety services (e.g., police and fire protection), landscape, sidewalk, park, and parkway maintenance (including lighting), flood control services, and other services authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and the City's Municipal Code, including costs of personnel and equipment replacement and maintenance. Funding comes from owners of the individual parcels benefiting from the public services and maintenance.

Measure "C" Fund - This fund accounts for the one-half cent new transaction and use tax that was approved by area voters and became effective April 1, 2006.

Developer Capital Fee Fund - This fund is used to track developer agreement fees due to the City for improvements.

PEG Access Fees Fund - This fund is used to account for Public, Educational and Governmental (PEG) access fees paid as part of franchise agreements with local cable providers.

Proposition 1B Fund - This fund is used to account for funds received under Proposition 1B. Proposition 1B was passed by the voters of the State of California in November 2006. This proposition provided for the sale of bonds to provide, among other things, repair of local streets and roads.

Bell Station Facility Fund - This fund is used to account for the operations and maintenance of the Bell Station, which is leased to the United States Post Office and used as a post office location at 415 W. 18th Street.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of General Obligation Bond principal and interest from governmental resources and Special Assessment Bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Public Financing Authority Fund - This fund is the debt service fund for the City of Merced Public Financing Authority.

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

CAPITAL PROJECTS FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Airport Industrial Park Fund - This fund is used to account for projects to fully develop industrial parcels at the Airport with adequate water, electrical power, telephone, and streetlights.

Streets and Signals Fund - This fund is used to account for projects which are funded by State and Federal sources and Public Facilities Impact fees. These funds are accounted for in Special Revenue Funds and then transferred to the Street and Signals CIP fund when project expenditures have been

Fire Station Fund - This fund is used to account for relocation and consolidation of the existing central fire station and training facility.

Police Mobile Computers Fund - This fund is used for the collection and disbursement of money related to the Merced Police Department's Mobile Computing Project.

Merced Theatre Restoration Fund - This fund used to account for revenues and expenditures associated with the Merced Theatre Restoration capital project.

Parks & Community Services Fund - This fund is used to account for capital projects for the purpose of improving City Parks.

PCE Remediation Fund - This fund is used for the collection and disbursement of money for PCE Remediation projects.

Fire Station #55 - This fund is used to account for the collection and disbursement of money for the construction of Fire Station No. 55, a satellite facility located at Carpenter Park.

This page intentionally left blank.

City of Merced
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
ASSETS						
Cash, cash equivalents and investments	\$ 174,509	\$ 99,001	\$	\$ 25,314	\$ 68,980	\$ 45,203
Receivables:						
Account	2,225	10,000				198
Interest	518	294		492	205	
Due from other funds						
Land held for resale						
Due from other governments			21,539	101,582	13,037	
Notes receivable						
Total assets	<u>\$ 177,252</u>	<u>\$ 109,295</u>	<u>\$ 21,539</u>	<u>\$ 127,388</u>	<u>\$ 82,222</u>	<u>\$ 45,401</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 258	\$ 2,525	\$	\$	\$	\$ 1,454
Other payables						26,140
Deferred revenue		12,089				
Deposits						
Due to other funds						
Advances from other funds						
Total liabilities	<u>258</u>	<u>14,614</u>				<u>27,594</u>
Fund Balances:						
Reserved:						
Encumbrances	19,757	9,135				17,807
Land held for resale						
Child development						
Total reserved	<u>19,757</u>	<u>9,135</u>				<u>17,807</u>
Unreserved, designated						
Pump replacement						
Facilities development						
Street Repair and Maintenance						
Total unreserved, designated						
Unreserved, undesignated						
reported in:						
Special revenue funds	157,237	85,546	21,539	127,388	82,222	
Debt service funds						
Capital project funds						
Total unreserved, undesignated	<u>157,237</u>	<u>85,546</u>	<u>21,539</u>	<u>127,388</u>	<u>82,222</u>	
Total fund balances	<u>176,994</u>	<u>94,681</u>	<u>21,539</u>	<u>127,388</u>	<u>82,222</u>	<u>17,807</u>
Total liabilities and fund balances	<u>\$ 177,252</u>	<u>\$ 109,295</u>	<u>\$ 21,539</u>	<u>\$ 127,388</u>	<u>\$ 82,222</u>	<u>\$ 45,401</u>

Special Revenue								
Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Supplemental Law Enforcement Services	Justice Assistance Grant
\$	\$ 112,686	\$ 205,505	\$ 913,228	\$	\$ 582,665	\$	\$	\$ 107
		19,269	2,685		1,760			
162,308			684,683	24,002		28,021	20,875	
<u>\$ 162,308</u>	<u>\$ 112,686</u>	<u>\$ 224,774</u>	<u>\$ 1,600,596</u>	<u>\$ 24,002</u>	<u>\$ 584,425</u>	<u>\$ 28,021</u>	<u>\$ 20,875</u>	<u>\$ 107</u>
\$	\$ 55,676 55,631	\$ 31,747 63,261	\$	\$	\$ 1,944 49,435	\$	\$	\$
						23,883		79
	111,307	95,008			51,379	23,883		79
	1,379	92,827			7,211			
	1,379	92,827			7,211			
162,308		36,939	1,600,596	24,002	525,835	4,138	20,875	28
162,308			1,600,596	24,002	525,835	4,138	20,875	28
162,308	1,379	129,766	1,600,596	24,002	533,046	4,138	20,875	28
<u>\$ 162,308</u>	<u>\$ 112,686</u>	<u>\$ 224,774</u>	<u>\$ 1,600,596</u>	<u>\$ 24,002</u>	<u>\$ 584,425</u>	<u>\$ 28,021</u>	<u>\$ 20,875</u>	<u>\$ 107</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2009

	Parking Enforcement	Child Development	Maintenance Districts	CFD Services	Measure C	Developer Capital Fee
ASSETS						
Cash, cash equivalents and investments	\$	\$ 461,760	\$ 1,631,332	\$ 1,064,352	\$ 2,392,896	\$ 352,062
Receivables:						
Account				105,890		394,597
Interest		1,372	4,880	3,480	7,159	1,046
Due from other funds						
Land held for resale						
Due from other governments		430,133	81,528	256,165	778,768	
Notes receivable						
Total assets	<u>\$ -</u>	<u>\$ 893,265</u>	<u>\$ 1,717,740</u>	<u>\$ 1,429,887</u>	<u>\$ 3,178,823</u>	<u>\$ 747,705</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 183,043	\$ 36,026	\$ 35,919	\$ 25,245	\$
Other payables			4,559	37,877	254,094	
Deferred revenue						
Deposits						
Due to other funds		1,849	1,965			
Advances from other funds				1,720,992		
Total liabilities		<u>184,892</u>	<u>42,550</u>	<u>1,794,788</u>	<u>279,339</u>	
Fund Balances:						
Reserved:						
Encumbrances			658	13,620	751,332	
Land held for resale						
Child development		696,797				
Total reserved		<u>696,797</u>	<u>658</u>	<u>13,620</u>	<u>751,332</u>	
Unreserved, designated						
Pump replacement			358,023			
Facilities development				226,694		
Street Repair and Maintenance						
Total unreserved, designated			<u>358,023</u>	<u>226,694</u>		
Unreserved, undesignated						
reported in:						
Special revenue funds		11,576	1,316,509	(605,215)	2,148,152	747,705
Debt service funds						
Capital project funds						
Total unreserved, undesignated		<u>11,576</u>	<u>1,316,509</u>	<u>(605,215)</u>	<u>2,148,152</u>	<u>747,705</u>
Total fund balances		<u>708,373</u>	<u>1,675,190</u>	<u>(364,901)</u>	<u>2,899,484</u>	<u>747,705</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 893,265</u>	<u>\$ 1,717,740</u>	<u>\$ 1,429,887</u>	<u>\$ 3,178,823</u>	<u>\$ 747,705</u>

Special Revenue			Debt Service	Capital Projects				
PEG Access Fees	Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Data Computers	Merced Theatre Restoration
\$ 85,731	\$ 1,205,546	\$ 40,835	\$ 7,340	\$ 442,641	\$ 4,141,737	\$ 103	\$	\$ 798,149
21,736								1,133
255	3,569	121	22	1,315	11,652			2,371
				286,838				
					205,611			
<u>\$ 107,722</u>	<u>\$ 1,209,115</u>	<u>\$ 40,956</u>	<u>\$ 7,362</u>	<u>\$ 730,794</u>	<u>\$ 4,359,000</u>	<u>\$ 103</u>	<u>\$</u>	<u>\$ 801,653</u>
\$	\$	\$ 1,359	\$	\$ 3,080	\$ 164,212	\$	\$	\$ 46,008
								4,509
		1,359		3,080	164,212			50,517
5,359				158,091 286,838	3,149,898			235,306
5,359				444,929	3,149,898			235,306
102,363	1,209,115	39,597	7,362	282,785	1,044,890	103		515,830
102,363	1,209,115	39,597	7,362	282,785	1,044,890	103		515,830
107,722	1,209,115	39,597	7,362	727,714	4,194,788	103		751,136
<u>\$ 107,722</u>	<u>\$ 1,209,115</u>	<u>\$ 40,956</u>	<u>\$ 7,362</u>	<u>\$ 730,794</u>	<u>\$ 4,359,000</u>	<u>\$ 103</u>	<u>\$</u>	<u>\$ 801,653</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2009

	Capital Projects			
	Parks & Community Service	PCE Remediation	Fire Station #55	Total
ASSETS				
Cash, cash equivalents and investments	\$	\$	\$	\$ 14,851,682
Receivables:				
Account				555,048
Interest				43,196
Due from other funds				
Land held for resale				286,838
Due from other governments	127,853			2,936,105
Notes receivable				
Total assets	<u>\$ 127,853</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,672,869</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 588,496
Other payables				490,997
Deferred revenue				12,168
Deposits				4,509
Due to other funds	63,756			91,453
Advances from other funds				1,720,992
Total liabilities	<u>63,756</u>			<u>2,908,615</u>
Fund Balances:				
Reserved:				
Encumbrances	19,825			4,482,205
Land held for resale				286,838
Child development				696,797
Total reserved	<u>19,825</u>			<u>5,465,840</u>
Unreserved, designated				
Pump replacement				358,023
Facilities development				226,694
Street Repair and Maintenance				
Total unreserved, designated				<u>584,717</u>
Unreserved, undesignated				
reported in:				
Special revenue funds				7,818,455
Debt service funds				7,362
Capital project funds	44,272			1,887,880
Total unreserved, undesignated	<u>44,272</u>			<u>9,713,697</u>
Total fund balances	<u>64,097</u>			<u>15,764,254</u>
Total liabilities and fund balances	<u>\$ 127,853</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,672,869</u>
				(Concluded)

(Concluded)

This page intentionally left blank.

City of Merced

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2009

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
REVENUES:						
Taxes	\$	\$ 79,798	\$	\$	\$	\$
Intergovernmental			154,674	1,249,656		
Service charges						16,936
Fines, forfeitures and penalties					216,258	
Other	73,645	87,018	3,601	4,779	1,244	17,698
Total revenues	73,645	166,816	158,275	1,254,435	217,502	34,634
EXPENDITURES:						
Current operating:						
General government	5,647	133,496			175,000	58,096
Public safety						
Public works						992,803
Parks						
Total current operating	5,647	133,496			175,000	1,050,899
Capital outlay	9,189					
Total expenditures	14,836	133,496			175,000	1,050,899
REVENUES OVER (UNDER)						
EXPENDITURES	58,809	33,320	158,275	1,254,435	42,502	(1,016,265)
OTHER FINANCING						
SOURCES (USES):						
Capital contributions						
Transfers in						1,030,780
Transfers out	(14,400)		(548,014)	(1,219,254)		
Total other financing						
sources (uses)	(14,400)		(548,014)	(1,219,254)		1,030,780
Net change in fund balances	44,409	33,320	(389,739)	35,181	42,502	14,515
FUND BALANCES:						
Beginning of year	132,585	61,361	411,278	92,207	39,720	3,292
End of year	\$ 176,994	\$ 94,681	\$ 21,539	\$ 127,388	\$ 82,222	\$ 17,807

Special Revenue								
Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Supplemental Law Enforcement Services	Justice Assistance Grant
\$ 681,909	\$ 281,884	\$	\$ 684,683	\$ 307,583	\$ 1,183,451	\$ 123,715	\$ 100,095	\$ 21,203
2,577	1,689	491,585	30,043	631	19,117		239	34
684,486	283,573	491,585	714,726	308,214	1,202,568	123,715	100,334	21,237
	165,120	105,445			1,473,867	154,016		
	2,538,494	2,289,910						
	2,703,614	2,395,355			1,473,867	154,016		
	17,677	9,909			9,794	3,956		2,224
	2,721,291	2,405,264			1,483,661	157,972		2,224
684,486	(2,437,718)	(1,913,679)	714,726	308,214	(281,093)	(34,257)	100,334	19,013
(565,653)	2,603,097 (240,000)	1,957,170	82,744 (527,347)	(311,773)	25,597	37,898	(79,959)	(20,000)
(565,653)	2,363,097	1,957,170	(444,603)	(311,773)	25,597	37,898	(79,959)	(20,000)
118,833	(74,621)	43,491	270,123	(3,559)	(255,496)	3,641	20,375	(987)
43,475	76,000	86,275	1,330,473	27,561	788,542	497	500	1,015
\$ 162,308	\$ 1,379	\$ 129,766	\$ 1,600,596	\$ 24,002	\$ 533,046	\$ 4,138	\$ 20,875	\$ 28

(Continued)

City of Merced

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued Non-Major Governmental Funds For the year ended June 30, 2009

	Parking Enforcement	Child Development	Maintenance Districts	CFD	Measure C	Developer Capital Fee
REVENUES:						
Taxes	\$	\$	\$	\$	\$ 4,795,990	\$
Intergovernmental		577,937		49,102		
Service charges				48,189	275,291	
Fines, forfeitures and penalties						
Other		247,378	863,798	1,982,830	66,924	113,184
Total revenues		825,315	863,798	2,080,121	5,138,205	113,184
EXPENDITURES:						
Current operating:						
General government		3,844	823,825	1,607,650	5,689,339	
Public safety						
Public works						
Parks		565,921				
Total current operating		569,765	823,825	1,607,650	5,689,339	
Capital outlay			2,072	36,620	106,796	
Total expenditures		569,765	825,897	1,644,270	5,796,135	
REVENUES OVER (UNDER) EXPENDITURES		255,550	37,901	435,851	(657,930)	113,184
OTHER FINANCING SOURCES (USES):						
Capital contributions						
Transfers in			67,323	122,303	56,260	
Transfers out	(37,378)		(20,092)	(225,052)		
Total other financing sources (uses)	(37,378)		47,231	(102,749)	56,260	
Net change in fund balances	(37,378)	255,550	85,132	333,102	(601,670)	113,184
FUND BALANCES:						
Beginning of year	37,378	452,823	1,590,058	(698,003)	3,501,154	634,521
End of year	\$	\$ 708,373	\$ 1,675,190	\$ (364,901)	\$ 2,899,484	\$ 747,705

Special Revenue			Debt Service	Capital Projects				
PEG Access Fees	Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Data Computers	Merced Theatre Restoration
\$ 101,035	\$ 1,185,070	\$	\$	\$	\$ 155,748	\$	\$	\$
1,513	46,043	75,047	186	25,472	77,989	2		84,925
102,548	1,231,113	75,047	186	25,472	233,737	2		84,925
6,513		47,507		33,108				45,979
6,513		47,507		33,108				45,979
				93,354	4,348,310			335,519
6,513		47,507		126,462	4,348,310			381,498
96,035	1,231,113	27,540	186	(100,990)	(4,114,573)	2		(296,573)
(10,000)	240,000 (1,550,721)			(1,300,902)	4,957,342 (82,744)		(2,200)	
(10,000)	(1,310,721)			(1,300,902)	4,874,598		(2,200)	
86,035	(79,608)	27,540	186	(1,401,892)	760,025	2	(2,200)	(296,573)
21,687	1,288,723	12,057	7,176	2,129,606	3,434,763	101	2,200	1,047,709
\$ 107,722	\$ 1,209,115	\$ 39,597	\$ 7,362	\$ 727,714	\$ 4,194,788	\$ 103	\$	\$ 751,136

(Continued)

City of Merced

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued Non-Major Governmental Funds For the year ended June 30, 2009

	Capital Projects			
	Parks & Community Services	PCE Remediation	Fire Station #55	Total
REVENUES:				
Taxes	\$	\$	\$	\$ 4,976,823
Intergovernmental	210,362			5,501,737
Service charges				1,805,751
Fines, forfeitures and penalties				216,258
Other	846		202	4,320,239
Total revenues	211,208		202	16,820,808
EXPENDITURES:				
Current operating:				
General government				10,528,452
Public safety				
Public works				3,531,297
Parks				2,855,831
Total current operating				16,915,580
Capital outlay	465,670			5,441,090
Total expenditures	465,670			22,356,670
REVENUES OVER (UNDER)				
EXPENDITURES	(254,462)		202	(5,535,862)
OTHER FINANCING				
SOURCES (USES):				
Capital contributions				
Transfers in	58,175			11,238,689
Transfers out		(6,372)	(65,166)	(6,827,027)
Total other financing				
sources (uses)	58,175	(6,372)	(65,166)	4,411,662
Net change in fund balances	(196,287)	(6,372)	(64,964)	(1,124,200)
FUND BALANCES:				
Beginning of year	260,384	6,372	64,964	16,888,454
End of year	\$ 64,097	\$	\$	\$ 15,764,254
				(Concluded)

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service Fund - Major Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes:				
Tax increment	\$ 6,477,406	\$ 6,477,406	\$ 8,990,006	\$ 2,512,600
Service charges:				
Interdepartmental charges	212,051	212,051	212,051	
Other:				
Repayment of note				
Investment earnings	503,850	149,000	113,088	(35,912)
Miscellaneous	135,273	135,273		(135,273)
Total revenues	7,328,580	6,973,730	9,315,145	2,341,415
EXPENDITURES:				
Current operating:				
General government	1,088,189	2,351,553	2,098,527	253,026
Total current operating	1,088,189	2,351,553	2,098,527	253,026
Debt service:				
Principal	3,021,893	3,021,894	2,060,273	961,621
Interest and fees	1,049,635	1,049,636	1,049,633	3
Total debt service	4,071,528	4,071,530	3,109,906	961,624
Total expenditures	5,159,717	6,423,083	5,208,433	1,214,650
REVENUES OVER (UNDER) EXPENDITURES	2,168,863	550,647	4,106,712	3,556,065
OTHER FINANCING SOURCES (USES):				
Proceeds from debt		13,120,000	13,120,000	
Transfers in	354,850	354,850	354,850	
Transfers out	(2,425,217)	(14,415,406)	(14,415,404)	2
Total other financing sources (uses)	(2,070,367)	(940,556)	(940,554)	2
Net change in fund balance	\$ 98,496	\$ (389,909)	3,166,158	\$ 3,556,067
FUND BALANCE:				
Beginning of year, as restated			5,438,645	
End of year			\$ 8,604,803	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Park Reserve Capital Projects Fund - Major Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State grants	\$ 117,041	\$ 159,828	\$ 24,084	\$ (135,744)
Other:				
Park planning zones 1-5	996,200	1,104,100	126,210	(977,890)
Investment earnings	100,022	100,022	68,304	(31,718)
Miscellaneous		125,952	125,952	
Total revenues	1,213,263	1,489,902	344,550	(1,145,352)
EXPENDITURES:				
General government		172,620	172,620	
Capital outlay	2,254,922	3,758,519	2,509,945	1,248,574
Debt service	59,350	59,350	15,000	44,350
Total expenditures	2,314,272	3,990,489	2,697,565	1,292,924
REVENUES OVER (UNDER) EXPENDITURES	(1,101,009)	(2,500,587)	(2,353,015)	147,572
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt				
Transfers in	534,339	460,180	16,706	(443,474)
Transfers out	(16,770)	(10,639)	(10,638)	1
Total other financing sources (uses)	517,569	449,541	6,068	(443,473)
Net change in fund balance	\$ (583,440)	\$ (2,051,046)	(2,346,947)	\$ (295,901)
FUND BALANCE:				
Beginning of year			1,249,197	
End of year			\$ (1,097,750)	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Capital Projects Fund - Major Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
Other Federal grants	\$ 334	\$ 334	\$ 43,584	\$ 43,250
State clean-up funds	82,458	82,458	204,807	122,349
Other:				
Investment earnings	93,000	93,000	197,330	104,330
Charges for services				
Miscellaneous				
Total revenues	175,792	175,792	445,721	269,929
EXPENDITURES:				
General government		180,230	180,230	
Capital outlay	7,306,593	20,055,679	3,097,788	16,957,891
Total current operating	7,306,593	20,235,909	3,278,018	16,957,891
Debt service:				
Principal	16,435	16,435	16,434	1
Interest	3,073	3,073	3,072	1
Total debt service	19,508	19,508	19,506	2
Total expenditures	7,326,101	20,255,417	3,297,524	16,957,893
REVENUES OVER (UNDER) EXPENDITURES	(7,150,309)	(20,079,625)	(2,851,803)	17,227,822
OTHER FINANCING SOURCES (USES):				
Transfers in	1,433,648	13,949,248	14,012,595	63,347
Transfers out	(7,500)	(323,260)	(1,088,225)	(764,965)
Total other financing sources (uses)	1,426,148	13,625,988	12,924,370	(701,618)
Net change in fund balance	\$ (5,724,161)	\$ (6,453,637)	10,072,567	\$ 16,526,204
FUND BALANCE:				
Beginning of year			7,563,743	
End of year			\$ 17,636,310	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Downtown Parking Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
In-lieu parking	\$ 58,305	\$ 58,305	\$ 58,395	\$ 90
Leased parking spaces	13,200	13,200	10,831	(2,369)
Investment earnings			4,419	4,419
Total revenues	71,505	71,505	73,645	2,140
EXPENDITURES:				
Current operating:				
General government	126,121	145,878	5,042	140,836
Administrative shared expenditures	605	605	605	
Total current operating	126,726	146,483	5,647	140,836
Capital outlay	41,591	41,591	9,189	32,402
Total expenditures	168,317	188,074	14,836	173,238
REVENUES OVER (UNDER) EXPENDITURES	(96,812)	(116,569)	58,809	175,378
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(14,400)	(14,400)	(14,400)	
Total other financing sources (uses)	(14,400)	(14,400)	(14,400)	
Net change in fund balance	\$ (111,212)	\$ (130,969)	44,409	\$ 175,378
FUND BALANCE:				
Beginning of year			132,585	
End of year			\$ 176,994	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Downtown Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes:				
Business improvement area	\$ 98,571	\$ 98,571	\$ 79,798	\$ (18,773)
Other:				
Investment earnings			2,685	2,685
Miscellaneous		61,525	84,333	22,808
Total revenues	98,571	160,096	166,816	6,720
EXPENDITURES:				
Current operating:				
General government	157,453	234,521	132,231	102,290
Administrative shared expenditures	1,265	1,265	1,265	
Total expenditures	158,718	235,786	133,496	102,290
Net change in fund balance	\$ (60,147)	\$ (75,690)	33,320	\$ 109,010
FUND BALANCE:				
Beginning of year			61,361	
End of year			\$ 94,681	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Local Transportation Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State and local transportation	\$ 360,236	\$ 154,674	\$ 154,674	\$
Other:				
Investment earnings			3,601	3,601
Total revenues	<u>360,236</u>	<u>154,674</u>	<u>158,275</u>	<u>3,601</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(771,719)</u>	<u>(566,157)</u>	<u>(548,014)</u>	<u>18,143</u>
Total other financing sources (uses)	<u>(771,719)</u>	<u>(566,157)</u>	<u>(548,014)</u>	
Net change in fund balance	<u>\$ (411,483)</u>	<u>\$ (411,483)</u>	<u>(389,739)</u>	<u>\$ 21,744</u>
FUND BALANCE:				
Beginning of year			<u>411,278</u>	
End of year			<u>\$ 21,539</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Gas Tax Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State gas tax	\$ 1,768,256	\$ 1,768,256	\$ 1,249,656	\$ (518,600)
Other:				
Investment earnings			4,779	4,779
Total revenues	<u>1,768,256</u>	<u>1,768,256</u>	<u>1,254,435</u>	<u>(513,821)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,768,256)</u>	<u>(1,768,256)</u>	<u>(1,219,254)</u>	<u>549,002</u>
Total other financing sources (uses)	<u>(1,768,256)</u>	<u>(1,768,256)</u>	<u>(1,219,254)</u>	<u>549,002</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	35,181	<u>\$ 35,181</u>
FUND BALANCE:				
Beginning of year			<u>92,207</u>	
End of year			<u>\$ 127,388</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Traffic Safety Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 175,000	\$ 175,000	\$ 217,502	\$ 42,502
Total revenues	175,000	175,000	217,502	42,502
EXPENDITURES:				
Current operating:				
General government	175,000	175,000	175,000	
Total expenditures	175,000	175,000	175,000	
REVENUES OVER (UNDER) EXPENDITURES	\$	\$	42,502	\$ 42,502
FUND BALANCE:				
Beginning of year			39,720	
End of year			\$ 82,222	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Street Trees Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Service charges	\$ 18,088	\$ 18,088	\$ 16,936	\$ (1,152)
Miscellaneous		17,500	17,698	198
Total revenues	18,088	35,588	34,634	(954)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	58,096	58,096	58,096	
Public works	1,169,434	1,187,058	992,803	194,255
Total expenditures	1,227,530	1,245,154	1,050,899	194,255
REVENUES OVER (UNDER) EXPENDITURES	(1,209,442)	(1,209,566)	(1,016,265)	(193,301)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,209,442	1,209,359	1,030,780	(178,579)
Total other financing sources (uses)	1,209,442	1,209,359	1,030,780	(178,579)
Net change in fund balance	\$	\$ (207)	14,515	\$ 14,722
FUND BALANCE:				
Beginning of year			3,292	
End of year			\$ 17,807	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Traffic Congestion Relief Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 761,000	\$ 731,076	\$ 681,909	\$ (49,167)
Other:				
Investment earnings			2,577	2,577
Total revenues			684,486	2,577
OTHER FINANCING SOURCES (USES):				
Transfers out	(805,146)	(774,551)	(565,653)	208,898
Total other financing sources (uses)	(805,146)	(774,551)	(565,653)	208,898
Net change in fund balance	\$ (44,146)	\$ (43,475)	118,833	\$ 162,308
FUND BALANCE:				
Beginning of year			43,475	
End of year			\$ 162,308	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets and Street Lights Maintenance Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Service charges	\$ 289,469	\$ 289,469	\$ 281,884	\$ (7,585)
Other:				
Investment earnings				
Miscellaneous	100	100	1,689	1,589
Total revenues	289,569	289,569	283,573	(5,996)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	165,120	165,120	165,120	
Public Works	2,988,866	2,768,253	2,538,494	229,759
Total current operating	3,153,986	2,933,373	2,703,614	229,759
Capital outlay	155,390	27,082	17,677	9,405
Total expenditures	3,309,376	2,960,455	2,721,291	239,164
REVENUES OVER (UNDER) EXPENDITURES	(3,019,807)	(2,670,886)	(2,437,718)	233,168
OTHER FINANCING SOURCES (USES):				
Transfers in	3,619,807	3,379,140	2,603,097	(776,043)
Transfers out	(600,000)	(240,000)	(240,000)	
Total other financing sources (uses)	3,019,807	3,139,140	2,363,097	(776,043)
Net change in fund balance	\$	\$ 468,254	(74,621)	\$ (542,875)
FUND BALANCE:				
Beginning of year			76,000	
End of year			\$ 1,379	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recreation and Parks Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State grant	\$	\$	\$	\$
Other:				
Fees for services	194,593	272,833	259,255	(13,578)
Donations	85,183	85,183	114,631	29,448
Miscellaneous	110,000	127,500	117,699	(9,801)
Total revenues	389,776	485,516	491,585	6,069
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	105,445	105,445	105,445	
Parks	2,313,455	2,455,029	2,289,910	165,119
Total current operating	2,418,900	2,560,474	2,395,355	165,119
Capital outlay	11,000	14,745	9,909	4,836
Total expenditures	2,429,900	2,575,219	2,405,264	169,955
REVENUES OVER (UNDER) EXPENDITURES	(2,040,124)	(2,089,703)	(1,913,679)	176,024
OTHER FINANCING SOURCES (USES):				
Transfers in	2,113,316	2,110,197	1,957,170	(153,027)
Total other financing sources (uses)	2,113,316	2,110,197	1,957,170	(153,027)
Net change in fund balance	\$ 73,192	\$ 20,494	43,491	\$ 22,997
FUND BALANCE:				
Beginning of year			86,275	
End of year			\$ 129,766	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Surface Transportation Program Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State grants	\$ 590,730	\$ 590,730	\$ 684,683	\$ 93,953
Other:				
Investment earnings	40,000	40,000	30,043	(9,957)
Total revenues	630,730	630,730	714,726	83,996
OTHER FINANCING SOURCES (USES):				
Transfers in	82,744	82,744	82,744	
Transfers out	(2,709,371)	(2,009,263)	(527,347)	1,481,916
Total other financing sources (uses)	(2,626,627)	(1,926,519)	(444,603)	1,481,916
Net change in fund balance	\$ (1,995,897)	\$ (1,295,789)	270,123	\$ 1,565,912
FUND BALANCE:				
Beginning of year			1,330,473	
End of year			\$ 1,600,596	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Proposition 172 Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
Public safety funding	\$ 324,000	\$ 324,000	\$ 307,583	\$ (16,417)
Other:				
Investment earnings			631	631
Total revenues	<u>324,000</u>	<u>324,000</u>	<u>308,214</u>	<u>(15,786)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(345,072)</u>	<u>(345,072)</u>	<u>(311,773)</u>	<u>(33,299)</u>
Total other financing sources (uses)	<u>(345,072)</u>	<u>(345,072)</u>	<u>(311,773)</u>	<u>(33,299)</u>
Net change in fund balance	<u>\$ (21,072)</u>	<u>\$ (21,072)</u>	<u>(3,559)</u>	<u>\$ 17,513</u>
FUND BALANCE:				
Beginning of year			<u>27,561</u>	
End of year			<u>\$ 24,002</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Public Works Administration Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
Other federal grants	\$	\$	\$	\$
Service charges	1,186,707	1,186,707	1,183,451	(3,256)
Other:				
Investment earnings	20,000	20,000	18,354	(1,646)
Miscellaneous	300	300	763	463
Total revenues	1,207,007	1,207,007	1,202,568	(4,439)
EXPENDITURES:				
Current operating:				
General government	1,679,617	1,670,284	1,473,867	196,417
Total current operating	1,679,617	1,670,284	1,473,867	196,417
Capital outlay	900	10,600	9,794	806
Total expenditures	1,680,517	1,680,884	1,483,661	197,223
REVENUES OVER (UNDER) EXPENDITURES	(473,510)	(473,877)	(281,093)	192,784
OTHER FINANCING SOURCES (USES):				
Transfers in	25,597	25,597	25,597	
Total other financing sources (uses)	25,597	25,597	25,597	
Net change in fund balance	\$ (447,913)	\$ (448,280)	(255,496)	\$ 192,784
FUND BALANCE:				
Beginning of year			788,542	
End of year			\$ 533,046	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

OTS Grant Special Revenue Fund

For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
OTS grant	\$ 430,179	\$ 320,850	\$ 123,715	\$ (197,135)
Service Charges	3,757	3,757		(3,757)
Total revenues	433,936	324,607	123,715	(200,892)
EXPENDITURES:				
Current operating:				
Public safety	493,163	380,752	154,016	226,736
Total current operating	493,163	380,752	154,016	226,736
Capital outlay	3,370	6,452	3,956	2,496
Total expenditures	496,533	387,204	157,972	229,232
REVENUES OVER (UNDER) EXPENDITURES	(62,597)	(62,597)	(34,257)	28,340
OTHER FINANCING SOURCES (USES):				
Transfers in	62,174	62,174	37,898	(24,276)
Total other financing sources (uses)	62,174	62,174	37,898	(24,276)
Net change in fund balance	\$ (423)	\$ (423)	3,641	\$ 4,064
FUND BALANCES:				
Beginning of year			497	
End of year			\$ 4,138	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 100,000	\$ 100,095	\$ 95
Other:				
Investment earnings			239	239
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>100,334</u>	<u>334</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(100,501)</u>	<u>(100,501)</u>	<u>(79,959)</u>	<u>20,542</u>
Total other financing sources (uses)	<u>(100,501)</u>	<u>(100,501)</u>	<u>(79,959)</u>	<u>20,542</u>
Net change in fund balances	<u>\$ (501)</u>	<u>\$ (501)</u>	20,375	<u>\$ 20,876</u>
FUND BALANCE:				
Beginning of year			<u>500</u>	
End of year			<u>\$ 20,875</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Justice Assistance Grant Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
Justice Assistance Grant	\$	\$ 20,876	\$ 21,203	\$ 327
Other:				
Investment earnings	200	200	34	(166)
Total revenues	<u>200</u>	<u>21,076</u>	<u>21,237</u>	<u>161</u>
EXPENDITURES:				
Capital outlay	<u>1,493</u>	<u>2,369</u>	<u>2,224</u>	<u>145</u>
Total expenditures	<u>1,493</u>	<u>2,369</u>	<u>2,224</u>	<u>145</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,293)</u>	<u>18,707</u>	<u>19,013</u>	<u>306</u>
OTHER FINANCING SOURCES (USES):				
Transfers out		(20,000)	(20,000)	
Total other financing sources (uses)		<u>(20,000)</u>	<u>(20,000)</u>	
Net change in fund balance	<u>\$ (1,293)</u>	<u>\$ (1,293)</u>	<u>(987)</u>	<u>\$ 306</u>
FUND BALANCE:				
Beginning of year			<u>1,015</u>	
End of year			<u>\$ 28</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parking Enforcement Special Revenue Fund For the year ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
Public Safety	\$	\$	\$	\$
Total expenditures				
OTHER FINANCING SOURCES (USES):				
Transfers out	(37,378)	(37,378)	(37,378)	
Total other financing sources (uses)	(37,378)	(37,378)	(37,378)	
Net change in fund balance	<u>\$ (37,378)</u>	<u>\$ (37,378)</u>	(37,378)	<u>\$</u>
FUND BALANCE:				
Beginning of year			37,378	
End of year			<u>\$</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Child Development Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
YEP Grant	\$ 213,021	\$ 577,937	\$ 577,937	\$
Other:				
Investment earnings	4,000	4,000	10,808	6,808
Miscellaneous			236,570	236,570
Total revenues	217,021	581,937	825,315	243,378
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	2,130	5,779	3,844	1,935
Parks	367,976	729,243	565,921	163,322
Total expenditures	370,106	735,022	569,765	165,257
REVENUES OVER (UNDER) EXPENDITURES	\$ (153,085)	\$ (153,085)	255,550	\$ 408,635
FUND BALANCE:				
Beginning of year			452,823	
End of year			\$ 708,373	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Maintenance Districts Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Assessments	\$ 805,926	\$ 805,926	\$ 797,522	\$ (8,404)
Service charges	23,787	2,305	23,772	21,467
Investment earnings			42,503	42,503
Miscellaneous			1	1
Total revenues	829,713	808,231	863,798	55,567
EXPENDITURES:				
Current operating:				
General government	898,400	889,828	777,602	112,226
Administrative shared expenditures	46,223	46,223	46,223	
Total current operating	944,623	936,051	823,825	112,226
Capital outlay	351,365	351,365	2,072	349,293
Total expenditures	1,295,988	1,287,416	825,897	461,519
REVENUES OVER (UNDER) EXPENDITURES	(466,275)	(479,185)	37,901	517,086
OTHER FINANCING SOURCES (USES):				
Transfers in	67,323	67,323	67,323	
Transfers out	(20,092)	(20,092)	(20,092)	
Total other financing sources (uses)	47,231	47,231	47,231	
Net change in fund balance	\$ (419,044)	\$ (431,954)	85,132	\$ 517,086
FUND BALANCE:				
Beginning of year			1,590,058	
End of year			\$ 1,675,190	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

CFD Services Special Revenue Fund

For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 151,200	\$ 151,200	\$ 49,102	\$ (102,098)
Charges for Services	69,363	109,363	48,189	(61,174)
Other:				
Assessments	1,455,046	1,429,420	1,664,017	234,597
Investment earnings			28,682	28,682
Miscellaneous		287,738	290,131	2,393
Total revenues	1,675,609	1,977,721	2,080,121	102,400
EXPENDITURES:				
Current operating:				
General government	2,334,029	2,522,422	1,427,793	1,094,629
Administrative shared expenditures	179,857	179,857	179,857	
Total current operating	2,513,886	2,702,279	1,607,650	1,094,629
Capital outlay	1,109	44,056	36,620	7,436
Total expenditures	2,514,995	2,746,335	1,644,270	1,102,065
REVENUES OVER (UNDER) EXPENDITURES	(839,386)	(768,614)	435,851	1,204,465
OTHER FINANCING SOURCES (USES):				
Issuance of debt	554,145	462,040		(462,040)
Transfers in	89,044	125,173	122,303	(2,870)
Transfers out	(203,681)	(230,885)	(225,052)	5,833
Total other financing sources (uses)	439,508	356,328	(102,749)	2,963
Net change in fund balance	\$ (399,878)	\$ (412,286)	333,102	\$ 1,207,428
FUND BALANCE:				
Beginning of year			(698,003)	
End of year			\$ (364,901)	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Measure C Special Revenue Fund

For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
General sales and use tax	\$ 5,430,000	\$ 5,430,000	\$ 4,795,990	\$ (634,010)
Charges for services	119,254	219,254	275,291	56,037
Investment earnings	80,000	80,000	66,482	(13,518)
Miscellaneous			442	442
Total revenues	5,629,254	5,729,254	5,138,205	(591,049)
EXPENDITURES:				
Current operating:				
General government	4,918,293	5,264,667	5,016,484	248,183
Administrative shared expenditures	672,855	672,855	672,855	
Total current operating	5,591,148	5,937,522	5,689,339	248,183
Capital outlay	3,228,392	2,998,025	106,796	2,891,229
Total expenditures	8,819,540	8,935,547	5,796,135	3,139,412
REVENUES OVER (UNDER) EXPENDITURES	(3,190,286)	(3,206,293)	(657,930)	2,548,363
Net change in fund balance	(3,190,286)	(3,206,293)	(657,930)	2,548,363
OTHER FINANCING SOURCES (USES):				
Transfers in	56,260	56,260	56,260	
Transfers out				
Total other financing sources (uses)	56,260	56,260	56,260	
Net change in fund balance	\$ (3,134,026)	\$ (3,150,033)	(601,670)	\$ 2,548,363
FUND BALANCE:				
Beginning of year			3,501,154	
End of year			\$ 2,899,484	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

PEG Access Fee Special Revenue Fund

For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Peg access fees	\$ 90,000	\$ 90,000	\$ 101,035	\$ 11,035
Investment earnings			1,513	1,513
Miscellaneous				
Total revenues	90,000	90,000	102,548	12,548
EXPENDITURES:				
Current operating:				
General government		12,200	6,513	5,687
Administrative shared expenditures				
Total current operating		12,200	6,513	5,687
Capital outlay	122,000	89,487		89,487
Total expenditures	122,000	101,687	6,513	95,174
REVENUES OVER (UNDER) EXPENDITURES	(32,000)	(11,687)	96,035	107,722
Net change in fund balance	(32,000)	(11,687)	96,035	107,722
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(10,000)	(10,000)	(10,000)	
Total other financing sources (uses)	(10,000)	(10,000)	(10,000)	
Net change in fund balance	\$ (42,000)	\$ (21,687)	86,035	\$ 107,722
FUND BALANCE:				
Beginning of year			21,687	
End of year			\$ 107,722	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Developer Capital Fee Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$ 6,000	\$ 6,000	\$ 7,385	\$ 1,385
Miscellaneous			105,799	105,799
Total revenues	6,000	6,000	113,184	107,184
Net change in fund balance	\$ 6,000	\$ 6,000	113,184	\$ 107,184
FUND BALANCE:				
Beginning of year			634,521	
End of year			\$ 747,705	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Proposition 1B Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental - Proposition 1B	\$	\$ 1,185,070	\$ 1,185,070	\$
Other:				
Investment earnings			46,043	46,043
Total revenues		1,185,070	1,231,113	46,043
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	240,000	240,000	
Transfers out	(1,522,161)	(2,706,740)	(1,550,721)	1,156,019
Total other financing sources (uses)	(922,161)	(2,466,740)	(1,310,721)	1,156,019
Net change in fund balance	\$ (922,161)	\$ (1,281,670)	(79,608)	\$ 1,202,062
FUND BALANCE:				
Beginning of year			1,288,723	
End of year			\$ 1,209,115	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Bell Station Building Special Revenue Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 743	\$ 743
Miscellaneous	74,304	74,304	74,304	
Total revenues	74,304	74,304	75,047	743
EXPENDITURES:				
Current operating:				
General government	67,895	67,895	47,507	20,388
Total current operating		67,895	47,507	20,388
Capital outlay	7,000	7,000		7,000
Total expenditures	74,895	74,895	47,507	27,388
REVENUES OVER (UNDER) EXPENDITURES	(591)	(591)	27,540	28,131
OTHER FINANCING SOURCES (USES):				
Transfers out				
Total other financing sources (uses)				
Net change in fund balance	\$ (591)	\$ (591)	27,540	\$ 28,131
FUND BALANCE:				
Beginning of year			12,057	
End of year			\$ 39,597	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Public Financing Authority Debt Service Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 186	\$ 186
Total revenues			186	186
Net change in fund balance	\$	\$	186	\$ 186
FUND BALANCE:				
Beginning of year			7,176	
End of year			\$ 7,362	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Airport Industrial Park Capital Projects Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$ 50,000	\$ 50,000	\$ 25,472	\$ (24,528)
Total revenues	50,000	50,000	25,472	(24,528)
EXPENDITURES:				
Current operating:				
General government	54,033	61,078	33,108	27,970
Capital outlay	232,419	308,588	93,354	215,234
Total expenditures	286,452	369,666	126,462	243,204
REVENUES OVER (UNDER) EXPENDITURES	(236,452)	(319,666)	(100,990)	218,676
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	270,000	270,000		(270,000)
Transfers out	(1,404,634)	(1,518,651)	(1,300,902)	217,749
Total other financing sources (uses)	(1,134,634)	(1,248,651)	(1,300,902)	(52,251)
Net change in fund balance	\$ (1,371,086)	\$ (1,568,317)	(1,401,892)	\$ 166,425
FUND BALANCE:				
Beginning of year			2,129,606	
End of year			\$ 727,714	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets and Signals Capital Projects Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
Federal grants	\$ 151,587	\$ 148,981	\$ 112,327	\$ (36,654)
State grants	972,073	957,746	43,421	(914,325)
Other:				
Investment earnings			77,989	77,989
Miscellaneous	11,500	11,500		(11,500)
Total revenues	1,135,160	1,118,227	233,737	(884,490)
EXPENDITURES:				
Capital outlay	15,649,647	18,815,392	4,348,310	14,467,082
Total expenditures	15,649,647	18,815,392	4,348,310	14,467,082
REVENUES OVER (UNDER) EXPENDITURES	(14,514,487)	(17,697,165)	(4,114,573)	13,582,592
OTHER FINANCING SOURCES (USES):				
Transfers in	13,688,070	14,341,462	4,957,342	(9,384,120)
Transfers out	(82,744)	(82,744)	(82,744)	
Total other financing sources (uses)	13,605,326	14,258,718	4,874,598	(9,384,120)
Net change in fund balance	\$ (909,161)	\$ (3,438,447)	760,025	\$ 4,198,472
FUND BALANCE:				
Beginning of year			3,434,763	
End of year			\$ 4,194,788	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fire Station Capital Projects Fund

For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$	\$	2	\$ 2
Total revenues			2	2
EXPENDITURES:				
Capital outlay	950,000	950,000		950,000
Total expenditures	950,000	950,000		950,000
REVENUES OVER (UNDER) EXPENDITURES	(950,000)	(950,000)	2	950,002
OTHER FINANCING SOURCES (USES):				
Transfers in	950,000	950,000		(950,000)
Total other financing sources (uses)	950,000	950,000		(950,000)
Net change in fund balance	\$	\$	2	\$ 2
FUND BALANCE:				
Beginning of year			101	
End of year			\$ 103	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Police Mobile Computers Capital Projects Fund For the year ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$	\$
Total revenues				
EXPENDITURES:				
Capital outlay				
Total expenditures				
REVENUES OVER (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,533)	(2,533)	(2,200)	333
Total other financing sources (uses)	(2,533)	(2,533)	(2,200)	333
Net change in fund balance	<u>\$ (2,533)</u>	<u>\$ (2,533)</u>	(2,200)	<u>\$ 333</u>
FUND BALANCE:				
Beginning of year			2,200	
End of year			<u>\$</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Merced Theatre Restoration Capital Projects Fund For the year ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 27,351	\$ 27,351
Contributions		57,118	57,574	456
Total revenues		57,118	84,925	27,807
EXPENDITURES:				
Capital outlay		622,386	381,498	240,888
Total expenditures		622,386	381,498	240,888
REVENUES OVER (UNDER) EXPENDITURES		(565,268)	(296,573)	268,695
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total other financing sources (uses)				
Net change in fund balance	\$	\$ (565,268)	(296,573)	\$ 268,695
FUND BALANCE:				
Beginning of year			1,047,709	
End of year			\$ 751,136	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parks & Community Services Capital Projects Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental:				
State grants	\$ 196,339	\$ 196,339	\$ 210,362	\$ 14,023
Other:				
Investment earnings			847	847
Total revenues	<u>196,339</u>	<u>196,339</u>	<u>211,209</u>	<u>14,870</u>
EXPENDITURES:				
Capital outlay	<u>654,867</u>	<u>702,771</u>	<u>465,670</u>	<u>237,101</u>
Total expenditures	<u>654,867</u>	<u>702,771</u>	<u>465,670</u>	<u>237,101</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(458,528)</u>	<u>(506,432)</u>	<u>(254,461)</u>	<u>251,971</u>
OTHER FINANCING SOURCES (USES):				
Contributed capital				
Transfers in	<u>341,649</u>	<u>246,798</u>	<u>58,174</u>	<u>(188,624)</u>
Total other financing sources (uses)	<u>341,649</u>	<u>246,798</u>	<u>58,174</u>	<u>(188,624)</u>
Net change in fund balance	<u>\$ (116,879)</u>	<u>\$ (259,634)</u>	<u>(196,287)</u>	<u>\$ 63,347</u>
FUND BALANCE:				
Beginning of year			<u>260,384</u>	
End of year			<u>\$ 64,097</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual PCE Remediation Capital Projects Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$	\$	\$	\$
Total revenues				
OTHER FINANCING SOURCES (USES):				
Transfers out	(6,379)	(6,379)	(6,372)	7
Total other financing sources (uses)	(6,379)	(6,379)	(6,372)	7
Net change in fund balance	(6,379)	(6,379)	(6,372)	7
FUND BALANCE:				
Beginning of year			6,372	
End of year			\$	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Fire Station #55 Fund Capital Projects Fund For the year ended June 30, 2009

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 202	\$ 202
Total revenues			202	202
OTHER FINANCING SOURCES (USES):				
Transfers out	(65,166)	(65,166)	(65,166)	
Total other financing sources (uses)	(65,166)	(65,166)	(65,166)	
Net change in fund balance	(65,166)	(65,166)	(64,964)	202
FUND BALANCE:				
Beginning of year			64,964	
End of year			\$	

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Wastewater Operation Fund - The Wastewater System Fund is used to collect all user fees and disburse all expenditures for the treatment of industrial and domestic wastewater.

Wastewater Improvement Fund - This fund is used to collect fees resulting from new growth. Funds will be used in the future to expand capacity of the wastewater treatment plant required due to growth.

Wastewater Revolving Fund - This fund was established by Council action to provide low cost loans for property owners of owner-occupied homes meeting certain criteria to hook up to the sewer line. Funding was authorized and provided from the Wastewater Improvement Fund.

University Capital Charge - Wastewater Fund - This fund is used to account for the wastewater portion of the University Capital Charge Fund. The University Capital Charge Fund is used for the receipt of facility fee revenues and debt service payments under the Enterprise Fund Installment Sale Agreement which the city entered into on behalf of UC Merced for the repayment of the loan to fund the water and wastewater service to UC Merced.

Water Operations Fund - This fund is for the operation and maintenance of a water system consisting of 12 well sites, 18 deep well pumps, fluoridation facilities, distribution pipelines, and 4 elevated storage tanks.

Restricted Water Wells Fund - This fund is used to finance all growth-related water system improvements funded through water facility charges. Water facility charges are paid by property owners who connect any building or premise to the City water systems or who replace an existing water service connection with one of larger size.

Restricted Water Mains Fund - This fund is used to accumulate the oversizing component of Water Facility Charges. Reimbursement is made to the original contributor at such time additional development occurs.

University Capital Charge - Water Fund - This fund is used to account for the water portion of the University Capital Charge Fund. The University Capital Charge Fund is used for the receipt of facility fee revenues and debt service payments under the Enterprise Fund Installment Sale Agreement which the city entered into on behalf of UC Merced for the repayment of the loan to fund the water and wastewater service to UC Merced.

Refuse Collection Fund - This fund was established to collect and dispose of municipal solid waste for industrial, commercial and residential customers.

Refuse Capital Equipment Fund - This fund is used for the accumulation of refuse charges on new growth and the purchase of refuse containers and equipment for new growth.

Merced Municipal Airport Fund - This fund was established to maintain and operate the airport in accordance with Federal Regulations Part 139 (Maintenance) and Part 107 (Security).

City of Merced
Combining Schedule of Net Assets
Enterprise Funds
June 30, 2009

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 17,578,684	\$ 22,392,000	\$ 123,343	\$ 140,870
Cash held with fiscal agent	4,963,411			
Receivables:				
Accounts	1,322,471	570,191		
Interest	65,100	66,510	377	
Due from other governments	67,876			3,979,127
Inventory	1,540			
Total current assets	23,999,082	23,028,701	123,720	4,119,997
Noncurrent assets:				
Notes receivable-private parties		8,762	3,339	
Advances to other funds		12,432		
Deferred charges	314,123			
Capital assets:				
Nondepreciable	617,122	15,672,046		
Depreciable, net of accumulated depreciation	20,104,840	13,003,605		
Total capital assets	20,721,962	28,675,651		
Total noncurrent assets	21,036,085	28,696,845	3,339	
Total assets	45,035,167	51,725,546	127,059	4,119,997
LIABILITIES				
Current liabilities:				
Accounts payable	185,138	147,958		
Payroll liabilities	137,839			
Deposits	179,210			
Deferred revenue	863,082	8,762	3,339	
Accrued interest payable	252,637			51,829
Other liabilities	5,715	121,669	50	
Compensated absences payable, due within one year	103,006			
Long-term debt due within one year	1,108,076			61,875
Total current liabilities	2,834,703	278,389	3,389	113,704
Long-term liabilities:				
Advances from other funds			12,432	
Compensated absences payable, due in more than one year	146,084			
Long-term debt due in more than one year	18,596,836			3,864,447
Net OPEB obligation	256,166			
Total long-term liabilities	18,999,086		12,432	3,864,447
Total liabilities	21,833,789	278,389	15,821	3,978,151
NET ASSETS				
Invested in capital assets, net of related debt	1,017,050	28,675,651		(3,926,322)
Restricted for:				
Special projects and programs	763,642	8,689,163		
Debt service	402,438			
Capital projects	4,560,974			
Unrestricted	16,457,274	14,082,343	111,238	4,068,168
Total net assets	\$ 23,201,378	\$ 51,447,157	\$ 111,238	\$ 141,846

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 40,234,897	\$ 10,274,296	\$ 26,767,208	\$ 4,673,536	\$ 135,346	\$ 41,850,386	\$ 4,661,092	\$ 60,685
4,963,411	94,369				94,369		
1,892,662	1,296,250	89,930	17,800		1,403,980	853,478	8,561
131,987	30,912	79,518	13,884		124,314	13,938	180
4,047,003				3,823,082	3,823,082		
1,540	95,836				95,836		
51,271,500	11,791,663	26,936,656	4,705,220	3,958,428	47,391,967	5,528,508	69,426
12,101							
12,432			388,865		388,865		
314,123	132,483				132,483		
16,289,168	4,207,220	3,113,597	1,497		7,322,314	42,055	
33,108,445	27,511,734	6,208,493	853,529		34,573,756	16,424,937	165,769
49,397,613	31,718,954	9,322,090	855,026		41,896,070	16,466,992	165,769
49,736,269	31,851,437	9,322,090	1,243,891		42,417,418	16,466,992	165,769
101,007,769	43,643,100	36,258,746	5,949,111	3,958,428	89,809,385	21,995,500	235,195
333,096	375,876	187,959	2,805		566,640	187,919	
137,839	95,359				95,359	127,237	
179,210	528,784				528,784	158,957	
875,183	1,046,160				1,046,160	706,158	
304,466	95,416			52,876	148,292		
127,434	11,848				11,848		
103,006	4,558				4,558	37,492	
1,169,951	336,704	21,288		63,125	421,117		
3,230,185	2,494,705	209,247	2,805	116,001	2,822,758	1,217,763	
12,432							
146,084	126,614				126,614	148,187	
22,461,283	7,334,608	69,246		3,937,762	11,341,616		
256,166	181,565				181,565	242,846	
22,875,965	7,642,787	69,246		3,937,762	11,649,795	391,033	
26,106,150	10,137,492	278,493	2,805	4,053,763	14,472,553	1,608,796	
25,766,379	24,047,642	9,231,556	855,026	(4,000,887)	30,133,337	16,466,992	165,769
9,452,805	649,650	99,862			749,512	76,183	
402,438							
4,560,974	94,369				94,369		
34,719,023	8,713,947	26,648,835	5,091,280	3,905,552	44,359,614	3,843,529	69,426
\$ 74,901,619	\$ 33,505,608	\$ 35,980,253	\$ 5,946,306	\$ (95,335)	\$ 75,336,832	\$ 20,386,704	\$ 235,195

(Continued)

City of Merced
Combining Schedule of Net Assets, Continued
Enterprise Funds
June 30, 2009

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 4,721,777	\$ 237,881	\$ 87,044,941
Cash held with fiscal agent			5,057,780
Receivables			
Accounts	862,039	22,336	4,181,017
Interest	14,118	717	271,136
Due from other governments		23,091	7,893,176
Inventory			97,376
Total current assets	5,597,934	284,025	104,545,426
Noncurrent assets:			
Notes receivable-private parties			12,101
Advances to other funds			401,297
Deferred charges			446,606
Capital assets:			
Nondepreciable	42,055	1,784,079	25,437,616
Depreciable, net of accumulated depreciation	16,590,706	4,596,290	88,869,197
Total capital assets	16,632,761	6,380,369	114,306,813
Total noncurrent assets	16,632,761	6,380,369	115,166,817
Total assets	22,230,695	6,664,394	219,712,243
LIABILITIES			
Current liabilities:			
Accounts payable	187,919	29,706	1,117,361
Payroll liabilities	127,237	13,199	373,634
Deposits	158,957	18,366	885,317
Deferred revenue	706,158		2,627,501
Accrued interest payable			452,758
Other liabilities		29,890	169,172
Compensated absences payable, due within one year	37,492	913	145,969
Long-term debt due within one year			1,591,068
Total current liabilities	1,217,763	92,074	7,362,780
Long-term liabilities:			
Advances from other funds		388,865	401,297
Compensated absences payable, due in more than one year	148,187	9,812	430,697
Long-term debt due in more than one year			33,802,899
Net OPEB obligation	242,846	25,717	706,294
Total long-term liabilities	391,033	424,394	35,341,187
Total liabilities	1,608,796	516,468	42,703,967
NET ASSETS			
Invested in capital assets, net of related debt	16,632,761	6,380,369	78,912,846
Restricted for:			
Special projects and programs	76,183	142,767	10,421,267
Debt service		53,944	456,382
Capital projects			4,655,343
Unrestricted	3,912,955	(429,154)	82,562,438
Total net assets	\$ 20,621,899	\$ 6,147,926	\$ 177,008,276
			(Concluded)

This page intentionally left blank.

City of Merced
Combining Schedule of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
For the year ended June 30, 2009

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
OPERATING REVENUES:				
Charges for services	\$ 16,941,716	\$ 338,824	\$	\$ 96,335
Other revenues	797,023		316	
Total operating revenues	17,738,739	338,824	316	96,335
OPERATING EXPENSES:				
Personnel services	3,356,946			
Materials, supplies and other services	3,502,487	97,711		
Depreciation	1,178,964	811,334		
Administrative shared expenses	514,956			
Costs applied - labor, materials, supplies and services	1,386,049			
Total operating expenses	9,939,402	909,045		
OPERATING INCOME (LOSS)	7,799,337	(570,221)	316	96,335
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	684,541	539,320	3,601	1,219
Interest and related expenses	(1,009,200)			(140,111)
Total nonoperating revenues (expenses)	(324,659)	539,320	3,601	(138,892)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	7,474,678	(30,901)	3,917	(42,557)
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Capital contributions	468,832			
Transfers in	70,051	4,659,123		
Transfers out	(4,752,597)			
Total transfers and capital contributions	(4,213,714)	4,659,123		
Change in net assets	3,260,964	4,628,222	3,917	(42,557)
NET ASSETS:				
Beginning of year	19,940,414	46,818,935	107,321	184,403
End of year	\$ 23,201,378	\$ 51,447,157	\$ 111,238	\$ 141,846

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 17,376,875	\$ 10,383,151	\$ 94,907	\$ 18,079	\$ 97,261	\$ 10,593,398	\$ 10,706,357	\$ 34,494
797,339	50,232				50,232	2,536	
18,174,214	10,433,383	94,907	18,079	97,261	10,643,630	10,708,893	34,494
3,356,946	2,330,857				2,330,857	3,195,802	
3,600,198	3,577,114	210,983	217,715		4,005,812	5,523,447	5,691
1,990,298	1,407,143	208,948	89,605		1,705,696	830,713	96,455
514,956	522,215				522,215	323,214	
1,386,049	863,709				863,709	864,227	
10,848,447	8,701,038	419,931	307,320		9,428,289	10,737,403	102,146
7,325,767	1,732,345	(325,024)	(289,241)	97,261	1,215,341	(28,510)	(67,652)
1,228,681	261,444	880,282	134,201	1,172	1,277,099	114,318	1,270
(1,149,311)	(388,295)	(4,550)		(135,670)	(528,515)		
79,370	(126,851)	875,732	134,201	(134,498)	748,584	114,318	1,270
7,405,137	1,605,494	550,708	(155,040)	(37,237)	1,963,925	85,808	(66,382)
468,832	403,516	37,439			440,955	852,021	
4,729,174	654,080				654,080	64,926	
(4,752,597)	(604,203)				(604,203)		
445,409	453,393	37,439			490,832	916,947	
7,850,546	2,058,887	588,147	(155,040)	(37,237)	2,454,757	1,002,755	(66,382)
67,051,073	31,446,721	35,392,106	6,101,346	(58,098)	72,882,075	19,383,949	301,577
\$ 74,901,619	\$ 33,505,608	\$ 35,980,253	\$ 5,946,306	\$ (95,335)	\$ 75,336,832	\$ 20,386,704	\$ 235,195
(Continued)							

City of Merced

Combining Schedule of Revenues, Expenses and Changes in Net Assets, Continued

Enterprise Funds

For the year ended June 30, 2009

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 10,740,851	\$ 1,480,413	\$ 40,191,537
Other revenues	2,536		850,107
Total operating revenues	10,743,387	1,480,413	41,041,644
OPERATING EXPENSES:			
Personnel services	3,195,802	326,619	9,210,224
Materials, supplies and other services	5,529,138	252,487	13,387,635
Depreciation	927,168	177,739	4,800,901
Administrative shared expenses	323,214	55,013	1,415,398
Costs applied - labor, materials, supplies and services	864,227		3,113,985
Total operating expenses	10,839,549	811,858	31,928,143
OPERATING INCOME (LOSS)	(96,162)	668,555	9,113,501
NONOPERATING REVENUES (EXPENSES):			
Interest and investment earnings	115,588	2,625	2,623,993
Interest and related expenses		(11,341)	(1,689,167)
Total nonoperating revenues (expenses)	115,588	(8,716)	934,826
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	19,426	659,839	10,048,327
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital contributions	852,021		1,761,808
Transfers in	64,926	2,036,644	7,484,824
Transfers out		(400,000)	(5,756,800)
Total transfers and capital contributions	916,947	1,636,644	3,489,832
Change in net assets	936,373	2,296,483	13,538,159
NET ASSETS:			
Beginning of year	19,685,526	3,851,443	163,470,117
End of year	<u>\$ 20,621,899</u>	<u>\$ 6,147,926</u>	<u>\$ 177,008,276</u>
			(Concluded)

This page intentionally left blank.

City of Merced
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2009

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 16,694,319	\$ 962,232	\$	\$ 96,335
Cash paid to suppliers	(5,527,646)	(208,634)		
Cash paid to employees	(3,312,276)			
Cash (paid to) received from other governments	818,843			104,621
Net cash provided (used) by operating activities	8,673,240	753,598		200,956
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds			(3,464)	
Advances to other funds		3,464		
Transfers from other funds	70,051	4,659,123		
Transfers to other funds	(4,752,597)			
Net cash provided (used) by noncapital financing activities	(4,682,546)	4,662,587	(3,464)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(191,124)	(2,268,925)		
Payment of long-term debt	(817,796)			(61,913)
Interest payments	(974,182)			(140,928)
Net cash provided (used) by capital and related financing activities	(1,983,102)	(2,268,925)		(202,841)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	687,401	544,474	3,824	1,219
Payments from notes to private parties	597	773	316	
Net cash provided (used) by investing activities	687,998	545,247	4,140	1,219
Net increase (decrease) in cash cash and cash equivalents	2,695,590	3,692,507	676	(666)
Cash and cash equivalents at beginning of year	19,846,505	18,699,493	122,667	141,536
Cash and cash equivalents at end of year	\$ 22,542,095	\$ 22,392,000	\$ 123,343	\$ 140,870

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 17,752,886	\$ 10,057,688	\$ 447,850	\$ 90,241	\$ 97,261	\$ 10,693,040	\$ 10,609,935	\$ 53,600
(5,736,280)	(4,946,483)	(136,602)	(214,910)		(5,297,995)	(6,755,397)	(5,691)
(3,312,276)	(2,303,681)				(2,303,681)	(3,182,999)	
923,464	50,232			100,519	150,751	2,536	
9,627,794	2,857,756	311,248	(124,669)	197,780	3,242,115	674,075	47,909
(3,464)						(12,382)	
3,464		900,000	(388,865)				
4,729,174	654,080				654,080	64,926	
(4,752,597)	(604,203)				(604,203)		
(23,423)	49,877	900,000	(388,865)		561,012	52,544	
(2,460,049)	(536,844)	(1,468,314)	(63,193)		(2,068,351)	(20,860)	
(879,709)	(145,509)	(20,450)		(63,088)	(229,047)	242,846	
(1,115,110)	(376,398)			(136,504)	(517,452)	(371)	
(4,454,868)	(1,058,751)	(1,493,314)	(63,193)	(199,592)	(2,814,850)	221,615	
1,236,918	265,856	921,990	144,009	1,172	1,333,027	117,073	1,143
1,686	158	1,108	215		1,481		125
1,238,604	266,014	923,098	144,224	1,172	1,334,508	117,073	1,268
6,388,107	2,114,896	641,032	(432,503)	(640)	2,322,785	1,065,307	49,177
38,810,201	8,253,769	26,126,176	5,106,039	135,986	39,621,970	3,595,785	11,508
\$ 45,198,308	\$ 10,368,665	\$ 26,767,208	\$ 4,673,536	\$ 135,346	\$ 41,944,755	\$ 4,661,092	\$ 60,685
(Continued)							

City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2009

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers, including cash deposits	\$ 10,663,535	\$ 1,468,997	\$ 40,578,458
Cash paid to suppliers	(6,761,088)	(252,115)	(18,047,478)
Cash paid to employees	(3,182,999)	(320,177)	(9,119,133)
Cash (paid to) received from other governments		27,884	1,104,635
Net cash provided (used) by operating activities	721,984	924,589	14,516,482
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	(12,382)	388,865	373,019
Advances to other funds			514,599
Transfers from other funds		2,036,644	7,484,824
Transfers to other funds		(400,000)	(5,756,800)
Net cash provided (used) by noncapital financing activities	52,544	2,025,509	2,615,642
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(20,860)	(2,785,454)	(7,334,714)
Payment of long-term debt	242,846	25,717	(840,193)
Interest payments	(371)	(11,341)	(1,644,274)
Net cash provided (used) by capital and related financing activities	221,615	(2,771,078)	(9,819,181)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings received (paid)	118,216	1,908	2,690,069
Payments from notes to private parties	125		3,292
Net cash provided (used) by investing activities	118,341	1,908	2,693,361
Net increase (decrease) in cash cash and cash equivalents	1,114,484	180,928	10,006,304
Cash and cash equivalents at beginning of year	3,607,293	56,953	82,096,417
Cash and cash equivalents at end of year	\$ 4,721,777	\$ 237,881	\$ 92,102,721
			(Concluded)

This page intentionally left blank.

City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2009

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 7,799,337	\$ (570,221)	\$ 316	\$ 96,335
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,178,964	811,334		
Receivables	(305,925)	623,153		
Inventory	(40)			
Due from other governments	21,820			104,621
Accounts payable	(129,802)	(110,923)		
Payroll liabilities	36,786			
Deposits	34,271			
Deferred revenue	24,257	255	(316)	
Other liabilities	5,688			
Compensated absences	7,884			
Total adjustments	873,903	1,323,819	(316)	104,621
Net cash provided (used) by operating activities	<u>\$ 8,673,240</u>	<u>\$ 753,598</u>	<u>\$</u>	<u>\$ 200,956</u>
NON CASH ITEMS:				
Developer contributions of capital assets	<u>\$ 468,832</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 7,325,767	\$ 1,732,345	\$ (325,024)	\$ (289,241)	\$ 97,261	\$ 1,215,341	\$ (28,510)	\$ (67,652)
1,990,298	1,407,143	208,948	89,605		1,705,696	830,713	96,455
317,228	(171,893)	352,943	72,162		253,212	(118,890)	19,106
(40)	11,196				11,196		
126,441				100,519	100,519		
(240,725)	5,359	74,381	2,805		82,545	(44,509)	
36,786	17,187				17,187	26,600	
34,271	(182,972)				(182,972)	2,621	
24,196	29,402				29,402	19,847	
5,688							
7,884	9,989				9,989	(13,797)	
2,302,027	1,125,411	636,272	164,572	100,519	2,026,774	702,585	115,561
\$ 9,627,794	\$ 2,857,756	\$ 311,248	\$ (124,669)	\$ 197,780	\$ 3,242,115	\$ 674,075	\$ 47,909
\$ 468,832	\$ 403,516	\$ 37,439	\$	\$	\$ 440,955	\$ 852,021	\$

(Continued)

City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2009

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
RECONCILIATION OF OPERATING			
INCOME (LOSS) TO NET CASH PROVIDED			
(USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (96,162)	\$ 668,555	\$ 9,113,501
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	927,168	177,739	4,800,901
Receivables	(99,784)	(2,124)	468,532
Inventory			11,156
Due from other governments		27,884	254,844
Accounts payable	(44,509)	25,495	(177,194)
Payroll liabilities	26,600	2,082	82,655
Deposits	2,621	3,824	(142,256)
Deferred revenue	19,847	(13,116)	60,329
Other liabilities		29,890	35,578
Compensated absences	(13,797)	4,360	8,436
Total adjustments	818,146	256,034	5,402,981
Net cash provided (used) by operating activities	\$ 721,984	\$ 924,589	\$ 14,516,482
NON CASH ITEMS:			
Developer contributions of capital assets	\$ 852,021	\$	\$ 1,761,808
			(Concluded)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Workers' Compensation Insurance Fund - This fund is a self-insured fund that provides hospital, medical, disability and wage losses for employees injured on the job, as well as the technical and clerical support for the administration of the worker's compensation and liability programs.

Liability Insurance Fund - This fund provides the accounting mechanism through which the City pays the cost of general liability and automobile insurance, claim awards, and the administration expenses associated with these programs. Money is budgeted in departmental operating accounts and then transferred during the year into this liability insurance fund from which expenses are actually paid out.

Unemployment Insurance Fund - This fund is a fully self-insured fund that provides benefits per Federal guidelines for employees who have left the City service and qualify under State law for unemployment compensation.

Employee Benefits Fund - This fund provides the accounting mechanism through which the City pays the cost of health, long-term disability, dental and vision insurance for employees. Money is budgeted in departmental operating accounts and then transferred during the year into this employee benefit fund from which benefit payments are actually made.

Fleet Management Fund - This fund collects money from each department for the daily operation and maintenance of each vehicle.

Fleet Replacement Fund - The Fleet Replacement Fund was established to accumulate funds for replacement of City vehicles.

Facility Maintenance Fund - This fund was established to account for costs of maintaining and operating City property, including the Civic Center, Senior Center and play areas.

Support Services Fund - This fund contains the Personnel, Information Systems, Records and Risk Management Administration divisions which support all other City functions.

Personal Computer Replacement Fund - This fund was established to fund the repair, maintenance, and replacement of the City's investment in personal computers, printers, plotters, scanners, servers, and other peripherals.

City of Merced
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 872,280	\$ 479,455	\$ 6,796	\$ 3,671,330
Receivables				
Accounts	1,400	31,374		2,817
Notes				
Interest	2,280	1,701	20	9,091
Due from other governments				
Prepaid items		115,057		
Inventory				
Total current assets	875,960	627,587	6,816	3,683,238
Non-current assets:				
Advances to other funds				
Capital assets:				
Nondepreciable				
Depreciable, net of accumulated depreciation				
Total capital assets				
Total noncurrent assets				
Total assets	875,960	627,587	6,816	3,683,238
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts payable	2,571	51,887		33,455
Payroll liabilities				
Other liabilities				2,465
Insurance claims, due within one year	790,484	646,999		
Compensated absences payable, due within one year				
Total current liabilities	793,055	698,886		35,920
Insurance claims, due in more than one year	1,814,580			
Compensated absences payable, due in more than one year				
Net OPEB obligation				
Total liabilities	2,607,635	698,886		35,920
Net Assets:				
Invested in capital assets, net of related debt				
Unrestricted	(1,731,675)	(71,299)	6,816	3,647,318
Total net assets	\$ (1,731,675)	\$ (71,299)	\$ 6,816	\$ 3,647,318

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 1,372,586	\$ 13,568,289	\$ 525,716	\$ 611,959	\$ 2,312,604	\$ 23,421,015
		8,006	277		43,874
	364,254	1,032	1,841	6,870	373,997
4,130	41,775				58,997
9,906					9,906
					115,057
89,024					89,024
1,475,646	13,974,318	534,754	614,077	2,319,474	24,111,870
69,999		119,348	51,143		240,490
166,981	4,954,013	998,927	629,324	794,099	7,543,344
236,980	4,954,013	1,118,275	680,467	794,099	7,783,834
236,980	4,954,013	1,118,275	680,467	794,099	7,783,834
1,712,626	18,928,331	1,653,029	1,294,544	3,113,573	31,895,704
29,747	11,880	50,249	41,987	179,784	401,560
43,151		28,052	91,512		162,715
	684	11,821			14,970
					1,437,483
26,481		21,732	8,008		56,221
99,379	12,564	111,854	141,507	179,784	2,072,949
					1,814,580
92,198		27,164	160,335		279,697
85,370		57,065	181,132		323,567
276,947	12,564	196,083	482,974	179,784	4,490,793
236,980	4,954,013	1,118,275	680,467	794,099	7,783,834
1,198,699	13,961,754	338,671	131,103	2,139,690	19,621,077
\$ 1,435,679	\$ 18,915,767	\$ 1,456,946	\$ 811,570	\$ 2,933,789	\$ 27,404,911

City of Merced

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2009

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
OPERATING REVENUES:				
Charges for services	\$ 105,250	\$ 2,386,126	\$ 91,858	\$ 8,069,547
Other	1,934	3,597		
Total operating revenues	107,184	2,389,723	91,858	8,069,547
OPERATING EXPENSES:				
Personnel services				
Materials, supplies and other services	253,053	475,112	1,499	151,876
Depreciation				
Administrative shared expenses	41,838	43,486	1,122	165,507
Insurance	598,263	1,823,307	102,757	7,919,629
Total operating expenses	893,154	2,341,905	105,378	8,237,012
Capital outlay				
OPERATING INCOME (LOSS)	(785,970)	47,818	(13,520)	(167,465)
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	39,244	10,985	363	106,973
Gain (loss) on sale of equipment				
Total nonoperating revenues (expenses)	39,244	10,985	363	106,973
INCOME (LOSS) BEFORE TRANSFERS	(746,726)	58,803	(13,157)	(60,492)
TRANSFERS:				
Transfers in		6,373		
Transfers out				(1,000,000)
Total transfers		6,373		(1,000,000)
NET INCOME (LOSS)	(746,726)	65,176	(13,157)	(1,060,492)
NET ASSETS:				
Beginning of the year	(984,949)	(136,475)	19,973	4,707,810
End of the year	<u>\$ (1,731,675)</u>	<u>\$ (71,299)</u>	<u>\$ 6,816</u>	<u>\$ 3,647,318</u>

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 3,426,971	\$ 2,796,878	\$ 1,355,679	\$ 2,671,556	\$ 528,405	\$ 21,432,270
14,814	17,029	349	5,122		42,845
3,441,785	2,813,907	1,356,028	2,676,678	528,405	21,475,115
1,104,987		795,593	2,218,306		4,118,886
2,180,566		745,804	1,360,301	135,819	5,304,030
31,896	1,780,834	58,456	298,816	263,746	2,433,748
120,718		65,415	117,201		555,287
					10,443,956
3,438,167	1,780,834	1,665,268	3,994,624	399,565	22,855,907
24,279	(7,731)			439	16,987
(20,661)	1,040,804	(309,240)	(1,317,946)	128,401	(1,397,779)
38,270	382,800	16,608	29,203	60,956	685,402
32,704		3	2,426		35,133
70,974	382,800	16,611	31,629	60,956	720,535
50,313	1,423,604	(292,629)	(1,286,317)	189,357	(677,244)
23,096		17,631	61,995		109,095
		(8,075)			(1,008,075)
23,096		9,556	61,995		(898,980)
73,409	1,423,604	(283,073)	(1,224,322)	189,357	(1,576,224)
1,362,270	17,492,163	1,740,019	2,035,892	2,744,432	28,981,135
\$ 1,435,679	\$ 18,915,767	\$ 1,456,946	\$ 811,570	\$ 2,933,789	\$ 27,404,911

City of Merced
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2009

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 105,350	\$ 2,405,367	\$ 91,858	\$ 8,075,851
Cash paid to suppliers	(257,620)	(666,034)	(1,499)	(125,614)
Cash paid to employees				
Cash receipts (payments) other	(917,467)	(1,997,043)	(103,879)	(8,085,136)
Net cash provided (used) by operating activities	(1,069,737)	(257,710)	(13,520)	(134,899)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances to other funds	61,620			
Notes receivable				
Transfers from other funds		6,373		
Transfers to other funds				(1,000,000)
Net cash provided (used) by noncapital financing activities	61,620	6,373		(1,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets				
Proceeds from disposal of equipment				
Net cash provided (used) by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	45,478	12,616	435	119,628
Net cash provided (used) by investing activities	45,478	12,616	435	119,628
Net increase (decrease) in cash cash and cash equivalents	(962,639)	(238,721)	(13,085)	(1,015,271)
Cash and cash equivalents at beginning of year	1,834,919	718,176	19,881	4,686,601
Cash and cash equivalents at end of year	\$ 872,280	\$ 479,455	\$ 6,796	\$ 3,671,330

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 3,426,971	\$ 2,796,878	\$ 1,354,637	\$ 2,671,279	\$ 528,405	\$ 21,456,596
(2,187,580)	15,637	(753,736)	(1,359,482)	40,213	(5,295,715)
(1,087,053)		(798,943)	(2,200,704)		(4,086,700)
(17,183)	17,029	3,820	69,053		(11,030,806)
135,155	2,829,544	(194,222)	(819,854)	568,618	1,043,375
	12,382				74,002
	136,863	(1,032)	(1,841)	(6,870)	127,120
23,096		17,631	61,995		109,095
		(8,075)			(1,008,075)
23,096	149,245	8,524		(6,870)	(697,858)
(74,484)	(3,072,816)	(119,349)	(55,632)	(259,083)	(3,581,364)
32,704		3	2,426		35,133
(41,780)	(3,072,816)	(119,346)	(53,206)	(259,083)	(3,546,231)
34,035	402,921	20,368	35,649	69,958	741,088
34,035	402,921	20,368	35,649	69,958	741,088
150,506	308,894	(284,676)	(777,257)	372,623	(2,459,626)
1,222,080	13,259,395	810,392	1,389,216	1,939,981	25,880,641
\$ 1,372,586	\$ 13,568,289	\$ 525,716	\$ 611,959	\$ 2,312,604	\$ 23,421,015

(Continued)

City of Merced
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2009

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (785,970)	\$ 47,818	\$ (13,520)	\$ (167,465)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation				
Accounts receivable	100	19,241		6,304
Due from other governments				
Prepaid		(110,786)		
Inventory				
Accounts payable	(4,567)	(80,136)		29,071
Payroll liabilities				
Other liabilities				(2,809)
Insurance claim payable	(279,300)	(133,847)		
Compensated absence payable				
Total adjustments	(283,767)	(305,528)		32,566
Net cash provided (used) by operating activities	\$ (1,069,737)	\$ (257,710)	\$ (13,520)	\$ (134,899)

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ (20,661)	\$ 1,040,804	\$ (309,240)	\$ (1,317,946)	\$ 128,401	\$ (1,397,779)
31,896	1,780,834	58,456	298,816	263,746	2,433,748
		(1,042)	(277)		24,326
3,351					3,351
					(110,786)
38,748					38,748
(21,483)	7,222	(7,932)	819	176,471	99,465
8,044		(3,217)	14,487		19,314
85,370	684	68,886	181,132		333,263
					(413,147)
9,890		(133)	3,115		12,872
155,816	1,788,740	115,018	498,092	440,217	2,441,154
\$ 135,155	\$ 2,829,544	\$ (194,222)	\$ (819,854)	\$ 568,618	\$ 1,043,375

(Concluded)

This page intentionally left blank.

PRIVATE PURPOSE TRUST FUNDS

Trust Funds are used to account for assets held by the government in a trustee capacity.

Task Force Trust Fund - This fund is used to account for assets seized by law enforcement officials pending adjudication.

Youth Programs Endowment Fund - This fund was established by the City Council in Fiscal Year 1999-2000 to fund future endowments for Youth Services Programs.

Wahneta Hall Trust Fund - The City Council was named trustee for funds bequeathed by Wahneta Hall to operate the train in Applegate Park and public concerts in Applegate Park.

Missing Children Trust Fund - This fund was established by City Council to account for the collection of donations for the purpose of building a monument in Applegate Park for Merced County Area children who have been abducted.

Regional Transportation Improvement Trust Fund - This fund was established by the City Council to account for regional transportation impact fees. The fees are collected by the City of Merced on behalf of Merced County Association of Governments (MCAG). MCAG determines improvement projects to construct to accommodate traffic that will be generated by new development within the cities and County of Merced.

City of Merced

Statement of Fiduciary Net Assets

Fiduciary Funds - Private Purpose Trust Funds

June 30, 2009

	Task Force Trust	Youth Programs Endowment	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ASSETS						
Cash, cash equivalents and investments	\$ 213,756	\$ 26,245	\$ 170,117	\$ 823	\$ 8,725	\$ 419,666
Accounts receivable					92,633	92,633
Interest receivable	635	78	505		100	1,318
Total assets	214,391	26,323	170,622	823	101,458	513,617
LIABILITIES						
Accounts payable					81,228	81,228
Total liabilities					81,228	81,228
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES						
Held in trust for other purposes	214,391	26,323	170,622	823	20,230	432,389
Total net assets	\$ 214,391	\$ 26,323	\$ 170,622	\$ 823	\$ 20,230	\$ 432,389

City of Merced

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds - Private Purpose Trust Funds

For the year ended June 30, 2009

	Task Force Trust	Youth Programs Endowment	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ADDITIONS:						
Investment earnings	\$ 2,892	\$ 1,729	\$ 4,721	\$ 698	\$ 11,676	\$ 21,716
Miscellaneous	211,370			29,587	195,782	436,739
Total additions	214,262	1,729	4,721	30,285	207,458	458,455
DEDUCTIONS:						
General government		117,000	5,328	50,400	297,694	470,422
Total deductions		117,000	5,328	50,400	297,694	470,422
Net change in fund balances	214,262	(115,271)	(607)	(20,115)	(90,236)	(11,967)
NET ASSETS:						
Beginning of year	129	141,594	171,229	20,938	110,466	444,356
End of year	<u>\$ 214,391</u>	<u>\$ 26,323</u>	<u>\$ 170,622</u>	<u>\$ 823</u>	<u>\$ 20,230</u>	<u>\$ 432,389</u>

This page intentionally left blank.

AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

City of Merced
Balance Sheet
Agency Funds
June 30, 2009

	<u>Deposits</u>	<u>RDA Deposits</u>	<u>Payroll Clearing</u>	<u>Liberty Park</u>	<u>16th Street Assessment</u>
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 1,350,716	\$ 221,462	\$	\$ 55,548	\$ 42,273
Restricted cash held by fiscal agent					
Interest receivables				165	126
Accounts receivables					
Deposits	102,741	76,736			
Due from other governments				2,671	10,793
Due from other funds					
Total assets	<u>\$ 1,453,457</u>	<u>\$ 298,198</u>	<u>\$</u>	<u>\$ 58,384</u>	<u>\$ 53,192</u>
LIABILITIES					
Other payables	\$ 214,368	\$	\$	\$	\$
Due to other funds					
Deposits	1,239,089	298,198			
Due to bondholders				58,384	53,192
Total liabilities	<u>\$ 1,453,457</u>	<u>\$ 298,198</u>	<u>\$</u>	<u>\$ 58,384</u>	<u>\$ 53,192</u>

Fahrens Park Debt Service	Fahrens Park Capital Projects	Bellevue Ranch East Debt Service	Bellevue Ranch East Capital Projects	Bellevue Ranch West Debt Service	Bellevue Ranch West Capital Projects	Moraga Development Debt Service	Moraga Development Capital Projects
\$ 653,961	\$ 417,118	\$ 1,541,041	\$ 2,697	\$ 6,319	\$ 322,254	\$ 6,525	\$
1,943	1,554		131,857	583,163		19	
		22,080	31	19			
				212,958			
53,315		43,853		93,706		389,462	
			7,694				
<u>\$ 709,219</u>	<u>\$ 418,672</u>	<u>\$ 1,606,974</u>	<u>\$ 142,279</u>	<u>\$ 896,165</u>	<u>\$</u>	<u>\$ 718,260</u>	<u>\$</u>
\$	\$	\$ 3,502	\$ 4,935	\$ 3,502	\$	\$ 3,502	\$
		7,694					
709,219	418,672	1,595,778	137,344	892,663		714,758	
<u>\$ 709,219</u>	<u>\$ 418,672</u>	<u>\$ 1,606,974</u>	<u>\$ 142,279</u>	<u>\$ 896,165</u>	<u>\$</u>	<u>\$ 718,260</u>	<u>\$</u>

(Continued)

City of Merced
Balance Sheet, Continued
Agency Funds
June 30, 2009

	MM Narcotics Task Force Special Revenue	MMNTF Federal Sharing	Merced Somoto Sister City	Merced Merced Community's VIP	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 139,858	\$ 74,021	\$ 5,967	\$ 2,710	\$ 2,979,175
Restricted cash held by fiscal agent					2,578,315
Interest receivables	415	220	18	8	4,518
Accounts receivables					235,038
Deposits					179,477
Due from other governments					593,800
Due from other funds					7,694
Total assets	\$ 140,273	\$ 74,241	\$ 5,985	\$ 2,718	\$ 6,578,017
LIABILITIES					
Other payables	\$ 4,291	\$	\$	\$	\$ 234,100
Due to other funds					7,694
Deposits	135,982	74,241	5,985	2,718	1,756,213
Due to bondholders					4,580,010
Total liabilities	\$ 140,273	\$ 74,241	\$ 5,985	\$ 2,718	\$ 6,578,017
					(Concluded)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,386,504	\$ 202,962,875	\$ 202,998,663	\$ 1,350,716
Deposits	81,193	179,050	157,502	102,741
Total assets	\$ 1,467,697	\$ 203,141,925	\$ 203,156,165	\$ 1,453,457
Liabilities:				
Other payables	\$ 207,142	\$ 1,111,182	\$ 1,103,956	\$ 214,368
Deposits	1,260,555	202,030,743	202,052,209	1,239,089
Total liabilities	\$ 1,467,697	\$ 203,141,925	\$ 203,156,165	\$ 1,453,457
<u>RDA Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 198,473	\$ 113,284	\$ 90,295	\$ 221,462
Deposits	75,907	1,791	962	76,736
Total assets	\$ 274,380	\$ 115,075	\$ 91,257	\$ 298,198
Liabilities:				
Other payables	\$	\$	\$	\$
Deposits	274,380	115,075	91,257	298,198
Total liabilities	\$ 274,380	\$ 115,075	\$ 91,257	\$ 298,198
<u>Payroll Clearing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,612	\$ 24,789,137	\$ 24,792,749	\$
Total assets	\$ 3,612	\$ 24,789,137	\$ 24,792,749	\$
Liabilities:				
Other payables	\$ 3,612	\$ 24,789,137	\$ 24,792,749	\$
Total liabilities	\$ 3,612	\$ 24,789,137	\$ 24,792,749	\$

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Liberty Park</u>				
Assets:				
Cash, cash equivalents and investments	\$ 46,633	\$ 52,631	\$ 43,716	\$ 55,548
Interest receivable	216	165	216	165
Due from other governments	5,061	7,732	10,122	2,671
Total assets	\$ 51,910	\$ 60,528	\$ 54,054	\$ 58,384
Liabilities:				
Due to bondholders	\$ 51,910	\$ 60,528	\$ 54,054	\$ 58,384
Total liabilities	\$ 51,910	\$ 60,528	\$ 54,054	\$ 58,384
<u>16th Street Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 40,844	\$ 47,181	\$ 45,752	\$ 42,273
Interest receivable	189	126	189	126
Due from other governments	8,099	18,892	16,198	10,793
Total assets	\$ 49,132	\$ 66,199	\$ 62,139	\$ 53,192
Liabilities:				
Due to bondholders	\$ 49,132	\$ 66,199	\$ 62,139	\$ 53,192
Total liabilities	\$ 49,132	\$ 66,199	\$ 62,139	\$ 53,192
<u>Fahrens Park Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 601,312	\$ 531,134	\$ 478,485	\$ 653,961
Interest receivable	2,790	1,943	2,790	1,943
Due from other governments	86,229	139,544	172,458	53,315
Total assets	\$ 690,331	\$ 672,621	\$ 653,733	\$ 709,219
Liabilities:				
Due to bondholders	\$ 690,331	\$ 672,621	\$ 653,733	\$ 709,219
Total liabilities	\$ 690,331	\$ 672,621	\$ 653,733	\$ 709,219

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Fahrens Park Capital Projects</u>				
Assets:				
Cash, cash equivalents and investments	\$ 663,674	\$ 45,795	\$ 292,351	\$ 417,118
Interest receivable	4,045	1,554	4,045	1,554
Due from other governments	31,288			
Total assets	\$ 699,007	\$ 47,349	\$ 327,684	\$ 418,672
Liabilities:				
Due to bondholders	\$ 699,007	\$ 47,349	\$ 327,684	\$ 418,672
Total liabilities	\$ 699,007	\$ 47,349	\$ 327,684	\$ 418,672
<u>Bellevue Ranch East Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2,807	\$ 1,352,119	\$ 1,354,926	\$
Restricted cash held by fiscal agent	994,562	2,828,672	2,282,193	1,541,041
Interest receivable	13		13	
Accounts receivable		22,080		22,080
Due from other governments	362,280	406,133	724,560	43,853
Total assets	\$ 1,359,662	\$ 4,609,004	\$ 4,361,692	\$ 1,606,974
Liabilities:				
Other Payables	\$	\$ 29,553	\$ 26,051	\$ 3,502
Due to other funds		7,694		7,694
Due to bondholders	1,359,662	4,571,757	4,335,641	1,595,778
Total liabilities	\$ 1,359,662	\$ 4,609,004	\$ 4,361,692	\$ 1,606,974
<u>Bellevue Ranch East Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 1,873,533	\$ 1,870,836	\$ 2,697
Restricted cash held by fiscal agent	3,412,877	76,787	3,357,807	131,857
Interest receivable		31		31
Due from other funds		7,694		7,694
Total assets	\$ 3,412,877	\$ 1,958,045	\$ 5,228,643	\$ 142,279
Liabilities:				
Other Payables	\$ 6,896	\$ 1,528,066	\$ 1,530,027	\$ 4,935
Due to bondholders	3,405,981	429,979	3,698,616	137,344
Total liabilities	\$ 3,412,877	\$ 1,958,045	\$ 5,228,643	\$ 142,279

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Bellevue Ranch West Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,908	\$ 443,623	\$ 441,212	\$ 6,319
Restricted cash held by fiscal agent	650,837	424,901	492,575	583,163
Interest receivable	18	19	18	19
Accounts receivable		212,958		212,958
Due from other governments	212,122	305,828	424,244	93,706
Total assets	\$ 866,885	\$ 1,387,329	\$ 1,358,049	\$ 896,165
Liabilities:				
Other payables	\$	\$ 10,197	\$ 6,695	\$ 3,502
Due to bondholders	866,885	1,377,132	1,351,354	892,663
Total liabilities	\$ 866,885	\$ 1,387,329	\$ 1,358,049	\$ 896,165
<u>Bellevue Ranch West Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 910,990	\$ 910,990	\$
Restricted cash held by fiscal agent	902,196	8,641	910,837	
Total assets	\$ 902,196	\$ 919,631	\$ 1,821,827	\$
Liabilities:				
Other payables	\$ 5,505	\$	\$ 5,505	\$
Due to bondholders	896,691	919,631	1,816,322	
Total liabilities	\$ 902,196	\$ 919,631	\$ 1,821,827	\$
<u>Moraga Development Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2	\$ 331,673	\$ 325,150	\$ 6,525
Restricted cash held by fiscal agent	388,055	313,304	379,105	322,254
Interest receivable		19		19
Due from other governments	230,772	620,233	461,543	389,462
Total assets	\$ 618,829	\$ 1,265,229	\$ 1,165,798	\$ 718,260
Liabilities:				
Other payables	\$	\$ 10,028	\$ 6,526	\$ 3,502
Due to bondholders	618,829	1,255,201	1,159,272	714,758
Total liabilities	\$ 618,829	\$ 1,265,229	\$ 1,165,798	\$ 718,260
<u>Moraga Development Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 786,067	\$ 786,067	\$
Restricted cash held by fiscal agent	777,343	8,725	786,068	
Total assets	\$ 777,343	\$ 794,792	\$ 1,572,135	\$
Liabilities:				
Other payables	\$ 22,955	\$ 4,775	\$ 27,730	\$
Due to bondholders	754,388	790,017	1,544,405	
Total liabilities	\$ 777,343	\$ 794,792	\$ 1,572,135	\$

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>MM Narcotics Task Force Special Revenue</u>				
Assets:				
Cash, cash equivalents and investments	\$ 119,662	\$ 73,102	\$ 52,906	\$ 139,858
Interest receivable	555	415	555	415
Due from other governments	58,744	58,743	117,487	
Total assets	\$ 178,961	\$ 132,260	\$ 170,948	\$ 140,273
Liabilities:				
Other payables	\$ 2,127	\$ 54,460	\$ 52,296	\$ 4,291
Deposits	176,834	77,800	118,652	135,982
Total liabilities	\$ 178,961	\$ 132,260	\$ 170,948	\$ 140,273
<u>MMNTF Federal Sharing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 207,987	\$ 88,673	\$ 222,639	\$ 74,021
Interest receivable	965	220	965	220
Total assets	\$ 208,952	\$ 88,893	\$ 223,604	\$ 74,241
Liabilities:				
Deposits	\$ 208,952	\$ 88,893	\$ 223,604	\$ 74,241
Total liabilities	\$ 208,952	\$ 88,893	\$ 223,604	\$ 74,241
<u>Merced - Somoto Sister City</u>				
Assets:				
Cash, cash equivalents and investments	\$ 4,677	\$ 14,055	\$ 12,765	\$ 5,967
Interest receivable	22	18	22	18
Total assets	\$ 4,699	\$ 14,073	\$ 12,787	\$ 5,985
Liabilities:				
Deposits	\$ 4,699	\$ 14,073	\$ 12,787	\$ 5,985
Total liabilities	\$ 4,699	\$ 14,073	\$ 12,787	\$ 5,985
<u>Merced - Merced Community's VIP</u>				
Assets:				
Cash, cash equivalents and investments	\$ 900	\$ 9,180	\$ 7,370	\$ 2,710
Interest receivable		8		8
Total assets	\$ 900	\$ 9,188	\$ 7,370	\$ 2,718
Liabilities:				
Deposits	\$ 900	\$ 9,188	\$ 7,370	\$ 2,718
Total liabilities	\$ 900	\$ 9,188	\$ 7,370	\$ 2,718

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,280,995	\$ 234,425,052	\$ 234,726,872	\$ 2,979,175
Restricted cash held by fiscal agents	7,125,870	3,661,030	8,208,585	2,578,315
Interest receivable	8,813	4,518	8,813	4,518
Accounts receivable		235,038		235,038
Deposits	157,100	180,841	158,464	179,477
Due from other governments	994,595	1,557,105	1,957,900	593,800
Due from other funds		7,694		7,694
Total assets	\$ 11,567,373	\$ 240,071,278	\$ 245,060,634	\$ 6,578,017
Liabilities:				
Other payables	\$ 248,237	\$ 27,537,398	\$ 27,551,535	\$ 234,100
Due to other funds		7,694		7,694
Deposits	1,926,320	202,335,772	202,505,879	1,756,213
Due to bondholders	9,392,816	10,190,414	15,003,220	4,580,010
Total liabilities	\$ 11,567,373	\$ 240,071,278	\$ 245,060,634	\$ 6,578,017
				(Concluded)

STATISTICAL SECTION

This part of the City of Merced'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 government's overall financial health.

Contents	Page
Financial Trends	195
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	198
<i>These schedules contain information to help the reader assess the government's property tax revenue, which is the most significant revenue source.</i>	
Debt Capacity	205
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	212
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	215
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

This page intentionally left blank.

City of Merced
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in capital assets, net of related debt	\$ 235,052,801	\$ 236,399,619	\$ 231,913,108	\$ 256,320,458	\$ 298,036,557	\$ 319,244,656	\$ 315,446,531
Restricted	35,314,733	10,091,205	37,004,317	36,675,609	38,115,079	39,957,242	53,595,622
Unrestricted	46,436,664	78,720,262	70,167,890	82,681,152	77,777,779	71,316,915	57,875,418
Total governmental activities net assets	<u>\$ 316,804,198</u>	<u>\$ 325,211,086</u>	<u>\$ 339,085,315</u>	<u>\$ 375,677,219</u>	<u>\$ 413,929,415</u>	<u>\$ 430,518,813</u>	<u>\$ 426,917,571</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 32,503,366	\$ 17,104,566	\$ 20,971,218	\$ 45,873,700	\$ 52,964,607	\$ 73,181,722	\$ 78,912,846
Restricted	409,189	7,662,242	15,949,482	7,959,849	19,382,097	15,709,079	15,532,992
Unrestricted	30,577,213	59,660,550	64,308,694	70,139,087	70,757,428	74,579,316	82,562,438
Total business-type activities net assets	<u>\$ 63,489,768</u>	<u>\$ 84,427,358</u>	<u>\$ 101,229,394</u>	<u>\$ 123,972,636</u>	<u>\$ 143,104,132</u>	<u>\$ 163,470,117</u>	<u>\$ 177,008,276</u>
Primary government							
Invested in capital assets, net of related debt	\$ 267,556,167	\$ 253,504,185	\$ 252,884,326	\$ 302,194,158	\$ 351,001,164	\$ 392,426,378	\$ 394,359,377
Restricted	35,723,922	17,753,447	52,953,799	44,635,458	57,497,176	55,666,321	69,128,614
Unrestricted	77,013,877	138,380,812	134,476,584	152,820,239	148,535,207	145,896,231	140,437,856
Total primary government net assets	<u>\$ 380,293,966</u>	<u>\$ 409,638,444</u>	<u>\$ 440,314,709</u>	<u>\$ 499,649,855</u>	<u>\$ 557,033,547</u>	<u>\$ 593,988,930</u>	<u>\$ 603,925,847</u>

Note: The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003

Information prior to the implementation of GASB 34 is not available

City of Merced
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 16,267,444	\$ 16,195,768	\$ 19,939,236	\$ 21,610,432	\$ 24,535,552	\$ 29,549,528	\$ 33,551,460
Public safety	17,863,142	27,661,654	20,928,903	22,801,910	25,733,837	28,182,100	29,146,402
Public works	3,752,106	11,839,346	12,126,647	11,679,497	12,657,996	15,711,235	15,264,700
Parks	3,407,203	3,861,545	4,481,158	4,830,613	5,779,350	6,782,539	5,658,167
Unallocated Depreciation	11,602,630						
Interest on long-term debt	1,411,552	1,522,941	1,698,204	1,447,658	1,477,834	1,375,397	1,536,098
Total governmental activities expenses	54,304,077	61,081,254	59,174,148	62,370,110	70,184,570	81,600,799	85,156,827
Business-type activities:							
Wastewater system	7,375,599	6,400,525	9,105,525	9,772,349	7,803,288	11,377,729	11,997,758
Water system	5,742,221	6,410,058	8,947,005	7,747,807	6,725,616	9,598,777	9,956,804
Refuse collection system	7,650,496	7,321,227	8,848,455	9,649,845	7,945,319	11,527,731	10,839,549
Merced municipal airport	559,054	515,942	599,528	749,698	738,941	739,812	823,199
Total business-type activities expenses	21,327,370	20,647,752	27,500,513	27,919,699	23,213,164	33,244,049	33,617,310
Total primary government expenses	\$ 75,631,447	\$ 81,729,006	\$ 86,674,661	\$ 90,289,809	\$ 93,397,734	\$ 114,844,848	\$ 118,774,137
Program Revenues							
Governmental activities:							
Charges for services							
General government	\$ 10,401,555	\$ 16,765,806	\$ 19,641,727	\$ 28,642,848	\$ 20,458,280	\$ 13,825,457	\$ 13,020,790
Other activities	5,135,651	4,875,699	6,177,065	9,304,592	10,791,169	8,670,146	10,737,159
Operating grants and contributions	7,533,162	8,626,722	7,815,350	8,631,130	9,440,351	8,289,789	7,321,285
Capital grants and contributions	191,735	744,933	593,935	12,042,606	20,804,576	21,366,033	10,380,895
Total governmental activities program revenues	23,262,103	31,013,160	34,228,077	58,621,176	61,494,376	52,151,425	41,460,129
Business-type activities:							
Charges for services							
Wastewater system	7,191,841	10,274,278	13,936,226	17,301,835	14,891,056	15,166,622	18,174,214
Water system	8,023,831	11,487,131	14,128,349	16,303,612	11,770,342	10,517,877	10,643,630
Refuse collection system	6,894,531	8,566,514	9,182,490	10,170,367	10,447,295	10,224,911	10,743,387
Merced municipal airport	1,167,597	420,362	258,675	1,838,491	547,335	1,060,895	1,480,413
Capital grants and contributions				2,342,250		12,914,315	1,761,808
Total business-type activities program revenues	23,277,800	30,748,285	37,505,740	47,956,555	37,656,028	49,884,620	42,803,452
Total primary government program revenues	\$ 46,539,903	\$ 61,761,445	\$ 71,733,817	\$ 106,577,731	\$ 99,150,404	\$ 102,036,045	\$ 84,263,581
Net (expense)/revenue							
Governmental activities	\$ (31,041,974)	\$ (30,068,094)	\$ (24,946,071)	\$ (3,748,934)	\$ (8,689,694)	\$ (29,449,374)	\$ (43,696,698)
Business-type activities	1,950,430	10,100,533	10,005,227	20,036,856	14,442,864	16,640,571	9,186,142
Total primary government net (expense)/revenue	\$ (29,091,544)	\$ (19,967,561)	\$ (14,940,844)	\$ 16,287,922	\$ 5,753,170	\$ (12,808,803)	\$ (34,510,556)

City of Merced
Changes in Net Assets, Continued
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156	\$ 25,824,787	\$ 24,560,717
Sales	9,799,975	10,409,903	8,821,966	9,826,786	16,104,789	13,796,334	11,768,163
Other	3,739,270	5,076,323	6,776,776	6,949,509	4,677,469	3,850,572	3,721,083
Investment earnings	679,613	466,163	805,643	1,403,994	2,699,785	2,104,907	1,347,878
Miscellaneous	5,745,068	4,996,952	1,867,486	1,915,362	2,054,865	776,895	425,639
Developer contributions of capital assets	832,661	8,232,230	3,067,067				
Transfers	(553,224)	(216,371)	(205,599)	(145,030)	(596,551)	(314,723)	(1,728,024)
Total governmental activities	\$ 29,077,678	\$ 38,474,982	\$ 37,484,140	\$ 40,340,837	\$ 48,927,513	\$ 46,038,772	\$ 40,095,456
Business-type activities:							
Investment earnings	1,215,989	608,035	1,551,101	2,561,355	4,092,081	3,410,691	2,623,993
Miscellaneous	1,956,494	1,207,245	3,118,969				
Developer contributions of capital assets		8,805,407	2,385,819				
Transfers (net)	531,449	216,370	205,599	145,030	596,551	314,723	1,728,024
Total business-type activities	3,703,932	10,837,057	7,261,488	2,706,385	4,688,632	3,725,414	4,352,017
Total primary government	\$ 32,781,610	\$ 49,312,039	\$ 44,745,628	\$ 43,047,222	\$ 53,616,145	\$ 49,764,186	\$ 44,447,473
Change in Net Assets							
Governmental activities	\$ (1,964,296)	\$ 8,406,888	\$ 12,538,069	\$ 36,591,903	\$ 40,237,819	\$ 16,589,398	\$ (3,601,242)
Business-type activities	5,654,362	20,937,590	17,266,715	22,743,241	19,131,496	20,365,985	13,538,159
Total primary government	\$ 3,690,066	\$ 29,344,478	\$ 29,804,784	\$ 59,335,144	\$ 59,369,315	\$ 36,955,383	\$ 9,936,917

Note: The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003

Information prior to the implementation of GASB 34 is not available

City of Merced
Governmental Activities Tax Revenues By Source
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156	\$ 25,824,787	\$ 24,560,717
Sales	9,779,975	10,409,903	8,821,966	9,826,786	16,104,789	13,796,334	11,768,163
Motor Vehicle (1)							
Franchise	989,185	1,107,172	1,194,132	1,270,076	1,363,288	1,450,967	1,572,984
Transient Occupancy	672,192	716,819	604,210	910,755	816,855	901,585	904,175
Business License	938,003	1,089,317	1,161,454	1,280,686	1,234,700	1,286,895	1,159,991
Cost Recovery Impact Study	1,042,078	2,050,047	2,109,039	2,885,238	659,980	119,682	4,135
Business Improvement Area			108,112	107,229	100,166	91,443	79,798
Other	97,812	112,968	1,599,829	495,525	502,480		
Total	<u>\$ 22,353,560</u>	<u>\$ 24,996,008</u>	<u>\$ 31,949,543</u>	<u>\$ 37,166,511</u>	<u>\$ 44,769,414</u>	<u>\$ 43,471,693</u>	<u>\$ 40,049,963</u>

Notes:

(1) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003

Information prior to the implementation of GASB 34 is not available

(2) Motor Vehicle In Lieu of Taxes has been restated to be included in the Other Revenue as it is not a tax

City of Merced
Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 1,988,068	\$ 1,231,989	\$ 913,612	\$ 1,014,604	\$ 1,224,215	\$ 2,298,471	\$ 2,958,980
Unreserved	12,828,865	15,952,063	19,265,788	22,318,502	21,577,706	19,115,667	15,911,919
Total general fund	14,816,933	17,184,052	20,179,400	23,333,106	22,801,921	21,414,138	18,870,899
All other governmental funds							
Reserved	\$ 13,754,073	\$ 17,734,090	\$ 24,253,686	\$ 28,110,594	\$ 26,338,922	\$ 22,352,040	\$ 24,626,965
Unreserved reported in:							
Special revenue funds	12,615,666	19,015,330	25,351,249	21,843,082	23,168,682	29,075,040	24,938,952
Debt service funds		(694,014)	6,295	6,503	6,867	7,176	7,362
Capital project funds	12,212,409	11,805,317	11,470,519	16,327,698	7,252,625	7,619,781	15,614,888
Total all other governmental funds	38,582,148	47,860,723	61,081,749	66,287,877	56,767,096	59,054,037	65,188,167
Total all governmental funds	\$ 53,399,081	\$ 65,044,775	\$ 81,261,149	\$ 89,620,983	\$ 79,569,017	\$ 80,468,175	\$ 84,059,066

City of Merced
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	\$ 22,373,560	\$ 24,996,008	\$ 30,354,133	\$ 38,244,770	\$ 45,240,907	\$ 43,471,693	\$ 40,049,963
Licenses and permits	46,741	39,474	42,222	45,397	47,953	47,116	33,378
Intergovernmental	11,965,906	13,093,883	10,456,810	8,748,689	11,366,663	10,198,364	8,644,598
Service charges	11,454,584	17,036,906	20,659,343	24,649,666	18,431,262	15,250,352	13,964,709
Fines, forfeitures and penalties	959,229	542,351	567,387	650,294	607,976	778,027	789,552
Other	4,902,565	4,652,592	7,035,248	11,513,971	12,846,859	8,500,252	7,225,863
Total revenues	51,702,585	60,361,214	69,115,143	83,852,787	88,541,620	78,245,804	70,708,063
Expenditures							
General government	12,270,297	14,102,947	16,525,030	18,200,995	22,303,991	26,522,000	26,550,216
Public safety	18,199,199	27,052,794	21,523,427	23,880,753	26,857,739	27,615,315	27,742,172
Public works	3,651,120	4,173,888	4,924,123	5,159,499	6,014,516	5,503,186	5,211,714
Parks	3,462,241	3,532,567	4,213,350	4,603,647	5,539,601	6,403,996	4,873,962
Capital outlay	14,751,194	6,183,331	5,251,642	21,843,780	32,552,434	18,254,878	11,362,401
Debt service							
Principal	2,930,748	1,627,341	1,988,914	3,242,392	2,049,565	2,125,599	2,191,707
Interest	1,380,795	1,432,309	1,702,387	1,510,920	1,453,796	1,377,278	1,475,955
Total expenditures	56,645,594	58,105,177	56,128,873	78,441,986	96,771,642	87,802,252	79,408,127
Excess of revenues over (under) expenditures	(4,943,009)	2,256,037	12,986,270	5,410,801	(8,230,022)	(9,556,448)	(8,700,064)
Other financing sources (uses)							
Proceeds from issuance of debt	14,627,825	7,355,000	894,300			250,000	13,120,000
Proceeds from sale of capital assets	811,990	510,548	1,277,170	3,058,088			
Contributed capital						467,491	
Transfers in	12,467,921	12,956,435	15,040,584	22,672,905	23,487,728	21,019,420	30,291,553
Transfers out	(13,135,736)	(13,136,031)	(15,318,108)	(22,781,960)	(24,092,679)	(21,326,068)	(31,120,597)
Total other financing sources (uses)	14,772,000	7,685,952	1,893,946	2,949,033	(604,951)	410,843	12,290,956
Net change in fund balances	\$ 9,828,991	\$ 9,941,989	\$ 14,880,216	\$ 8,359,834	\$ (8,834,973)	\$ (9,145,605)	\$ 3,590,892
Debt service as a percentage of noncapital expenditures	10.29%	5.89%	7.26%	8.40%	5.46%	5.04%	5.39%

City of Merced
Assessed Value and Estimated Actual Value of Taxable Property
Last Seven Fiscal Years

Category (1)	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Residential	\$ 1,542,149,603	\$ 1,721,235,012	\$ 2,003,632,974	\$ 2,461,278,299	\$ 3,218,032,212	\$ 3,620,711,309	\$ 3,306,621,282
Commercial	463,467,608	492,778,330	538,643,273	589,638,618	714,668,621	789,925,689	867,972,550
Industrial	294,836,878	304,966,444	318,438,325	347,470,296	402,565,666	425,150,740	453,752,996
Dry Farm	798,839	808,794	1,036,690	1,051,071	1,071,942	917,658	935,975
Government		241,740	378,678	386,250	267,494	783,861	0
Institutional	802,425	679,772	3,514,069	1,055,078	42,863,162	46,527,072	48,050,240
Irrigated	7,903,179	9,538,872	20,588,114	12,063,855	18,459,310	28,632,172	25,809,246
Miscellaneous	2,560,873	2,628,383	1,299,497	3,130,621	3,295,906	3,387,356	3,397,450
Vacant Land	61,826,684	80,172,364	161,808,575	214,252,716	270,513,956	360,552,867	199,958,641
SBE Nonunitary	5,889,898	5,836,087	5,016,662	4,827,110	4,587,465	2,806,260	2,806,260
Unsecured	180,291,286	203,546,477	224,848,955	224,967,085	294,104,211	315,927,671	334,580,079
Unknown	10,000	33,500	48,500	123,500	151,097	8,559,342	9,389,061
Total Assessed Value	<u>\$ 2,560,537,273</u>	<u>\$ 2,822,465,775</u>	<u>\$ 3,279,254,312</u>	<u>\$ 3,860,244,499</u>	<u>\$ 4,970,581,042</u>	<u>\$ 5,603,881,997</u>	<u>\$ 5,253,273,780</u>
Total Direct Rate (2)	0.29949	0.29901	0.29063	0.27899	0.26201	0.25157	0.28137
Estimated Actual							
Taxable Value (3)	\$ 2,540,501,011	\$ 2,847,791,319	\$ 3,279,254,312	\$ 3,856,170,239	\$ 4,796,073,752	\$ 5,414,273,316	\$ 5,041,458,316

Source: HDL Coren & Cone

Notes:

- (1) Exemptions are netted against the individual categories
- (2) Total Direct Rate is equal to the weighted average of all rates for the City of Merced
- (3) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents only the data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.
- (4) The city implemented GASB Statement 34 in fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available

City of Merced
Property Tax Rates
Direct and Overlapping Governments
Last Four Fiscal Years

		Fiscal Year				
		2006	2007	2008	2009	
	City basic rate	0.22367	0.22367	0.22367	0.22367	(1)
	County General Fund	0.32776	0.32776	0.32776	0.32776	
	Merced Cemetary	0.00698	0.00698	0.00698	0.00698	
	Merced Co Region Occupation Program	0.00217	0.00217	0.00217	0.00217	
	Merced Community College	0.05081	0.05081	0.05081	0.05081	
	Merced Elementary	0.16628	0.16628	0.16628	0.16628	
	Merced High	0.12821	0.12821	0.12821	0.12821	
	Merced Irrigation District	0.03553	0.03553	0.03553	0.03553	
	Mosquito Abatement	0.01211	0.01211	0.01211	0.01211	
	School Capital Outlay	0.00353	0.00353	0.00353	0.00353	
	School Equalization	0.01430	0.01430	0.01430	0.01430	
	School Service	0.02865	0.02865	0.02865	0.02865	
	Total Prop 13 Rate	1.00000	1.00000	1.00000	1.00000	
Overlapping Rates:						
	County of Merced					
	Merced City School Bonds	0.02600	0.01890	0.01860	0.01860	
	Merced High School Bond 1999	0.01400	0.01350	0.01350	0.01350	
	Merced Community College #1	0.02000	0.02000	0.01750	0.01750	
	Weaver Union Bond 2000			0.03550	0.03550	
	Total Direct and Overlapping Rates	1.06000	1.05240	1.08510	1.08510	
City Direct Rates:						
	Total city direct rate (Weighted Average)	0.27899	0.26201	0.25157	0.28137	(2)
	Redevelopment agency	1.00000	1.00000	1.00000	1.00000	(3)

Source: HDL Coren & Cone

Notes:

- (1) The City basic rate is equal to the City share of 1% levy per Prop13
The amounts listed for the City and Redevelopment Agency do not equal the City Basic Rate because each rate has a different tax base
- (2) The Total Direct Rate is the weighted average of all individual direct rates applied by the City of Merced
- (3) The RDA rate is based on the largest RDA tax rate area and includes only rates from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values
- (4) The City of Merced implemented GASB 44 for the fiscal year ended June 30, 2006
Information prior to the implementation of GASB 44 is not available
- (5) ERAF (Educational Revenue Augmentation Fund) general fund tax shifts are not included in tax ratio figures

City of Merced
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Total Assessed Value	\$ 5,253,273,780		100%	\$ 2,187,029,336		100%
World Color Press, Inc.	\$ 200,867,783	1	3.82%	\$ 106,636,660	1	4.88%
McLane Company Inc.	42,853,586	2	0.82%	15,326,619	5	0.70%
Safeway Inc.	35,844,890	3	0.68%	21,091,610	4	0.96%
Scholle Corporation	29,583,560	4	0.56%	23,384,015	3	1.07%
WestAmerica Bank	25,178,180	5	0.48%			
NF Merced - LH LLC	25,110,562	6	0.48%			
Morning Star Merced	22,556,710	7	0.43%			
Comcast Corporation	19,951,955	8	0.38%			
Costco Wholesale Corporation	19,762,191	9	0.38%	12,786,110	7	0.58%
Arvin Sango	17,643,611	10	0.34%			
Timothy F. Razzari				10,029,115	10	0.46%
Conopco Inc.				56,261,299	2	2.57%
Crown Cork & Seal Co. Inc.				14,365,398	6	0.66%
Merced Mall LTD a Partnership				12,733,178	8	0.58%
Wamco Inc.				10,335,853	9	0.47%
Total	\$ 439,353,028		8.36%	\$ 282,949,857		12.94%

Source: HDL Coren & Cone

City of Merced
Property Tax Levies and Collections
Last Seven Fiscal Years

Fiscal Year Ended June 30	(1) Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 8,400,251	\$ 7,481,534	89.1%	\$ 918,717	\$ 8,400,251	100%
2004	8,864,294	7,256,954	81.9%	1,607,341	8,864,294	100%
2005	8,886,095	8,161,036	91.8%	725,058	8,886,095	100%
2006	10,630,718	9,247,917	87.0%	1,382,801	10,630,718	100%
2007	13,358,807	11,258,596	84.3%	2,100,210	13,358,807	100%
2008	15,728,794	13,689,918	87.0%	2,038,876	15,728,794	100%
2009	15,434,251	13,601,711	88.1%	1,832,540	15,434,251	100%

Source: County of Merced Auditor-Controller

Notes:

- (1) The amounts presented include City property taxes and Redevelopment Agency tax increment
 - (2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
- Information prior to the implementation of GASB 34 is not available

City of Merced
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years

Fiscal Year	Governmental Activities				
	(1)	Pension			Total
	Redevelopment Bonds	Obligation Bonds	Loans	Participation and Development Agreements	Governmental Activities
2003	\$ 31,612,825	\$	\$ 6,421,526	\$ 725,000	\$ 38,759,351
2004	30,352,825	7,355,000	6,204,185	575,000	44,487,010
2005	29,047,825	7,305,000	6,614,571	425,000	43,392,396
2006	27,697,825	7,265,000	4,912,179	275,000	40,150,004
2007	26,162,825	7,200,000	4,562,614	511,000	38,436,439
2008	24,572,825	7,115,000	4,462,015	75,000	36,224,840
2009	36,042,825	7,000,000	4,110,308		47,153,133

Notes:

- (1) Details regarding the Agency's outstanding debt can be found in the notes to the financial statements
- (2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis

City of Merced
Ratios of Outstanding Debt by Type, Continued
Last Seven Fiscal Years

Fiscal Year	Business-Type Activities					
	Water	Sewer	Improvement			Total
	Revenue	Revenue	Bonds	Loans	Participation and Development Agreements	Business-type Activities
	Bonds	Bonds				
2003	\$ 2,410,000	\$	\$ 3,125,000	\$	\$	\$ 5,535,000
2004	8,925,237	21,408,228	2,880,000	4,863,497		38,076,962
2005	8,911,839	21,376,096	2,615,000	8,262,209	167,626	41,332,770
2006	8,613,711	20,664,609	2,185,000	8,227,209	149,499	39,840,028
2007	8,310,859	19,933,786	1,920,000	8,152,209	130,628	38,447,482
2008	7,998,386	19,183,875	1,595,000	8,052,209	110,984	36,940,454
2009	7,671,312	18,404,912	1,300,000	7,927,209	90,534	35,393,967

		(3)			(3)
Total		Percentage			Per
Primary		of Personal			Capita
Government		Income			
\$	44,294,351	3.15%	\$	2,145	
	82,563,972	1.82%		3,839	
	84,725,166	2.03%		3,624	
	79,990,032	2.23%		3,411	
	76,883,921	2.37%		3,362	
	73,165,294	2.55%		3,156	
	82,547,100	2.44%		3,300	

City of Merced
Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years

Fiscal Year	Outstanding General Bonded Debt			(1) Actual Taxable Value of Property	(2) Percentage of Actual Taxable Value of Property	(3) Percentage of Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total			
2003	\$	\$ 31,612,825	\$ 31,612,825	\$ 2,540,501,011	1.244%	0.07%
2004		30,352,825	30,352,825	2,847,791,319	1.066%	0.07%
2005		29,047,825	29,047,825	3,279,254,312	0.886%	0.08%
2006		27,697,825	27,697,825	3,856,170,239	0.718%	0.08%
2007		26,162,825	26,162,825	4,796,073,752	0.546%	0.09%
2008		24,572,825	24,572,825	5,414,273,316	0.454%	0.09%
2009		36,042,825	36,042,825	5,041,458,316	0.715%	0.07%

Notes:

- (1) Estimated Actual Taxable Value has been used because the actual value of taxable property is not readily available in the State of California
- (2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis

City of Merced
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Debt Outstanding June 30, 2009</u>	<u>Share of Overlapping Debt June 30, 2009</u>
<u>Overlapping Debt repaid with Property Taxes:</u>			
Merced Community College District School Facilities			
Improvement District No. 1	31.823%	\$ 38,275,000	\$ 12,180,253
Merced Union High School District	40.221%	40,926,005	16,460,848
Merced City School District	79.534%	24,629,571	19,588,883
Weaver Union School District	58.540%	12,059,225	7,059,470
McSwain Union School District Community Facilities District No.2004-1	0.013%	2,910,000	378
Total overlapping debt repaid with property taxes:			<u>55,289,833</u>
<u>Overlapping Other Debt:</u>			
Merced County Certificates of Participation	23.324%	22,650,000	5,282,886
Merced County Pension Obligations	23.324%	48,580,000	11,330,799
Merced County Office of Education Certificates of Participation	23.324%	1,355,000	316,040
McSwain Union School District Certificates of Participation	0.013%	2,605,000	339
Merced City School District Certificates of Participation	79.534%	4,500,000	3,579,030
Weaver Union School Distirct Certificates of Participation	58.540%	5,505,000	3,222,627
Total overlapping other debt:			<u>23,731,721</u>
Total overlapping debt:			79,021,554
City direct debt			47,153,133
Total direct and overlapping debt			<u>\$ 126,174,687</u>

Source: California Municipal Statistics, Inc.

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city

City of Merced

Legal Debt Margin Information

Last Seven Fiscal Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Assessed value	\$ 2,639,946,727	\$ 2,847,866,471	\$ 3,279,254,312	\$ 3,856,177,239	\$ 4,796,157,552	\$ 5,410,352,797	\$ 5,253,273,780
25% of Full Assessed Value	659,986,682	711,966,618	819,813,578	964,044,310	1,199,039,388	1,352,588,199	1,313,318,445
Debt limit (15% of reduced assessed value)	98,998,002	106,794,993	122,972,037	144,606,646	179,855,908	202,888,230	196,997,767
Total net debt applicable to limit							
Legal debt margin	<u>\$ 98,998,002</u>	<u>\$ 106,794,993</u>	<u>\$ 122,972,037</u>	<u>\$ 144,606,646</u>	<u>\$ 179,855,908</u>	<u>\$ 202,888,230</u>	<u>\$ 196,997,767</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%

Source: California Municipal Statistics, Inc.

Note:

- (1) Under state finance law, the City of Merced's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds
- (2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available

City of Merced
Pledged-Revenue Coverage
Last Seven Fiscal Years

Fiscal Year	(1)	(2)	Water/Sewer Revenue Bonds				Coverage
	Sewer/Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2003	\$ 16,754,125	\$ 10,269,440	\$ 6,484,685	\$ 270,000	\$ 120,888	16.59	
2004	(3) 22,283,849	10,860,335	11,423,514	4,200,306	57,238	2.68	
2005	29,516,737	14,503,156	15,013,581		1,195,423	12.56	
2006	35,129,997	12,634,363	22,495,634	965,000	1,424,830	9.41	
2007	29,324,069	9,658,515	19,665,554	990,000	1,395,504	8.24	
2008	28,021,230	15,989,154	12,032,076	1,020,000	1,360,255	5.05	
2009	30,276,465	16,580,742	13,695,723	1,065,000	1,318,555	5.75	

Fiscal Year	Special Assessment Bonds				
	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest		
2003	\$ 427,653	\$ 235,000	\$ 169,416	1.06	
2004	415,896	245,000	158,251	1.03	
2005	431,792	265,000	145,940	1.05	
2006	410,044	275,000	132,573	1.01	
2007	413,428	265,000	110,615	1.10	
2008	373,133	325,000	95,355	0.89	
2009	439,385	295,000	79,035	1.17	

Fiscal Year	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
2003	\$ 4,991,156	\$ 1,180,000	\$ 1,003,130	2.29	
2004	5,177,309	1,260,000	1,003,263	2.29	
2005	5,329,745	1,305,000	957,747	2.36	
2006	6,340,133	1,350,000	906,929	2.81	
2007	7,082,383	1,535,000	852,094	2.97	
2008	9,007,647	1,590,000	792,474	3.78	
2009	8,990,006	1,650,000	729,755	3.78	

Source: City of Merced Annual Financial Reports

Notes:

- (1) Includes connection charges and other miscellaneous charges for all water and sewer accounts except the UC Funds and the Wastewater Revolving account
- (2) Excludes depreciation, capital expenditures and debt service.
- (3) The 2004 CSCDA Wastewater and Water Revenue Bonds refunded the 1994 Sewer Revenue Refunding Bond and the PFA 2003 Local Revenue Refunding Bond
- (4) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available

City of Merced
Demographic and Economic Statistics
Last Seven Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (expressed in Thousands)	(3) Per Capita Personal Income	(4) School Enrollment	(5) Unemployment Rate
2003	67,610	\$ 1,396,349	\$ 20,653	16,184	11.7%
2004	69,805	1,501,157	21,505	16,276	10.6%
2005	73,610	1,720,928	23,379	16,235	9.5%
2006	76,225	1,787,476	23,450	16,445	9.2%
2007	79,715	1,822,843	22,867	16,722	9.7%
2008	80,608	1,868,655	23,182	18,781	11.8%
2009	80,542	2,014,517	25,012	19,940	17.4%

Source:

- (1) California Department of Finance
- (2) Calculation
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis
- (4) Merced City School District & Merced Union High School District
2008 Weaver Union School added due to change in City limits
- (5) Metropolitan Statistical Area (Merced County) as reported by the California Employment Development Department
- (6) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available

City of Merced
Principal Employers
For Fiscal Year 2009

Employer (1)	2009		
	Number of Employees	Rank	Percentage of Total Employment
County of Merced	2,241	1	7.07%
University of California, Merced	1,431	2	4.51%
Merced City School District	1,170	3	3.69%
Merced Union High School District	993	4	3.13%
Cingular	897	5	2.83%
Merced College	889	6	2.80%
Quebecor	632	7	1.99%
City of Merced	583	8	1.84%
Wal-Mart	303	9	0.96%
Werner Ladder	203	10	0.64%
	<u>9,342</u>		<u>29.47%</u>
Total Labor Force (2)	31,700		

Source:

(1) City of Merced Economic Development Department

(2) State of California EDD

Note :

(1) "Total Employment" as used above represents the total employment of employers located in the Merced area

(2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003

City of Merced

Full-Time Equivalent City Government Employees by Function Last Seven Fiscal Years

Function	Full-Time-Equivalent Employees as of June 30						
	2003	2004	2005	2006	2007	2008	2009
General Government	88	99	109	115	117	124	99.8
Redevelopment	4	5	4	4	5	5	6.2
Public Safety							
Police							
Officers	96	90	97	103	123	130	109
Civilians	22	20	21	22	28	27	25
Fire							
Firefighters and							
Officers	53	54	53	61	80	82	70
Civilians						4	3
Streets	24	24	26	25	34	32	28.3
Refuse	29	27	30	31	26	34	30.95
Parks and Recreation	88	59	83	79	22	27	25.65
Water	21	19	20	22	26	28	28.4
Wastewater	26	26	31	30	28	34	32.2
Other Public Works	38	37	33	38	40	42	36.5
Total	489	460	507	530	529	569	495

Source:

City Finance Department

(1) Labor Quarterly Reports month of June 2003-2006

(2) City Payroll 2007 - 2009

(3) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003

Information prior to the implementation of GASB 34 is not available

City of Merced
Operating Indicators by Function
Last Seven Fiscal Years

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Government							
* Area (square miles)	21.52	22.09	22.34	22.76	22.91	23.07	23.07
* Bldg permits issued (4)	2,328	2,892	2,854	3,514	2,189	1,351	1,281
Police							
Physical arrests (3)	3,727	3,905	3,577	3,969	4,139	4,480	4,998
Traffic violations	7,797	9,037	8,214	8,105	6,849	7,456	10,398
Fire							
Number of Incidents	3,795	4,289	4,277	4,420	4,458	4,735	4,848
Inspections	4,385	4,264	4,884	4,997	4,642	4,460	3,945
Parks and Recreation							
Number of recreation classes	13	13	13	9	11	13	15
Number of facility rentals	781	876	851	651	598	811	834
Water							
New connections	724	1007	926	977	861	214	94
Wastewater							
New connections	491	1005	1133	1074	860	15	254

Source: City of Merced

Note:

- (1) Fire Department indicators are based on a calendar year (example - 2007 data is as of December 31, 2006)
- (2) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (3) Prior year numbers on physical arrests have been restated due to the inclusion of cite and releases
- (4) Includes building permits issued for improvements to existing property

City of Merced
Capital Asset Statistics by Function
Last Seven Fiscal Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Function							
Public Safety							
Police							
* Number of Stations	3	3	3	3	3	3	3
Fire Stations							
* Number of Stations	4	4	4	5	5	5	5
Public Works							
* Street miles (Center Line) (1)	207.7	276.1	276.1	298	307	307	317
Parks and recreation							
* Number of Parks (3)	29	29	29	35	40	60	62
Parks acreage (a)	339.6	339.6	339.6	380	387.26	395	395.5
Water							
* Water mains (miles)	256.3	256.3	274.19	275.53	276.7	306.3	316.65
Wastewater							
* Sanitary sewers (miles)	245	413.5	420.09	420.75	421.28	439.1	452.23
* Storm sewers (miles)	48	78.3	84.23	84.23	84.5	101.53	112.2

Source: City of Merced

Note:

- (1) The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (2) Prior year numbers on street miles have been restated due to the inclusion of State maintained highways
- (3) Includes undeveloped parks