

*City of Merced, California*  
*Basic Financial Statements for Fiscal Year Ended June 30, 2020*



## **The Mainzer Theatre, Merced California**

*The current Mainzer Theatre has a long history dating back to 1920, when the original Merced Theatre was built. A fire destroyed the Theatre in 1936 and was rebuilt in 1937 by The Golden State Theatre and Realty Corp. as the Strand Theatre. The Strand Theatre, an Art Deco style building, featured a stepped parapet, metal ribs, a marquee and brick. It opened in February 1938.*

*Golden State Theatre and Realty Corp. eventually merged with United Artists, who retained ownership of the Strand until the early 1960s. The name was changed to Cinema III and the auditorium was divided into three parts. It was used as a venue for a variety of performing arts.*

*In 1999, the Theatre changed ownership to Brenda Farley and Hans Mainz. The two renovated the Theatre and their efforts were recognized by the Art Deco Society of California, receiving an Art Deco Preservation Award in 2004.*

*Mainzer Theatre Merced, LLC acquired the site in 2015. They received approval from the City of Merced in 2016 to begin restoration of the Mainzer Theatre. Now considered one of Merced's pristine landmarks, the Mainzer Theatre is home to a state-of-the-art restaurant and bar, live performing arts stage and seating, a movie screen, and a variety of entertainment for all.*

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced, California (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and OPEB information on pages 5-14, and 95-108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

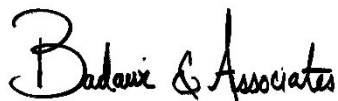
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The General Fund combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance, and the University Capital Fund combining balance sheet and combining statement of revenues, expenses, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The General Fund combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance, and the University Capital Fund balance sheet and statement of revenues, expenses, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance, and the University Capital Fund balance sheet and statement of revenues, expenses, and changes in fund balance are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Badawi & Associates, CPAs  
Berkeley, California  
March 9, 2021

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## 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, 2020.

### FINANCIAL HIGHLIGHTS

The City's net position as shown on the Government-Wide Statement of Activities increased by \$6.3 million. The governmental net position decreased by \$9.6 million and the business-type net position increased by \$15.9 million.

#### Government-wide:

- As shown on the Statement of Net Position, the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$524.8 million.
- The net increase to governmental activity long-term debt of \$6.2 million is due to \$9.5 million of additional debts and \$3.3 million of scheduled payments of principal and unamortized premium retirements. Additional information can be found in Note 8.
- The net decrease to business-type activity long-term debt of \$3.4 million was due to scheduled principal payments and amortization of related premiums.

#### Governmental Funds:

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$17.6 million, or 70.5% of the General Fund balance.

### 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'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 Position, 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 Position presents information on all City assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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, public works and culture and recreation. 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 the following legally separate entities for which the City is financially accountable:

- The City of Merced Public Financing and Economic Development Authority (Authority)
- The Parking Authority of the City of Merced (Parking Authority)

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 thirty-three 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 General Fund, Housing Special Revenue Fund, Measure C Special Revenue Fund, Low and Moderate Income Housing Special Revenue Fund, and Streets and Signals Capital Projects Fund, which are considered major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the General Fund, Housing Special Revenue Fund, Measure C Special Revenue Fund, and the Low and Moderate Income Housing Special Revenue Fund as 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. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenues, expense and changes in net position for the Wastewater System, Water System and Refuse Collection System, which are considered major funds. The Airport Fund is the only non-major enterprise fund. 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 workers' compensation, liability and unemployment insurance, employee benefits, fleet management and replacement, facility maintenance, support services, personal computer replacement, and public works administration. 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 statements 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 and postemployment health care benefits to its employees and budgetary comparison schedules for the General Fund and major special revenue funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a governments' financial position. In the case of the City, assets exceeded liabilities by \$524.8 million at the close of the most recent fiscal year.

### Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 143,248,134	\$ 128,724,625	\$ 165,221,028	\$ 145,932,823	\$ 308,469,162	\$ 274,657,448
Capital assets	261,327,502	271,137,168	135,871,877	141,617,038	397,199,379	412,754,206
Total assets	404,575,636	399,861,793	301,092,905	287,549,861	705,668,541	687,411,654
Deferred outflows related to pension	13,350,393	15,460,292	2,564,158	3,198,107	15,914,551	18,658,399
Deferred outflows related to OPEB	1,331,417	1,016,240	767,583	600,760	2,099,000	1,617,000
Total deferred outflows	14,681,810	16,476,532	3,331,741	3,798,867	18,013,551	20,275,399
Current liabilities	14,257,725	12,086,850	8,438,662	8,335,572	22,696,387	20,422,422
Noncurrent liabilities	111,169,735	101,567,661	60,747,624	63,585,676	171,917,359	165,153,337
Total liabilities	125,427,460	113,654,511	69,186,286	71,921,248	194,613,746	185,575,759
Deferred inflows related to pension	2,199,362	2,693,831	430,110	352,828	2,629,472	3,046,659
Deferred inflows related to OPEB	1,036,151	1,272,860	568,849	694,140	1,605,000	1,967,000
Total deferred inflows	3,235,513	3,966,691	998,959	1,046,968	4,234,472	5,013,659
Net position:						
Net investment in capital assets	259,952,632	269,588,893	107,172,623	109,823,198	367,125,255	379,412,091
Restricted	85,008,595	73,040,192	55,895,820	47,461,141	140,904,415	120,501,333
Unrestricted	(54,366,754)	(43,911,962)	71,170,958	61,096,173	16,804,204	17,184,211
Total net position	\$ 290,594,473	\$ 298,717,123	\$ 234,239,401	\$ 218,380,512	\$ 524,833,874	\$ 517,097,635

The largest portion of the City's net position \$367.1 million or 70%, reflects its net 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.

Of the City's \$524.8 million total net position, \$140.9 million, or 26.8% of these resources are subject to external restrictions on how they may be used. The total unrestricted net position is \$16.8 million. The business-type activities restricted and unrestricted net position is \$55.9 million and \$71.2 million, respectively.

The total business-type activities reported positive balances in all category of net position.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

### Statement of Activities

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 19,428,498	\$ 18,870,605	\$ 59,754,075	\$ 55,840,451	\$ 79,182,573	\$ 74,711,056
Operating grants and contributions	5,421,098	6,298,340	337,279	358,909	5,758,377	6,657,249
Capital grants and contributions	1,877,110	2,964,663	722,098	-	2,599,208	2,964,663
General revenues and transfers:						
Property taxes	16,018,292	14,773,288	37,882	43,342	16,056,174	14,816,630
Sales taxes	23,346,592	22,143,028	-	-	23,346,592	22,143,028
Franchise taxes	1,658,249	1,631,738	-	-	1,658,249	1,631,738
Transient occupancy tax	1,787,880	2,008,081	-	-	1,787,880	2,008,081
Business license tax	1,325,002	1,510,991	-	-	1,325,002	1,510,991
Cost recovery impact study	1,313,721	1,000,076	-	-	1,313,721	1,000,076
Business improvement tax	81,024	92,498	-	-	81,024	92,498
Other	4,730,165	3,459,289	6,985,856	5,912,910	11,716,021	9,372,199
Total revenues	76,987,631	74,752,597	67,837,190	62,155,612	144,824,821	136,908,209
Expenses						
Governmental activities:						
General government	10,027,416	8,751,641	-	-	10,027,416	8,751,641
Public safety	42,130,516	36,957,795	-	-	42,130,516	36,957,795
Public works	21,367,892	20,411,480	-	-	21,367,892	20,411,480
Culture and recreation	3,467,779	2,725,571	-	-	3,467,779	2,725,571
Other	471,935	535,384	-	-	471,935	535,384
Business-type activities:						
Wastewater system	-	-	21,982,607	21,153,585	21,982,607	21,153,585
Water system	-	-	13,319,363	12,985,415	13,319,363	12,985,415
Refuse collection	-	-	15,260,883	14,451,612	15,260,883	14,451,612
Merced municipal airport	-	-	1,006,495	1,034,701	1,006,495	1,034,701
Total expenses	77,465,538	69,381,871	51,569,348	49,625,313	129,034,886	119,007,184
Increase (decrease) in net position						
before transfers and extraordinary item	(477,907)	5,370,726	16,267,842	12,530,299	15,789,935	17,901,025
Disposal of capital assets						
Transfers	408,953	3,647,148	(408,953)	(3,647,148)	-	-
Extraordinary item - RDA dissolution	(9,528,396)	-	-	-	(9,528,396)	-
Increase (decrease) in net position	(9,597,350)	9,017,874	15,858,889	8,883,151	6,261,539	17,901,025
Net position beginning of year, as restated (Note 18)	300,191,823	289,699,249	218,380,512	209,497,361	518,572,335	499,196,610
Net position ending of year	\$ 290,594,473	\$ 298,717,123	\$ 234,239,401	\$ 218,380,512	\$ 524,833,874	\$ 517,097,635

**Governmental Activities** - Governmental activities decreased the City's net position by \$9.6 million. Taxes provided 59.1% of the revenue and charges for services provided 25.2% of the revenue, and operating and capital grants and contributions provided 9.5% of the revenue received during the year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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, 2020

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 10,027,416	\$ (669,283)
Public safety	42,130,516	(37,858,794)
Public works	21,367,892	(9,029,444)
Culture and recreation	3,467,779	(2,709,376)
Interest on long-term debt	471,935	(471,935)
Total	<u>\$ 77,465,538</u>	<u>\$ (50,738,832)</u>

The costs for all governmental activities during the year were \$77.5 million, which is 60% of total governmental and business-type activities expenses. These costs were paid for by \$26.7 million of program revenues, \$45.5 million of taxes, and \$4.7 million of investment earnings and other revenue. Transfer from City's governmental activities were \$408,953.

**Business-type Activities** - Business-type activities increased the City's net position by \$15.8 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities include program revenue, taxes, interest and investment earnings, other revenue and transfers of \$67.4 million. Expenses of business-type activities were \$51.6 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, 2020 of \$116 million, an increase of \$13.0 million.

The General Fund is the chief operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year, the fund balance of the General Fund was \$25.0 million and the unassigned fund balance was \$17.6 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. The unassigned fund balance represents 40.3% of total General Fund expenditures.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund balance increased by \$1.5 million during the fiscal year. Taxes are the primary revenue of the General Fund. Property tax increased by 8.4%, sales tax increased by 5.4% while transient occupancy tax decreased by 11.00%.

Changes in fund balances of other major funds include the following:

### Housing Fund-

- This special revenue fund increased by \$1,479,924 due to other contribution revenue receipt for an affordable Housing project, and receipt of program income and repayments of principal and interest on loans.

### Measure C Fund-

- This special revenue fund increased by \$367,945 due to unspent funding that will be used to cover encumbrances.

### Low and Moderate Income Housing Fund-

- This special revenue fund decreased by \$73,931 due to less repayment of principal and interest on loans.

### Streets and Signals Fund-

- This capital projects fund increased by \$80,793 due to unspent capital outlay funding that will be used to cover encumbrances.

**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 position of the Governmental Activities Internal Service Funds is negative \$2.4 million. The unrestricted net position of the Enterprise Funds was \$71.2 million. The change in net position for the Governmental Activities Internal Service Funds is a decrease of \$1.0 million and the Enterprise Funds is an increase of \$15.9 million. 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 revenue budget and the final revenue budget is an increase of \$543,945, which includes taxes, grants, and other revenues. The difference between the General Fund original expenditure budget and the final expenditure budget is an increase of \$2.3 million, which includes machinery and equipment, supplies and services, capital outlay and personnel related expenditures.

## 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, 2020, amounted to \$397.2 million. This investment in capital assets includes land and improvements, construction in progress, buildings and structures, machinery and equipment, and improvements other than buildings, structures, and land improvement. Additional information on the City of Merced's capital assets can be found in Note 6.

## CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

### Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Non-depreciable Assets:						
Land and improvements	\$ 87,160,589	\$ 87,131,795	\$ 2,461,520	\$ 2,461,520	\$ 89,622,109	\$ 89,593,315
Construction in progress	9,001,700	12,977,317	14,538,063	13,535,261	23,539,763	26,512,578
Total non-depreciable assets	96,162,289	100,109,112	16,999,583	15,996,781	113,161,872	116,105,893
Depreciable Assets:						
Building and structures	23,225,281	23,225,281	9,324,573	9,324,573	32,549,854	32,549,854
Machinery and equipment	43,800,284	44,124,154	5,541,754	5,825,727	49,342,038	49,949,881
Improvements other than buildings, structures and land improvements	127,286,888	126,510,875	190,411,452	190,059,030	317,698,340	316,569,905
Infrastructure	381,146,274	373,827,526	46,204,071	42,172,024	427,350,345	415,999,550
Accumulated depreciation	(410,293,514)	(396,659,780)	(132,609,556)	(121,761,097)	(542,903,070)	(518,420,877)
Total depreciable assets, net	165,165,213	171,028,056	118,872,294	125,620,257	284,037,507	296,648,313
Total capital assets	\$ 261,327,502	\$ 271,137,168	\$ 135,871,877	\$ 141,617,038	\$ 397,199,379	\$ 412,754,206

Additions of capital assets exceeding \$1 million during this fiscal year included the following projects:

- Construction of Water Well 20 in the amount of \$1.5 million
- Construction of Water Well 21 in the amount of \$1.7 million.

**Long-term Debt** – At the end of the current fiscal year, the City had \$50.1 million in outstanding debt consisting of pension obligation bonds, revenue bonds, capital lease, State Payable Settlement and loans. All of the debt was secured or earmarked by specific revenue sources.

	Outstanding Debt June 30, 2020					
	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Pension obligation bonds	\$ 3,200,000	\$ 3,810,000	\$ -	\$ -	\$ 3,200,000	\$ 3,810,000
Loans payable	800,000	1,000,000	25,921,767	27,769,415	26,721,767	28,769,415
Capital lease	4,146,149	4,669,109	-	-	4,146,149	4,669,109
State Payable Settlement	7,528,396	-	-	-	7,528,396	-
Revenue bonds payable	-	-	7,970,000	9,375,000	7,970,000	9,375,000
Unamortized premiums	-	-	584,695	701,634	584,695	701,634
Total	\$ 15,674,545	\$ 9,479,109	\$ 34,476,462	\$ 37,846,049	\$ 50,151,007	\$ 47,325,158

During the current fiscal year, the City's net debt increased by \$2.8 million or 6%. The net increase was due to \$9.5 million of additional debts and \$6.7 million of scheduled payments of principal and unamortized premium retirements. Additional information on the City of Merced's debt can be found in Note 8.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- At the onset of developing the FY 2020-21 Budget, the City of Merced's financial outlook was positive. Indicators such as, unemployment figures declining, building activity trending toward record-highs, and several new businesses slated to open in the fall demonstrated the City's momentum. However, with the arrival of the COVID-19 pandemic in early February coupled with Governor Newsom's Stay-At-Home Orders, it seemed the City's economic outlook was rapidly changing. The City of Merced's unemployment rate was predicted to reach 20.5% by May 2020. In addition, the closing of non-essential businesses was estimated to create a drastic reduction in economic activity across all business sectors. We had started to experience declining revenues in sales tax, transient occupancy tax, and gas tax. For the close of Fiscal Year 2019-20 and moving into the start of fiscal year 2020-21 the impacts were expected to amount to approximately \$5.4 million in lost revenue.
- With COVID-19 challenges in mind, the fiscal year 2020-21 budget was created with the priority of maintaining essential services to the community, minimizing impacts to existing staffing levels, and incorporating as many goals & priorities as allowed under the fiscal constraints. The City Council adopted a balanced budget, which included the deletion of one position and holding five positions vacant, use of Measure Y Cannabis Tax revenue and Trust 115-Pension reimbursement.
- Measure Y, a Commercial Cannabis Business Tax for up to \$25 per square foot of cultivation space, or 10% of gross receipts, was passed by the voters in June 2018. Three cannabis dispensaries have opened and are paying the Measure Y Tax. In fiscal year 2019-20, Measure Y tax collected over \$1.1 million. It is expected to increase in future years as more cannabis businesses are slated to open.
- Although there has been a lot of uncertainty due to the COVID-19 pandemic, economic indicators have not been as bad as originally predicted. Sales Tax reports show we are surpassing budget predictions on a cash basis as well as with economic adjustments. Building and Industry, Food and Drugs, and State and County pools have increased while Restaurants and Hotels, Fuel and Service Stations, and General Consumer Goods have decreased. While the unemployment rate increased to 18% in April 2020, it has gradually declined and is 9.6% as of November 2020. Residential development continues to increase year over year.
- On August 6, 2019, the City of Merced finalized a Settlement Agreement with the California Department of Finance. The litigation, which had begun November 16, 2016, resolved was regarding the wind down of the Redevelopment Agency for the City of Merced (RDA) pursuant to Assembly Bill 26 and Assembly Bill 1484, collectively the "Dissolution Law." All parties agreed that the City of Merced will remit \$9,528,395.83 to the Merced Designated Local Authority based on the schedule outlined in Note 8.
- Enterprise Funds continue to maintain a stable financial position. The refuse rates were approved in Fiscal Year 2019-20. Rates will increase for solid, organic, and recycle waste collections beginning July 1, 2020, then every July through 2023. Commercial service rate increases, 37% in the first year and 10% every July through 2023, are higher than residential rates in order to align them with actual costs of services and the market conditions. Residential rates will increase 20% in the first year and 5% every July through 2023. During the rate study process, several State of California legislation changes and new regulations from the California Air Resources Board were considered, including AB341 and AB1826.

## **SUBSEQUENT EVENTS**

On November 16, 2020, the City Council approved establishing a General Fund reserve and policy. The policy creates a commitment to prudent fiscal practices and maintains adequate General Fund reserves to ensure consistent, uninterrupted municipal services and facilities in the wake of potential risk events, such as a major economic downturn or natural disaster. Based on the Government Finance Officers Association (GFOA) risk analysis model recommendation the City Council voted unanimously to set the General fund reserve at 35% of the General Fund operating budget. 30% will be set aside in a separate fund and 5% will remain in the General Fund as contingency. For Fiscal Year 2020-21, the General Fund Reserve is \$15.3 million, of which \$13.1 million (30%) has been set aside in a separate fund.

## **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 18<sup>th</sup> Street, Merced, CA 95340.

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**BASIC  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Merced**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 91,467,480	\$ 151,588,272	\$ 243,055,752
Restricted cash held by fiscal agents	3,863,560	439	3,863,999
Receivables	11,975,135	13,208,458	25,183,593
Internal balances	(154,035)	154,035	-
Prepaid items	9,192	-	9,192
Inventory	176,852	233,266	410,118
<b>Total current assets</b>	<b>107,338,184</b>	<b>165,184,470</b>	<b>272,522,654</b>
Noncurrent assets:			
Land held for resale	1,337,320	-	1,337,320
Notes receivable	34,572,630	36,558	34,609,188
Capital assets:			
Non-depreciable	96,162,289	16,999,583	113,161,872
Depreciable, net	165,165,213	118,872,294	284,037,507
<b>Total capital assets</b>	<b>261,327,502</b>	<b>135,871,877</b>	<b>397,199,379</b>
<b>Total noncurrent assets</b>	<b>297,237,452</b>	<b>135,908,435</b>	<b>433,145,887</b>
<b>Total assets</b>	<b>404,575,636</b>	<b>301,092,905</b>	<b>705,668,541</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	13,350,393	2,564,158	15,914,551
Deferred outflows related to OPEB	1,331,417	767,583	2,099,000
<b>Total deferred outflows of resources</b>	<b>14,681,810</b>	<b>3,331,741</b>	<b>18,013,551</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,157,299	1,254,124	2,411,423
Payroll liabilities	1,722,708	530,221	2,252,929
Deposits and other liabilities	119,468	1,830,920	1,950,388
Unearned revenue	2,971,597	921,522	3,893,119
Accrued interest payable	91,227	314,581	405,808
Claims liability, due within one year	3,745,144	-	3,745,144
Compensated absences, due within one year	996,968	238,920	1,235,888
Long-term debt, due within one year	3,453,314	3,348,374	6,801,688
<b>Total current liabilities</b>	<b>14,257,725</b>	<b>8,438,662</b>	<b>22,696,387</b>
Noncurrent liabilities:			
Claims liability, due in more than one year	5,132,492	-	5,132,492
Compensated absences, due in more than one year	3,293,422	1,085,548	4,378,970
Long term debt, due in more than one year	12,221,231	31,128,088	43,349,319
Net other postemployment benefits liability	18,937,788	11,181,212	30,119,000
Net pension liability	71,584,802	17,352,776	88,937,578
<b>Total noncurrent liabilities</b>	<b>111,169,735</b>	<b>60,747,624</b>	<b>171,917,359</b>
<b>Total liabilities</b>	<b>125,427,460</b>	<b>69,186,286</b>	<b>194,613,746</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	2,199,362	430,110	2,629,472
Deferred inflows related to OPEB	1,036,151	568,849	1,605,000
<b>Total deferred inflows of resources</b>	<b>3,235,513</b>	<b>998,959</b>	<b>4,234,472</b>
<b>NET POSITION</b>			
Net investment in capital assets	259,952,632	107,172,623	367,125,255
Restricted for:			
Streets and street lights	8,844,483	-	8,844,483
Trust 115 - Pension	3,840,522	-	3,840,522
Community development	22,917,156	-	22,917,156
Housing	33,888,478	-	33,888,478
Public safety	689,422	-	689,422
Special districts	4,850,785	-	4,850,785
Other special projects and programs	6,704,583	2,362,349	9,066,932
Debt service	-	1,968,500	1,968,500
Capital projects	3,273,166	51,564,971	54,838,137
Unrestricted	(54,366,754)	71,170,958	16,804,204
<b>Total net position</b>	<b>\$ 290,594,473</b>	<b>\$ 234,239,401</b>	<b>\$ 524,833,874</b>

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 10,027,416	\$ 8,156,453	\$ 1,176,680	\$ 25,000	\$ 9,358,133
Public safety	42,130,516	3,538,779	732,943	-	4,271,722
Public works	21,367,892	6,974,863	3,511,475	1,852,110	12,338,448
Culture and recreation	3,467,779	758,403	-	-	758,403
Interest on long-term debt	471,935	-	-	-	-
Total governmental activities	77,465,538	19,428,498	5,421,098	1,877,110	26,726,706
<b>Business-type activities:</b>					
Wastewater system	21,982,607	25,152,275	-	462,916	25,615,191
Water system	13,319,363	18,833,392	-	249,182	19,082,574
Refuse collection system	15,260,883	15,351,794	125,332	-	15,477,126
Merced municipal airport	1,006,495	426,614	211,947	-	638,561
Total business-type activities	51,569,348	59,764,075	337,279	712,098	60,813,452
<b>Total primary government</b>	<b>\$ 129,034,886</b>	<b>\$ 79,192,573</b>	<b>\$ 5,758,377</b>	<b>\$ 2,589,208</b>	<b>\$ 87,540,158</b>

**General Revenues, Transfers, and Special Item:**

Taxes:

Property

Sales

Franchise

Transient lodging

Business license

Business improvement

Cost recovery impact study

Total taxes

Investment earnings

Transfers

Special item - State payable settlement (see note 8)

**Total general revenues, transfers, and special item**

**Change in net position**

**Net position - beginning of year, restated**

**Net position - end of year**



Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (669,283)	\$ -	\$ (669,283)
(37,858,794)	-	(37,858,794)
(9,029,444)	-	(9,029,444)
(2,709,376)	-	(2,709,376)
(471,935)	-	(471,935)
(50,738,832)	-	(50,738,832)
-	3,632,584	3,632,584
-	5,763,211	5,763,211
-	216,243	216,243
-	(367,934)	(367,934)
-	9,244,104	9,244,104
(50,738,832)	9,244,104	(41,494,728)
16,018,292	37,882	16,056,174
23,346,592	-	23,346,592
1,658,249	-	1,658,249
1,787,880	-	1,787,880
1,325,002	-	1,325,002
81,024	-	81,024
1,313,721	-	1,313,721
45,530,760	37,882	45,568,642
4,730,165	6,985,856	11,716,021
408,953	(408,953)	-
(9,528,396)	-	(9,528,396)
41,141,482	6,614,785	47,756,267
(9,597,350)	15,858,889	6,261,539
300,191,823	218,380,512	518,572,335
\$ 290,594,473	\$ 234,239,401	\$ 524,833,874

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

**General Fund** - This fund is used to account for financial resources applicable to the general government operations of the City of Merced. In compliance with Governmental Accounting Standards Board Statement No. 54, the Parks and Community Services, the Revenue Stabilization, Economic Development Opportunity, and the Substandard Housing Funds have been reported with the General Fund because a substantial portion of the inflows are not derived from restricted or committed revenue sources and do not meet the definition of a Special Revenue Fund.

**Housing Special Revenue Fund** - This fund is used to account for 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.

**Measure C Special Revenue Fund** - This fund is used to account for the one-half cent transactions and use tax that was approved by area voters and became effective April 1, 2006.

**Low and Moderate Income Housing Special Revenue Fund** - This fund is used to account for low and moderate income housing activities. On January 12, 2012, the City Council adopted Resolution 2012-5, assuming all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Redevelopment Agency.

**Streets and Signals Capital Projects Fund** - This fund is used to account for the projects which are funded by State and Federal sources and Public Facilities Impact fees.

**City of Merced**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General Fund	Housing Special Revenue Fund	Measure C Special Revenue Fund	Low and Moderate Income Housing Special Revenue Fund
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 21,544,409	\$ 1,465,659	\$ 1,606,786	\$ 1,584,312
Restricted cash held by fiscal agents	23,039	-	-	-
Receivables:				
Accounts	1,025,838	-	-	-
Due from other government	3,070,361	99,377	1,376,188	-
Interest	77,246	5,100	6,441	473,866
Due from other funds	31,838	-	-	-
Inventory	55,727	-	-	-
Land held for resale	-	-	-	645,617
Notes receivable	-	21,714,152	-	8,570,348
Advances to other funds	1,710,992	-	-	-
<b>Total assets</b>	<b>\$ 27,539,450</b>	<b>\$ 23,284,288</b>	<b>\$ 2,989,415</b>	<b>\$ 11,274,143</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 189,852	\$ 3,467	\$ 3,567	\$ 3,456
Payroll liabilities	1,117,562	9,666	190,378	-
Unearned revenues	1,026,498	54,989	-	-
Due to other funds	-	-	-	-
Advances from other funds	185,873	-	-	-
Deposits and other liabilities	34,672	19,886	-	-
<b>Total liabilities</b>	<b>2,554,457</b>	<b>88,008</b>	<b>193,945</b>	<b>3,456</b>
<b>Fund Balances:</b>				
Nonspendable	1,766,719	-	-	-
Restricted	4,000,000	23,196,280	-	11,270,687
Committed	41,871	-	2,795,470	-
Assigned	1,570,056	-	-	-
Unassigned	17,606,347	-	-	-
<b>Total fund balances</b>	<b>24,984,993</b>	<b>23,196,280</b>	<b>2,795,470</b>	<b>11,270,687</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,539,450</b>	<b>\$ 23,284,288</b>	<b>\$ 2,989,415</b>	<b>\$ 11,274,143</b>

Streets and Signals Capital Projects Fund	Non-Major Governmental Funds	Total
\$ 1,317,736	\$ 42,432,131	\$ 69,951,033
-	3,840,522	3,863,561
5,690	3,303,665	4,335,193
492,386	1,230,114	6,268,426
6,548	188,872	758,073
-	158,213	190,051
-	-	55,727
-	691,703	1,337,320
-	4,288,129	34,572,629
-	-	1,710,992
<u>\$ 1,822,360</u>	<u>\$ 56,133,349</u>	<u>\$ 123,043,005</u>
\$ 40,098	\$ 164,006	\$ 404,446
-	214,211	1,531,817
-	1,890,110	2,971,597
-	158,213	158,213
-	1,710,992	1,896,865
-	61,240	115,798
<u>40,098</u>	<u>4,198,772</u>	<u>7,078,736</u>
-	-	1,766,719
1,782,262	44,759,366	85,008,595
-	7,175,211	10,012,552
-	-	1,570,056
-	-	17,606,347
<u>1,782,262</u>	<u>51,934,577</u>	<u>115,964,269</u>
<u>\$ 1,822,360</u>	<u>\$ 56,133,349</u>	<u>\$ 123,043,005</u>

**City of Merced**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

**Total Fund Balances - Total Governmental Funds** \$ 115,964,269

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

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets are adjusted as follows:

	Government- Wide Statement of Net Position	Internal Service Funds	
Non-depreciable	\$ 96,162,289	\$ (269,141)	95,893,148
Depreciable, net	165,165,213	(9,094,130)	156,071,083
Total capital assets	\$ 261,327,502	\$ (9,363,271)	251,964,231

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (33,452)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Position. 5,575,672

Employer contributions for pension are recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 8,437,933

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. 1,999,493

Employer contributions for OPEB are recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 1,024,334

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for OPEB are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. (834,732)

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet.

	Government- Wide Statement of Net Position	Internal Service Funds	Total
Compensated absences, due within one year	\$ (996,968)	\$ 71,251	\$ (925,717)
Long term debt, due within one year	(3,453,314)	573,314	(2,880,000)
Compensated absences, due in more than one year	(3,293,422)	388,030	(2,905,392)
Long term debt, due in more than one year	(12,221,231)	3,572,835	(8,648,396)
Net other postemployment benefits liability	(18,937,788)	4,346,741	(14,591,047)
Net pension liability	(71,584,802)	8,032,079	(63,552,723)
Total long-term liabilities	\$ (110,487,525)	\$ 16,984,250	(93,503,275)

**Net Position of Governmental Activities** \$ 290,594,473



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**City of Merced**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2020**

	General Fund	Housing Special Revenue Fund	Measure C Special Revenue Fund	Low and Moderate Income Housing Special Revenue Fund
<b>REVENUES:</b>				
Taxes	\$ 34,977,551	\$ -	\$ 6,852,814	\$ -
Intergovernmental	504,921	904,912	67,634	-
Licenses and permits	20,076	-	-	-
Use of money and property	872,893	125,940	75,275	82,316
Service charges	7,015,503	305,452	127,192	-
Fines, forfeitures and penalties	346,650	-	-	-
Other revenues	1,080,527	1,080,000	64	-
<b>Total revenues</b>	<b>44,818,121</b>	<b>2,416,304</b>	<b>7,122,979</b>	<b>82,316</b>
<b>EXPENDITURES:</b>				
Current:				
General government	6,955,712	879,501	-	156,247
Public safety	30,240,224	-	6,546,648	-
Public works	1,820,842	-	2,028	-
Culture and recreation	1,641,148	-	-	-
Total current operating	40,657,926	879,501	6,548,676	156,247
Capital outlay	217,869	-	-	-
Debt service:				
Principal	2,610,000	-	-	-
Interest and fiscal charges	230,168	-	-	-
<b>Total expenditures</b>	<b>43,715,963</b>	<b>879,501</b>	<b>6,548,676</b>	<b>156,247</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,102,158</b>	<b>1,536,803</b>	<b>574,303</b>	<b>(73,931)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	22,426	101	-	-
Transfers in	2,564,505	46	1,487	-
Transfers out	(2,227,844)	(57,026)	(207,845)	-
<b>Total other financing sources (uses)</b>	<b>359,087</b>	<b>(56,879)</b>	<b>(206,358)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,461,245</b>	<b>1,479,924</b>	<b>367,945</b>	<b>(73,931)</b>
<b>FUND BALANCES:</b>				
Beginning of year, restated	23,523,748	21,716,356	2,427,525	11,344,618
End of year	\$ 24,984,993	\$ 23,196,280	\$ 2,795,470	\$ 11,270,687

Streets and Signals Capital Projects Fund	Non-Major Governmental Funds	Total
\$ -	\$ 3,700,395	\$ 45,530,760
164,871	4,146,104	5,788,442
-	2,822,512	2,842,588
52,718	2,878,959	4,088,101
-	12,101,730	19,549,877
-	7,884	354,534
-	407,835	2,568,426
<u>217,589</u>	<u>26,065,419</u>	<u>80,722,728</u>
-	3,965,796	11,957,256
-	1,866,131	38,653,003
-	6,273,726	8,096,596
-	3,260	1,644,408
-	12,108,913	60,351,263
1,687,285	1,231,594	3,136,748
-	200,000	2,810,000
-	50,360	280,528
<u>1,687,285</u>	<u>13,590,867</u>	<u>66,578,539</u>
<u>(1,469,696)</u>	<u>12,474,552</u>	<u>14,144,189</u>
-	2,586	25,113
1,633,688	689,129	4,888,855
(83,199)	(3,495,656)	(6,071,570)
1,550,489	(2,803,941)	(1,157,602)
80,793	9,670,611	12,986,587
<u>1,701,469</u>	<u>42,263,966</u>	<u>102,977,682</u>
<u>\$ 1,782,262</u>	<u>\$ 51,934,577</u>	<u>\$ 115,964,269</u>

# City of Merced

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

For the year ended June 30, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 12,986,587</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period, net of internal service funds of \$3,010,596.	3,038,835
Contributed capital assets are reflected in the Government-Wide Statement of Activities as capital contributions. However capital contributions related to donated capital assets are not reported in governmental funds as capital assets are not considered current financial resources.	1,418,258
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. This amount is net of internal service funds of \$2,194,603.	(14,923,890)
In the Statement of Activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds proceeds from sales increases financial resources. This represents the difference between proceeds and the loss on disposal of capital assets.	(158,861)
Accrued compensated leave payable is an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(511,354)
OPEB 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.	242,166
Long term debt proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Recognition of settlement agreement with State of California	(9,528,396)
Long-term debt repayments	2,810,000
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.	7,323
Current year employer OPEB contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	769,301
Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	8,437,933
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(13,154,804)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net expense of the internal service funds is reported with governmental activities.	(1,030,448)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (9,597,350)</b>

## PROPRIETARY FUND FINANCIAL STATEMENTS

*Wastewater System* - This fund is used to account for the City's wastewater utility, which provides wastewater collection and treatment, and storm drainage collection 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, green waste and recycling materials, as well as street sweeping and leaf pickup for benefit of City customers.

*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 Position**  
**Proprietary Funds**  
**June 30, 2020**

	Business - Type Activities - Enterprise Funds			
	Wastewater System	Water System	Refuse Collection System	Non-Major Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalent and investments	\$ 66,616,672	\$ 75,536,274	\$ 9,434,367	\$ 959
Restricted cash and investments	305	134	-	-
Accounts receivable, net	3,313,268	2,663,027	296,289	122,737
Due from other government	2,984,866	2,867,812	5,870	212,925
Interest receivable	325,269	370,211	46,184	-
Prepaid items	-	-	-	-
Inventory	-	233,266	-	-
<b>Total current assets</b>	<b>73,240,380</b>	<b>81,670,724</b>	<b>9,782,710</b>	<b>336,621</b>
Noncurrent assets:				
Notes receivable - private parties	11,775	24,783	-	-
Advances to other funds	-	185,873	-	-
Capital assets:				
Non-depreciable	6,390,467	10,301,084	290,234	17,798
Depreciable, net	90,412,530	24,136,449	460,208	3,863,107
<b>Total capital assets</b>	<b>96,802,997</b>	<b>34,437,533</b>	<b>750,442</b>	<b>3,880,905</b>
<b>Total noncurrent assets</b>	<b>96,814,772</b>	<b>34,648,189</b>	<b>750,442</b>	<b>3,880,905</b>
<b>Total assets</b>	<b>170,055,152</b>	<b>116,318,913</b>	<b>10,533,152</b>	<b>4,217,526</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	995,431	615,451	915,694	37,582
Deferred outflows related to OPEB	232,188	199,767	335,628	-
<b>Total deferred outflows of resources</b>	<b>1,227,619</b>	<b>815,218</b>	<b>1,251,322</b>	<b>37,582</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	358,688	584,830	309,483	1,123
Payroll payable	195,522	122,008	193,331	19,360
Unearned revenue	860,809	27,450	33,263	-
Accrued interest payable	255,224	59,357	-	-
Due to other funds	-	-	-	31,838
Deposits and other liabilities	442,714	930,972	427,353	29,881
Compensated absences, due within one year	94,133	51,008	81,707	12,072
Claims payable, due within one year	-	-	-	-
Long-term debt, due within one year	2,756,374	592,000	-	-
<b>Total current liabilities</b>	<b>4,963,464</b>	<b>2,367,625</b>	<b>1,045,137</b>	<b>94,274</b>
Noncurrent liabilities:				
Compensated absences, due in more than one year	466,525	217,664	369,256	32,103
Claims payable, due in more than one year	-	-	-	-
Long-term debt, due in more than one year	26,313,580	4,814,508	-	-
Net other postemployment benefits liability	3,384,121	2,659,281	5,137,810	-
Net pension liability	6,530,745	4,330,497	5,984,521	507,013
<b>Total noncurrent liabilities</b>	<b>36,694,971</b>	<b>12,021,950</b>	<b>11,491,587</b>	<b>539,116</b>
<b>Total liabilities</b>	<b>41,658,435</b>	<b>14,389,575</b>	<b>12,536,724</b>	<b>633,390</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	161,909	107,317	148,366	12,518
Deferred inflows related to OPEB	167,293	106,662	294,894	-
<b>Total deferred inflows of resources</b>	<b>329,202</b>	<b>213,979</b>	<b>443,260</b>	<b>12,518</b>
<b>NET POSITION</b>				
Net investment in capital assets	70,679,419	31,861,857	750,442	3,880,905
Restricted:				
Other special projects and programs	672,479	751,942	937,047	881
Debt service	1,949,016	19,484	-	-
Capital projects	10,251,106	40,580,942	732,923	-
Unrestricted	45,743,114	29,316,352	(3,615,922)	(272,586)
<b>Total net position</b>	<b>\$ 129,295,134</b>	<b>\$ 102,530,577</b>	<b>\$ (1,195,510)</b>	<b>\$ 3,609,200</b>

Total	Governmental Activities Internal Service Funds
\$ 151,588,272	\$ 21,516,448
439	-
6,395,321	521,916
6,071,473	1,835
741,664	89,692
-	9,192
233,266	121,126
<u>165,030,435</u>	<u>22,260,209</u>
36,558	-
185,873	-
16,999,583	269,141
118,872,294	9,094,130
<u>135,871,877</u>	<u>9,363,271</u>
<u>136,094,308</u>	<u>9,363,271</u>
<u>301,124,743</u>	<u>31,623,480</u>
2,564,158	912,684
767,583	307,083
<u>3,331,741</u>	<u>1,219,767</u>
1,254,124	752,854
530,221	190,892
921,522	-
314,581	57,775
31,838	-
1,830,920	3,670
238,920	71,251
-	3,745,144
3,348,374	573,314
<u>8,470,500</u>	<u>5,394,900</u>
1,085,548	388,030
-	5,132,492
31,128,088	3,572,835
11,181,212	4,346,741
17,352,776	8,032,079
<u>60,747,624</u>	<u>21,472,177</u>
<u>69,218,124</u>	<u>26,867,077</u>
430,110	199,079
568,849	201,419
<u>998,959</u>	<u>400,498</u>
107,172,623	7,988,408
2,362,349	-
1,968,500	-
51,564,971	-
71,170,958	(2,412,736)
<u>\$ 234,239,401</u>	<u>\$ 5,575,672</u>

**City of Merced**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Business - Type Activities - Enterprise Funds			
	Wastewater System	Water System	Refuse Collection System	Non-Major Enterprise Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 24,180,721	\$ 18,773,934	\$ 15,320,972	\$ 423,927
Other revenues	971,554	59,458	30,822	2,687
<b>Total operating revenues</b>	<b>25,152,275</b>	<b>18,833,392</b>	<b>15,351,794</b>	<b>426,614</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	5,430,351	3,541,073	5,754,661	356,418
Materials, supplies and other services	7,712,560	7,154,114	9,407,799	221,055
Depreciation	8,266,907	2,469,256	154,546	429,022
<b>Total operating expenses</b>	<b>21,409,818</b>	<b>13,164,443</b>	<b>15,317,006</b>	<b>1,006,495</b>
<b>OPERATING INCOME (LOSS):</b>	<b>3,742,457</b>	<b>5,668,949</b>	<b>34,788</b>	<b>(579,881)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Property taxes	-	-	-	37,882
Intergovernmental revenues	-	-	125,332	211,947
Interest and investment earnings	3,080,825	3,475,797	428,938	296
Gain (loss) on disposition of capital assets	15,668	41,306	56,123	-
Interest and related expenses	(588,457)	(196,226)	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>2,508,036</b>	<b>3,320,877</b>	<b>610,393</b>	<b>250,125</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>6,250,493</b>	<b>8,989,826</b>	<b>645,181</b>	<b>(329,756)</b>
Capital contributions	462,916	249,182	-	-
Transfers in	18,940	607	57,939	25,565
Transfers out	(167,892)	(132,287)	(193,596)	(18,229)
<b>Total transfers and capital contributions</b>	<b>313,964</b>	<b>117,502</b>	<b>(135,657)</b>	<b>7,336</b>
<b>Change in net position</b>	<b>6,564,457</b>	<b>9,107,328</b>	<b>509,524</b>	<b>(322,420)</b>
<b>NET POSITION:</b>				
Beginning of year	122,730,677	93,423,249	(1,705,034)	3,931,620
End of year	<u>\$ 129,295,134</u>	<u>\$ 102,530,577</u>	<u>\$ (1,195,510)</u>	<u>\$ 3,609,200</u>



Total	Governmental Activities Internal Service Funds
\$ 58,699,554	\$ 27,654,391
1,064,521	584,376
<u>59,764,075</u>	<u>28,238,767</u>
15,082,503	8,695,429
24,495,528	20,743,280
<u>11,319,731</u>	<u>2,194,603</u>
<u>50,897,762</u>	<u>31,633,312</u>
<u>8,866,313</u>	<u>(3,394,545)</u>
37,882	-
337,279	4,579
6,985,856	942,689
113,097	23,891
<u>(784,683)</u>	<u>(198,730)</u>
<u>6,689,431</u>	<u>772,429</u>
<u>15,555,744</u>	<u>(2,622,116)</u>
712,098	-
103,051	2,905,438
<u>(512,004)</u>	<u>(1,313,770)</u>
<u>303,145</u>	<u>1,591,668</u>
15,858,889	(1,030,448)
<u>218,380,512</u>	<u>6,606,120</u>
<u>\$ 234,239,401</u>	<u>\$ 5,575,672</u>

**City of Merced**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Business - Type Activities - Enterprise Funds		
	Wastewater System	Water System	Refuse Collection System
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 24,304,407	\$ 18,115,704	\$ 15,331,215
Payments to suppliers and users	(8,123,440)	(6,901,922)	(9,379,303)
Payments to employees	(4,864,630)	(3,350,987)	(5,353,620)
<b>Net cash provided by (used in) operating activities</b>	<b>11,316,337</b>	<b>7,862,795</b>	<b>598,292</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Tax proceeds not attributable to capital	-	-	-
Cash receipts from other funds	18,940	607	57,939
Cash payments to other funds	(167,892)	(318,160)	(193,596)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(148,952)</b>	<b>(317,553)</b>	<b>(135,657)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(1,347,412)	(4,072,086)	(155,071)
Proceeds from sale of capital assets	15,668	41,306	56,123
Capital grants and cash contributions received	462,916	249,182	125,332
Interest paid	(611,456)	(202,170)	-
Principal payments - long-term debt	(2,770,701)	(598,886)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(4,250,985)</b>	<b>(4,582,654)</b>	<b>26,384</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	3,089,313	3,513,682	433,081
<b>Net cash provided by investing activities</b>	<b>3,089,313</b>	<b>3,513,682</b>	<b>433,081</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,005,713</b>	<b>6,476,270</b>	<b>922,100</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	56,611,264	69,060,138	8,512,267
End of year	<u>\$ 66,616,977</u>	<u>\$ 75,536,408</u>	<u>\$ 9,434,367</u>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 66,616,672	\$ 75,536,274	\$ 9,434,367
Restricted cash and investments	305	134	-
<b>Total</b>	<u>\$ 66,616,977</u>	<u>\$ 75,536,408</u>	<u>\$ 9,434,367</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 3,742,457	\$ 5,668,949	\$ 34,788
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	8,266,907	2,469,256	154,546
Changes in assets and liabilities:			
Receivables	(846,706)	(672,659)	(44,782)
Inventory	-	(14,046)	-
Prepaid expenses	-	-	-
Accounts payable	(438,632)	226,105	9,631
Payroll liabilities	37,547	12,502	22,140
Unearned revenue	(1,162)	(45,029)	24,203
Other liabilities	27,752	40,133	18,865
Claims payable	-	-	-
Compensated absences	127,495	(2,134)	81,702
Net other postemployment benefits and related items	(208,248)	(224,202)	(260,803)
Net pension liability and related items	608,927	403,920	558,002
<b>Total adjustments</b>	<b>7,573,880</b>	<b>2,193,846</b>	<b>563,504</b>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 11,316,337</u>	<u>\$ 7,862,795</u>	<u>\$ 598,292</u>

See accompanying Notes to Basic Financial Statements.

Non-Major Enterprise Funds		Total	Governmental Activities Internal Service Funds
\$ 168,991	\$ 57,920,317	\$ 27,746,331	
(222,859)	(24,627,524)	(17,602,845)	
(290,643)	(13,859,880)	(8,151,855)	
<u>(344,511)</u>	<u>19,432,913</u>	<u>1,991,631</u>	
37,882	37,882	-	
57,403	134,889	2,905,438	
<u>(18,229)</u>	<u>(697,877)</u>	<u>(1,313,770)</u>	
<u>77,056</u>	<u>(525,106)</u>	<u>1,591,668</u>	
-	(5,574,569)	(3,010,596)	
-	113,097	23,892	
211,947	1,049,377	4,579	
-	(813,626)	(206,017)	
<u>-</u>	<u>(3,369,587)</u>	<u>(522,960)</u>	
<u>211,947</u>	<u>(8,595,308)</u>	<u>(3,711,102)</u>	
296	7,036,372	963,382	
<u>296</u>	<u>7,036,372</u>	<u>963,382</u>	
(55,212)	17,348,871	835,579	
56,171	134,239,840	20,680,869	
<u>\$ 959</u>	<u>\$ 151,588,711</u>	<u>\$ 21,516,448</u>	
\$ 959	\$ 151,588,272	\$ 21,516,448	
-	439	-	
<u>\$ 959</u>	<u>\$ 151,588,711</u>	<u>\$ 21,516,448</u>	
\$ (579,881)	\$ 8,866,313	\$ (3,394,545)	
429,022	11,319,731	2,194,603	
(257,623)	(1,821,770)	(492,436)	
-	(14,046)	24,584	
-	-	223	
895	(202,001)	610,708	
9,678	81,867	30,649	
-	(21,988)	-	
<u>(2,699)</u>	<u>84,051</u>	<u>39</u>	
-	-	2,504,881	
8,654	215,717	62,127	
-	(693,253)	(298,280)	
<u>47,443</u>	<u>1,618,292</u>	<u>749,078</u>	
<u>235,370</u>	<u>10,566,600</u>	<u>5,386,176</u>	
<u>\$ (344,511)</u>	<u>\$ 19,432,913</u>	<u>\$ 1,991,631</u>	

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## 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 Position**  
**Fiduciary Funds**  
**June 30, 2020**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 189,086	\$ 2,947,724
Restricted cash held by fiscal agent	-	3,100,895
Receivables	-	756,675
Deposits	-	-
<b>Total assets</b>	<b>189,086</b>	<b>6,805,294</b>
<b>LIABILITIES</b>		
Deposits	-	2,251,632
Other liabilities	-	192,633
Due to other agencies	-	809,440
Due to bondholders	-	3,551,589
<b>Total liabilities</b>	<b>-</b>	<b>\$ 6,805,294</b>
<b>NET POSITION</b>		
Held in trust for other purposes	189,086	
<b>Total net position</b>	<b>\$ 189,086</b>	

**City of Merced**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2020**

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	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Investment income	\$ 8,497
<b>Total additions</b>	<u>8,497</u>
<b>DEDUCTIONS:</b>	
Administration	1,561
<b>Total deductions</b>	<u>1,561</u>
<b>Change in net position</b>	6,936
<b>NET POSITION:</b>	
Beginning of year	<u>182,150</u>
End of year	<u>\$ 189,086</u>

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**City of Merced**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**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 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 City was incorporated April 1, 1889 while 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 financial reporting entity, as defined by GASB, consists of the primary government, the City, and 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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the blended component units are appropriately presented as funds of the primary government.

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 Public Financing and Economic Development Authority (Authority)
- The Parking Authority of the City of Merced (Parking Authority)

The Authority is a separate public entity and provides 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. The Authority was originally created in August 1987 but had expired by its terms. The Authority was re-created on January 1, 2003, by City and former City of Merced Redevelopment Agency (Agency). The Parking Authority became a member of the Authority on April 18, 2011. On January 30, 2012, the Agency was removed as a member from the Authority. Separately issued financial statements for the Authority are not prepared.

The Parking Authority is a separate public entity and is a specialized governmental agency focusing on parking issues and how to alleviate parking problems. All powers are vested in the governing board. The Parking Authority was created on April 18, 2011, by City and Authority Resolutions. Separately issued financial statements for the Parking Authority are not prepared.

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 Area Gang and Narcotic Enforcement Team (MAGNET), 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 MAGNET, therefore this entity is 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, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation***

*Government-Wide Fund Financial Statements*

The Statement of Net Position and the Statement of Activities report information on all of the activities of the government, except for fiduciary activities. 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.

*Fund Financial Statements*

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.

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 type. The General Fund is always a major fund and any other governmental or enterprise fund may be reported as a major fund if the City believes that fund is particularly important to financial statement users. 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. In compliance with Governmental Accounting Standards Board Statement No. 54, the Parks and Community Services, Revenue Stabilization, Economic Development Opportunity and Substandard Housing Funds have been reported with the General Fund because a substantial portion of the inflows are not derived from restricted or committed revenue sources and do not meet the definition of a Special Revenue Fund.

The Housing Special Revenue Fund is used to account for programs and activities aimed at benefiting low and moderate income persons. The majority of the fund's revenue is derived from grants that are restricted for these programs and activities.

The Measure C Special Revenue Fund is used to account for the one-half cent transaction and use tax that was approved by area voters and became effective April 1, 2006. The funds are committed for public safety, transportation, and other vital municipal improvements.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Continued***

The Low and Moderate Income Housing Special Revenue Fund is used to account for housing activities. On January 12, 2012, City Council adopted Resolution 2012-5 assuming all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Redevelopment Agency. The funds are restricted for Low and Moderate Income Housing projects.

The Streets and Signals Capital Projects 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 Streets and Signals Capital Projects Fund when the project expenditures have been incurred. The funds are restricted for public capital improvement projects.

The City reports the following proprietary funds as major:

The Wastewater System Fund is used to account for treatment of industrial and domestic wastewater. The fund collects 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 due to growth. The Wastewater System Fund consists of the Wastewater Operation, Wastewater Improvement, Wastewater Revolving and University Capital Charge Wastewater Funds.

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 pipelines and elevated storage tanks. The Water System Fund consists of the Water Operation, Restricted Water Wells, Restricted Water Mains and University Capital Charge Water Funds.

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

Additionally, the government reports the following fund types:

The Internal Service Funds are used to account for services provided to other departments of the City on a cost reimbursement basis. The City has Internal Service Funds for workers' compensation, liability and unemployment insurance, employee benefits, fleet management and replacement, facility maintenance, support services, personal computer replacement, and public works administration.

The Private Purpose Trust Funds are used to account for resources legally held in trust for the Youth Programs Endowment and Wahneta Hall Trust.

The Agency Funds are used to account for resources held by the City in a purely custodial capacity. Included in the agency funds are deposits from external organizations, the handling of assessment district activity and special purpose accounts for City community groups.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Continued***

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 Position 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

***C. Basis of Accounting***

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. 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 property's assessed value and can increase property assessed value no more than 2% per year, except when property changes ownership or new construction occurs.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 all revenues, except sales and use tax, to be available if collected within 60 days. Sales and Use Tax is considered available if collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***D. Cash, Cash Equivalents, and Investments***

Cash and Cash Equivalents consist of cash on hand and demand deposits and are stated at cost. All other investments are stated at fair value.

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.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments.

***E. Receivables***

All receivables are shown net of an allowance for doubtful accounts. Service charge revenues for water, sewer and refuse collection are recorded when 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.

***F. 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 non-spendable fund balance classification in the applicable governmental funds to indicate that they are not 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."

***G. 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 offset by a non-spendable fund balance classification, which indicates that it does not constitute available financial resources. Inventories in the proprietary funds are recorded at cost, which approximates market.

***H. 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 City (or its component units) and developers. The land held for resale is recorded at the lower of cost or estimated net realizable value.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. 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 as the following:

General capital assets	\$ 5,000
Infrastructure capital assets	\$ 5,000

Depreciation is recorded on a straight-line basis over the following useful lives:

	Years
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 are 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.

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.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**J. *Deferred Outflows/Inflows of Resources, Continued***

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

**K. *Compensated Absences***

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

**L. *Unearned Revenue***

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

**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.

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.

**N. *Net Position and Fund Equity***

*Government-Wide Financial Statements*

In the Government-Wide Financial Statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – 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 Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**N. Net Position and Fund Equity, Continued**

*Fund Financial Statements*

In the Fund Financial Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance – This includes amounts with constraints placed on their use by those external to the City, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This includes amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – This includes amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose. The City Council has not delegated the authority to assign fund balance.

Unassigned fund balance – This is the residual classification that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by action, which includes passage of a resolution adopting the budget and appropriating revenue for the fiscal year. Detailed classifications of the City's fund balances are presented in Note 10.

**O. Net Position and Fund Equity Flow Assumptions**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to apply restricted funds first. Committed, assigned, and unassigned fund balances are considered unrestricted. When an expenditure is incurred, if committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***P. 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 and assumptions.

***Q. Pension***

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

***R. Other Postemployment Benefits (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan's (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

***S. New Accounting Pronouncements***

In 2020, the City did not adopt any new accounting pronouncements.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS**

*A. Summary of Cash and Investments*

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2020:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 91,467,480	\$ 151,588,272	\$ 243,055,752	\$ 3,136,810	\$ 246,192,562
Restricted cash held by fiscal agent	3,863,560	439	3,863,999	3,100,895	6,964,894
<b>Total Cash and Investments</b>	<b>\$ 95,331,040</b>	<b>\$ 151,588,711</b>	<b>\$ 246,919,751</b>	<b>\$ 6,237,705</b>	<b>\$ 253,157,456</b>

Cash and investments as of June 30, 2020, consist of the following:

Cash on Hand	\$ 4,923
Deposits with financial institutions	3,836,598
Restricted Cash held by fiscal agent	6,964,894
Investments	242,351,041
<b>Total Cash and Investments</b>	<b>\$ 253,157,456</b>

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 interest earned is allocated to the funds based on monthly cash and investment balances in these funds.

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that the City's investments to be carried at fair market value instead of cost. If material, 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. The fair market value adjustment for the fiscal year ended June 30, 2020 was \$10,069,754.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**B. Fair Value of Investments**

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Inputs are assumptions that market participants use when pricing an asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2020 are described below.

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Asset-backed Securities	\$ 15,538,582	\$ -	\$ 15,538,582	\$ -
Federal Agency Securities	67,271,653	-	67,271,653	-
Commercial Paper	17,065,641	-	17,065,641	-
Municipal Securities	2,347,114	-	2,347,114	-
Supranational Securities	9,213,231	-	9,213,231	-
U.S. Corporate Securities	54,575,332	-	54,575,332	-
U.S. Treasury Securities	31,272,988	-	31,272,988	-
Total investments subject to leveling	197,284,541	\$ -	\$ 197,284,541	\$ -
Investments not subject to leveling:				
Local Agency Investment Fund	45,066,500			
Total Investments	<u>\$ 242,351,041</u>			

Asset-backed Securities, Federal Agency Securities, Commercial Paper, Municipal Securities, Supranational Securities, U.S. Corporate Securities, and U.S. Treasury Securities categorized as Level 2 are valued based on matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments included in restricted cash and investments included money market accounts and guaranteed investment contracts that are not subject to fair value measurement.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**2. CASH AND INVESTMENTS, Continued**

**C. Investments**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code with oversight by the Treasurer of the State of California. At June 30, 2020, LAIF 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, 2020, the City had \$45,066,500 invested in LAIF, which had invested 3.37% of the pooled investment funds in Medium-term and Short-term Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

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

- \* Municipal Securities
- \* U.S. Treasury Securities
- \* U.S. Corporate Securities
- \* Federal Agency Securities
- \* Federally Insured Time Deposits
- \* Collateralized Time Deposits
- \* Negotiable Certificates of Deposit
- \* Local Agency Investment Fund
- \* Collateralized Bank Deposits
- \* Bankers' Acceptances
- \* Commercial Paper
- \* Medium-Term Notes
- \* Repurchase Agreements
- \* Mutual Funds and Money Market Mutual Funds
- \* Asset-backed Securities
- \* Foreign Corporate Securities
- \* Supranational Securities

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**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. In accordance with the City's investment policy, exposure to interest rate risk is mitigated 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.

Cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2020 are shown on the following page:

Cash and Investments	Fair Value	Investment Maturities (in years)		
		Less than 1 year	1-3 years	3-5 years
<b>Cash:</b>				
Cash Deposits	\$ 3,836,598	\$ 3,836,598	\$ -	\$ -
Petty Cash	4,923	4,923	-	-
<b>Total cash</b>	<b>3,841,521</b>	<b>3,841,521</b>	<b>-</b>	<b>-</b>
<b>Investments:</b>				
Federal Agency Securities	67,271,653	6,209,794	30,010,096	31,051,763
U.S. Corporate Securities	54,575,332	6,169,868	33,125,166	15,280,298
U.S. Treasury Securities	31,272,988	2,520,118	9,330,588	19,422,282
Asset-backed Securities	15,538,582	-	7,969,972	7,568,610
Collateralized Mortgage Obligations	17,065,641	1,436,414	4,610,121	11,019,106
Supranational Securities	9,213,231	3,032,550	6,180,681	-
Municipal Securities	2,347,114	-	-	2,347,114
Local Agency Investment Fund (LAIF)	45,066,500	45,066,500	-	-
<b>Total investments</b>	<b>242,351,041</b>	<b>64,435,244</b>	<b>91,226,624</b>	<b>86,689,173</b>
<b>Total cash and investments</b>	<b>\$ 246,192,562</b>	<b>\$ 68,276,765</b>	<b>\$ 91,226,624</b>	<b>\$ 86,689,173</b>
<b>Restricted Cash with Fiscal Agents:</b>				
Public Investment Money Market Fund	\$ 1,403,063	\$ 1,403,063	\$ -	\$ -
IRS Section 115 Trust- PARS Mutual Fund	3,840,522	3,840,522	-	-
Commercial Paper	1,697,831	1,697,831	-	-
Money Market Funds	23,478	23,478	-	-
<b>Total restricted cash with fiscal agents</b>	<b>\$ 6,964,894</b>	<b>\$ 6,964,894</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**2. CASH AND INVESTMENTS, Continued**

*D. Risks, Continued*

*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, 2020 rating which meets the minimum rating required by (where applicable) the California Government Code, the City’s Investment Policy, or debt agreements:

	<u>Credit Quality Ratings</u>
<b>Investments:</b>	
Asset-backed Securities	Aaa
Federal Agency Securities	Aaa
Collateralized Mortgage Obligations	Aaa
Municipal Securities	Aa2
Supranational Securities	Aaa
U.S. Corporate Securities	Aaa
U.S. Treasury Securities	Aaa
<b>Fiscal Agents:</b>	
Local Agency Investment Fund	Not rated

*Concentration of Credit Risk:* The investment policy of the City of Merced contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City’s investments are as follows:

Issuer	Fair Value	Percent of Total Investments
Federal National Mortgage Assn	\$ 24,116,591	12.22%
Federal Home Loan Mtg Corp	25,574,243	12.96%
U.S. Treasury Bill and Notes	31,272,988	15.85%
Federal Home Loan Bank	34,646,460	17.56%

*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:

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**2. CASH AND INVESTMENTS, Continued**

*D. Risks, Continued*

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.

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 City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

At June 30, 2020, the carrying amount of the City's cash (excluding cash equivalents) is \$3,841,521, which includes the general checking account and petty cash of \$4,923. The bank balance in the City's general checking was \$441,165, 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 remainder of the cash balance is cash held in an account used solely for the collection of interest and the value of matured investments.

*E. 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 "AA-" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2020, cash and investments with fiscal agents totaled \$6,964,894.

**3. RECEIVABLES**

*A. Government-Wide Financial Statements*

At June 30, 2020, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 4,857,109	\$ 6,395,321	\$ 11,252,430
Due from other governments	6,270,261	6,071,473	12,341,734
Interest receivable	847,765	741,664	1,589,429
<b>Total</b>	<b>\$ 11,975,135</b>	<b>\$ 13,208,458</b>	<b>\$ 25,183,593</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**3. RECEIVABLES, Continued**

**B. Fund Financial Statements**

At June 30, 2020, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Accounts receivable	\$ 4,335,193	\$ 6,395,321	\$ 521,916	\$ 11,252,430
Due from other governments	6,268,426	6,071,473	1,835	12,341,734
Interest receivable	758,073	741,664	89,692	1,589,429
<b>Total</b>	<b>\$ 11,361,692</b>	<b>\$ 13,208,458</b>	<b>\$ 613,443</b>	<b>\$ 25,183,593</b>

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2020 was as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
<b>Governmental Funds:</b>			
General Fund	\$ 2,993,948	\$ (1,968,110)	\$ 1,025,838
Streets and Signals Capital Project Fund	5,690	-	5,690
Non-Major Funds	3,340,490	(36,825)	3,303,665
Total governmental funds	6,340,128	(2,004,935)	4,335,193
<b>Enterprise Funds:</b>			
Wastewater System	3,381,410	(68,142)	3,313,268
Water System	2,747,012	(83,985)	2,663,027
Refuse Collection System	394,232	(97,943)	296,289
Non-Major Funds	124,956	(2,219)	122,737
Total enterprise funds	6,647,610	(252,289)	6,395,321
Internal Service Funds	683,462	(161,546)	521,916
<b>Total</b>	<b>\$ 13,671,200</b>	<b>\$ (2,418,770)</b>	<b>\$ 11,252,430</b>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**3. RECEIVABLES, Continued**

**B. Fund Financial Statements, Continued**

Due from other Governments

Due from other governments consists of amounts due from other governmental entities. The due from other governments as of June 30, 2020 was as follows:

Governmental Funds:	
General Fund	\$ 3,070,361
Housing	99,377
Measure C	1,376,188
Streets and Signals	492,386
Non-Major Funds	1,230,114
Total governmental funds	<u>6,268,426</u>
Enterprise Funds:	
Wastewater System	2,984,866
Water System	2,867,812
Refuse Collection System	5,870
Non-Major Funds	212,925
Total enterprise funds	<u>6,071,473</u>
Internal Service Funds	<u>1,835</u>
<b>Total</b>	<b><u><u>\$ 12,341,734</u></u></b>

Interest Receivable

Interest receivable consisted of interest income from notes and investments pooled by the City as well as interest income to be received by fiscal agents from investments in their possession. Interest income is allocated to the funds at the end of the accounting period. The interest receivable as of June 30, 2020, was as follows:

Governmental Funds:	
General Fund	\$ 77,246
Measure C	6,441
Housing Special Revenue Fund	5,100
Low and Moderate Income Housing	473,866
Streets and Signals	6,548
Non-Major Funds	188,872
Total governmental funds	<u>758,073</u>
Enterprise Funds:	
Wastewater System	325,269
Water System	370,211
Refuse Collection System	46,184
Total enterprise funds	<u>741,664</u>
Internal Services Fund	<u>89,692</u>
<b>Total</b>	<b><u><u>\$ 1,589,429</u></u></b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**4. 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, 2020, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 1,079,547	\$ -	\$ 1,079,547
Grants	54,989	-	54,989
Service charges received in advance	-	93,946	93,946
Developer credits	1,837,061	827,576	2,664,637
<b>Total</b>	<b>\$ 2,971,597</b>	<b>\$ 921,522</b>	<b>\$ 3,893,119</b>

**B. Fund Financial Statements**

At June 30, 2020, the following unearned revenues were recorded in the Fund Financial Statements because the revenues had not been earned:

<i>Governmental Funds:</i>	General	Housing	Non-Major Funds	Total
Prepaid business license fees	\$ 1,026,498	\$ -	\$ 53,049	\$ 1,079,547
Grants	-	54,989	-	54,989
Developer Credits	-	-	1,837,061	1,837,061
<b>Total</b>	<b>\$ 1,026,498</b>	<b>\$ 54,989</b>	<b>\$ 1,890,110</b>	<b>\$ 2,971,597</b>

<i>Enterprise Funds:</i>	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 33,233	\$ 27,450	\$ 33,263	\$ 93,946
Developer credits	827,576	-	-	827,576
<b>Total</b>	<b>\$ 860,809</b>	<b>\$ 27,450</b>	<b>\$ 33,263</b>	<b>\$ 921,522</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**5. INTERFUND TRANSACTIONS**

**A. Fund Financial Statements**

Due To, Due From

At June 30, 2020, the City had the following short-term interfund receivables and payables:

Receivable Fund	Payable Fund	Governmental Activities	Business-type Activities	Total
General Fund	Non-Major Business-type Funds	\$ -	\$ 31,838	\$ 31,838
Non-Major Governmental Funds	Non-Major Governmental Funds	158,213	-	158,213
<b>Total</b>		<b>\$ 158,213</b>	<b>\$ 31,838</b>	<b>\$ 190,051</b>

Amounts shown as due to and from other funds represent interfund balances that 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, 2020, the City had the following interfund long-term advances:

Receivable Fund	Payable Fund	Governmental Activities	Business-type Activities	Total
General Fund	Non-Major Governmental Funds	\$ 1,710,992	\$ -	\$ 1,710,992
Water System	General Fund	-	185,873	185,873
<b>Total</b>		<b>\$ 1,710,992</b>	<b>\$ 185,873</b>	<b>\$ 1,896,865</b>

Advance from the General Fund to the Community Facility Districts Funds (non-major governmental funds) has an interest rate equal to the rate earned on the City's investment portfolio from the date of disbursements. Advance is to be repaid as funds become available from amounts received by the annual special tax.

Advance from the Restricted Water Wells Fund to General Fund of \$185,873 to repay the Department of Finance based on the approved Settlement Agreement related to the dissolution of the City of Merced Redevelopment Agency.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**5. INTERFUND TRANSACTIONS, Continued**

**A. Fund Financial Statements, Continued**

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Transfers Out:	Transfers In:										Total
	Governmental Funds					Proprietary Funds					
	General Fund	Housing	Measure C	Streets and Signals	Non-Major Governmental Funds	Wastewater System	Water System	Refuse Collection System	Non-Major Enterprise Funds	Internal Service	
Governmental Funds:											
General Fund	\$ -	\$ 19	\$ 1,424	\$ -	\$ 478,962	\$ 2,140	\$ 607	\$ 1,479	\$ -	\$ 1,743,213	\$ 2,227,844
Housing	-	-	-	21,745	-	-	-	-	-	35,281	57,026
Measure C	-	-	-	-	125,000	-	-	-	-	82,845	207,845
Streets and Signals	-	-	-	-	83,199	-	-	-	-	-	83,199
Non-Major Governmental Funds	1,250,762	-	63	1,611,943	-	-	-	56,460	25,565	550,863	3,495,656
Enterprise Funds:											
Wastewater System	-	-	-	-	-	-	-	-	-	167,892	167,892
Water System	-	-	-	-	1,968	-	-	-	-	130,319	132,287
Refuse Collection System	-	-	-	-	-	16,800	-	-	-	176,796	193,596
Non-Major Enterprise Funds	-	-	-	-	-	-	-	-	-	18,229	18,229
Internal Service	1,313,743	27	-	-	-	-	-	-	-	-	1,313,770
<b>Total</b>	<b>\$ 2,564,505</b>	<b>\$ 46</b>	<b>\$ 1,487</b>	<b>\$ 1,633,688</b>	<b>\$ 689,129</b>	<b>\$ 18,940</b>	<b>\$ 607</b>	<b>\$ 57,939</b>	<b>\$ 25,565</b>	<b>\$ 2,905,438</b>	<b>\$ 7,897,344</b>

Transfers represent funding of various City operations, funding for capital projects, lease payments or debt service, and intrafund transfers of specific departmental operations.

Furthermore, during the fiscal year ended June 30, 2020, the City made the following one-time transfers:

- 1) A transfer of \$200,000 from General Fund to Internal Services Funds for additional workers' compensation claims paid during the fiscal year.
- 2) A transfer of \$917,317 from General Fund to Internal Services Funds to set aside RDA residual for future payment of RDA settlement obligations.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**6. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2020, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 87,160,589	\$ 2,461,520	\$ 89,622,109
Construction in process	9,001,700	14,538,063	23,539,763
Total non-depreciable assets	96,162,289	16,999,583	113,161,872
<i>Depreciable Assets:</i>			
Buildings and structures	23,225,281	9,324,573	32,549,854
Machinery and equipment	43,800,284	5,541,754	49,342,038
Improvements other than buildings, structures, and land improvements	127,286,888	190,411,452	317,698,340
Infrastructure	381,146,274	46,204,071	427,350,345
Total depreciable assets	575,458,727	251,481,850	826,940,577
Total accumulated depreciation	(410,293,514)	(132,609,556)	(542,903,070)
Total depreciable assets, net	165,165,213	118,872,294	284,037,507
<b>Total</b>	<b>\$ 261,327,502</b>	<b>\$ 135,871,877</b>	<b>\$ 397,199,379</b>

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

	Balance July 1, 2019	Additions	Deletions	Reclassification	Balance June 30, 2020
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 87,131,795	\$ 28,800	\$ (6)	\$ -	\$ 87,160,589
Construction in progress	12,977,317	2,871,937	(169,759)	(6,677,795)	9,001,700
Total non-depreciable assets	100,109,112	2,900,737	(169,765)	(6,677,795)	96,162,289
<i>Depreciable Assets:</i>					
Buildings and structures	23,225,281	-	-	-	23,225,281
Machinery and equipment	44,124,154	3,232,473	(3,574,575)	18,232	43,800,284
Improvements other than buildings, structures, and land improvements	126,510,875	45,733	-	730,280	127,286,888
Infrastructure	373,827,526	1,389,465	-	5,929,283	381,146,274
Total depreciable assets	567,687,836	4,667,671	(3,574,575)	6,677,795	575,458,727
<i>Accumulated depreciation:</i>					
Buildings and structures	(11,298,551)	(649,078)	-	-	(11,947,629)
Machinery and equipment	(35,512,675)	(2,248,485)	3,484,759	-	(34,276,401)
Improvements other than buildings, structures, and land improvements	(78,351,930)	(4,956,516)	-	-	(83,308,446)
Infrastructure	(271,496,624)	(9,264,414)	-	-	(280,761,038)
Total accumulated depreciation	(396,659,780)	(17,118,493)	3,484,759	-	(410,293,514)
Total depreciable assets, net	171,028,056	(12,450,822)	(89,816)	6,677,795	165,165,213
Total governmental activities, net	\$ 271,137,168	\$ (9,550,085)	\$ (259,581)	\$ -	\$ 261,327,502

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**6. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Governmental activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

General government	\$ 1,297,259
Public safety	697,242
Public works	14,223,580
Culture and recreation	900,412
Total depreciation expense	<u>\$ 17,118,493</u>

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

	Balance July 1, 2019	Additions	Deletions	Reclassification	Balance June 30, 2020
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,461,520	\$ -	\$ -	\$ -	\$ 2,461,520
Construction in progress	13,535,261	4,675,742	(569)	(3,672,371)	14,538,063
Total non-depreciable assets	<u>15,996,781</u>	<u>4,675,742</u>	<u>(569)</u>	<u>(3,672,371)</u>	<u>16,999,583</u>
<i>Depreciable Assets:</i>					
Buildings and structures	9,324,573	-	-	-	9,324,573
Machinery and equipment	5,825,727	187,299	(471,272)	-	5,541,754
Improvements other than buildings, structures, and land improvements	190,059,030	-	-	352,422	190,411,452
Infrastructure	42,172,024	712,098	-	3,319,949	46,204,071
Total depreciable assets	<u>247,381,354</u>	<u>899,397</u>	<u>(471,272)</u>	<u>3,672,371</u>	<u>251,481,850</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(3,542,027)	(344,272)	-	-	(3,886,299)
Machinery and equipment	(4,685,533)	(459,922)	471,272	-	(4,674,183)
Improvements other than buildings, structures, and land improvements	(97,365,818)	(9,295,775)	-	-	(106,661,593)
Infrastructure	(16,167,719)	(1,219,762)	-	-	(17,387,481)
Total accumulated depreciation	<u>(121,761,097)</u>	<u>(11,319,731)</u>	<u>471,272</u>	<u>-</u>	<u>(132,609,556)</u>
Total depreciable assets, net	<u>125,620,257</u>	<u>(10,420,334)</u>	<u>-</u>	<u>3,672,371</u>	<u>118,872,294</u>
Total business-type activities, net	<u>\$ 141,617,038</u>	<u>\$ (5,744,592)</u>	<u>\$ (569)</u>	<u>\$ -</u>	<u>\$ 135,871,877</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

Wastewater System Fund	\$ 8,266,907
Water System Fund	2,469,257
Refuse Collection System	154,545
Merced Municipal Airport	429,022
Total depreciation expense	<u>\$ 11,319,731</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**6. 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 Position.

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.

**7. DEPOSITS AND OTHER LIABILITIES**

Deposits and other liabilities consist of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2020, were as follows:

**A. Government-Wide Financial Statements**

	Governmental Activities	Business-Type Activities	Total
Deposits	\$ 36,995	\$ 1,814,543	\$ 1,851,538
Miscellaneous liabilities	82,473	16,377	98,850
<b>Total</b>	<b>\$ 119,468</b>	<b>\$ 1,830,920</b>	<b>\$ 1,950,388</b>

**B. Fund Financial Statements**

	Deposits	Other Liabilities	Total Deposits and Other Liabilities
<i>Governmental Funds:</i>			
General Fund	\$ 25,000	\$ 9,672	\$ 34,672
Housing	-	19,886	19,886
Non-Major Funds	11,995	49,245	61,240
Total governmental funds	36,995	78,803	115,798
<i>Business-Type Activities:</i>			
Wastewater System	441,836	878	442,714
Water System	928,124	2,848	930,972
Refuse Collection System	427,353	-	427,353
Non-Major Funds	17,230	12,651	29,881
Total business-type activities	1,814,543	16,377	1,830,920
<i>Internal Service Funds</i>	-	3,670	3,670
<b>Total</b>	<b>\$ 1,851,538</b>	<b>\$ 98,850</b>	<b>\$ 1,950,388</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT**

**A. Government-Wide Financial Statements**

**Governmental Activities**

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Pension obligation bonds	\$ 3,810,000	\$ -	\$ (610,000)	\$ 3,200,000	\$ 680,000	\$ 2,520,000
Loans payable	1,000,000	-	(200,000)	800,000	200,000	600,000
Capital lease	4,669,109	-	(522,960)	4,146,149	573,314	3,572,835
State Payable Settlement	-	9,528,396	(2,000,000)	7,528,396	2,000,000	5,528,396
<b>Total</b>	<b>\$ 9,479,109</b>	<b>\$ 9,528,396</b>	<b>\$ (3,332,960)</b>	<b>\$ 15,674,545</b>	<b>\$ 3,453,314</b>	<b>\$ 12,221,231</b>

**Pension Obligation Bonds**

*California Statewide Communities Development Authority Taxable Pension Obligation Bonds*

On June 29, 2004, the California Statewide Communities Development Authority (CSCDA) issued bonds pursuant to the terms of a Trust Agreement dated June 29, 2004, by and between the CSCDA and Wells Fargo Bank (Trustee) as trustee to purchase 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 in the amount of \$7,138,378 were used by the City to prepay a portion of the unfunded actuarial accrued liability to the California Public Employees' Retirement System. The bonds are an unconditional obligation of the City 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.

The annual debt service requirements for the pension obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 680,000	\$ 188,672	\$ 868,672
2022	755,000	148,579	903,579
2023	840,000	104,065	944,065
2024	925,000	54,538	979,538
<b>Total</b>	<b>\$ 3,200,000</b>	<b>\$ 495,854</b>	<b>\$ 3,695,854</b>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Loans Payable**

2003 \$4,000,000 Loan Payable

The 2003 \$4,000,000 Loan Payable was 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.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 200,000	\$ 39,370	\$ 239,370
2022	200,000	28,250	228,250
2023	200,000	17,020	217,020
2024	200,000	5,690	205,690
<b>Total</b>	<b>\$ 800,000</b>	<b>\$ 90,330</b>	<b>\$ 890,330</b>

**Capital Lease**

On March 9, 2011, the City entered into a capital lease agreement with Bank of America to fund certain energy efficient, cost saving facility improvement measures and facility upgrades under which the related facility will become the property of the City when all terms of the lease agreement are met. The capital lease agreement of \$7,157,493 funded energy efficiency retrofitting of \$4,783,916 and capital improvements of \$2,373,577. As of June 30, 2020, the accumulated depreciation on the capital assets is \$721,962.

The capital lease agreement balance as of June 30, 2020:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2020
Governmental Activities: Facilities	4.50%	\$ <u>4,146,149</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Capital Lease, Continued**

As of June 30, 2020, future minimum lease payments under capital leases are as follows:

	Year Ending June 30	Governmental Activities
	2021	\$ 755,035
	2022	782,005
	2023	621,135
	2024	643,420
	2025	666,483
	2026-2027	1,405,416
		<hr/>
Total future minimum lease payments		4,873,494
Less: interest		<u>(727,345)</u>
Present value of minimum lease payments		<u>\$ 4,146,149</u>

**State Payable Settlement**

On August 6, 2019, the City of Merced finalized a Settlement Agreement with the California Department of Finance. The litigation, which had begun November 16, 2016, resolved was regarding the wind down of the Redevelopment Agency for the City of Merced (RDA) pursuant to Assembly Bill 26 and Assembly Bill 1484, collectively the "Dissolution Law."

The parties agreed that the City of Merced will remit \$9,528,395.83 to the Merced Designated Local Authority in eight installments with no interest. These payments are due on July 1 of each year with exception of the first-year payment, which was due on 10/1/2019.

The annual debt service requirements for the State Payable Settlement are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 2,000,000	\$ -	\$ 2,000,000
2022	1,250,000	-	1,250,000
2023	1,250,000	-	1,250,000
2024	1,250,000	-	1,250,000
2025	1,250,000	-	1,250,000
2026	528,396	-	528,396
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<u>\$ 7,528,396</u>	<u>\$ -</u>	<u>\$ 7,528,396</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Business-Type Activities**

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 9,375,000	\$ -	\$ (1,405,000)	\$ 7,970,000	\$ 1,460,000	\$ 6,510,000
Unamortized premiums	701,634	-	(116,939)	584,695	-	584,695
Loans payable	27,769,415	-	(1,847,648)	25,921,767	1,888,374	24,033,393
<b>Total</b>	<b>\$ 37,846,049</b>	<b>\$ -</b>	<b>\$ (3,369,587)</b>	<b>\$ 34,476,462</b>	<b>\$ 3,348,374</b>	<b>\$ 31,128,088</b>

**Revenue Bonds Payable**

Revenue bonds payable at June 30, 2020, consisted of the following:

	Bonds Payable	Unamortized Premiums
Water Revenue Bonds	\$ 2,405,000	\$ 170,676
Wastewater Revenue Bonds	5,565,000	414,019
<b>Total</b>	<b>\$ 7,970,000</b>	<b>\$ 584,695</b>

**2012 Series Water and Wastewater Revenue Bonds**

On June 19, 2012, the City issued 2012 Series in the amount of \$17,995,000 with an average interest rate of 3.665% to advance refund \$22,270,000 of outstanding 2005 CSCDA Water and Wastewater Bonds, \$6,555,000 and \$15,715,000 respectively, with an average interest rate of 5.223%.

The debt issuance resulted in an unamortized premium of \$1,808,425 that will be amortized over the life of the bonds. The unamortized premium balance at June 30, 2020 totals \$584,695.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**8. LONG-TERM DEBT, Continued**

*A. Government-Wide Financial Statements, Continued*

**Revenue Bonds Payable, Continued**

The bonds were secured by pledges of the Water and Wastewater Fund net revenues under the respective installment purchase agreements for each individual program participant. The indentures prescribe that the City will collect charges and fees for the use of Water and Wastewater which are reasonably fair and nondiscriminatory and which are estimated in each fiscal year to be at least sufficient to yield net revenues during such fiscal year equal to 125% of debt services for such fiscal year plus the amount necessary to restore the Reserve Fund, if any, to the respective amounts required to be on deposit therein in such fiscal year. For 2019-20 fiscal year, the debt coverage is 21.94 and 11.95 for the Water Fund and Wastewater Fund, respectively.

2012 Series Water and Wastewater Revenue Bonds, Continued

The City's obligation at issuance was \$5,455,000 for the Water Fund and \$12,540,000 for the Wastewater Fund. Principal payments are due on October 1 of each year and interest payments ranging from 2.0% to 5.0% are due on April 1 and October 1 of each year.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 445,000	\$ 82,100	\$ 527,100
2022	460,000	64,000	524,000
2023	480,000	45,200	525,200
2024	500,000	25,600	525,600
2025	520,000	7,800	527,800
Total	<u>\$ 2,405,000</u>	<u>\$ 224,700</u>	<u>\$ 2,629,700</u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,015,000	\$ 247,800	\$ 1,262,800
2022	1,055,000	201,125	1,256,125
2023	1,110,000	147,000	1,257,000
2024	1,165,000	90,125	1,255,125
2025	1,220,000	30,500	1,250,500
Total	<u>\$ 5,565,000</u>	<u>\$ 716,550</u>	<u>\$ 6,281,550</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Loans Payable**

Loans payable at June 30, 2020 consisted of the following:

California Infrastructure and Economic Development Bank (CIEDB)	
Enterprise Fund Installment Sales Agreement	\$ 5,777,209
California State Water Resources Control Board	
Clean Water State Revolving Fund	20,144,558
Total	<u>\$ 25,921,767</u>

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 principal balance of the agreement was \$8,262,208 and bears interest of 3.17%.

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

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 300,000	\$ 178,383	\$ 478,383
2022	325,000	168,476	493,476
2023	325,000	158,174	483,174
2024	350,000	147,475	497,475
2025	350,000	136,380	486,380
2026-2030	2,150,000	487,738	2,637,738
2031-2034	1,977,209	128,234	2,105,443
Total	<u>\$ 5,777,209</u>	<u>\$ 1,404,860</u>	<u>\$ 7,182,069</u>

California State Water Resources Control Board Clean Water State Revolving Fund Loan

On October 1, 2008, the City entered into an agreement with California State Water Resources Control Board for a Wastewater Treatment Plant Expansion Project funded by Clean Water State Revolving Fund (CWSRF) loan. The project consists of upgrading and expanding existing facilities. The loan amount was \$32,315,970 with an interest rate of 1.0% per annum, after the American Recovery and Reinvestment Act (ARRA) principal forgiveness grant of \$2,000,000.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**8. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Loans Payable, Continued**

Principal and interest payments are due on September 30 of each year beginning 2012 and ending September 30, 2031.

The annual debt service requirements for the Clean Water State Revolving Fund Loan are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,588,374	\$ 201,446	\$ 1,789,820
2022	1,604,258	185,562	1,789,820
2023	1,620,300	169,519	1,789,819
2024	1,636,503	153,316	1,789,819
2025	1,652,869	136,951	1,789,820
2026-2030	8,515,603	433,495	8,949,098
2031-2032	3,526,651	52,988	3,579,639
Total	<u>\$ 20,144,558</u>	<u>\$ 1,333,277</u>	<u>\$ 21,477,835</u>

**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 Position.

**C. Debt with No City Commitment**

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.

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

The City 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.

	Outstanding June 30, 2020
Fahrens Park Refunding Assessment District	\$ 915,000
Bellevue Ranch East CFD	7,795,000
Bellevue Ranch West CFD	5,715,000
Moraga CFD Refunding	4,080,000
Total	<u>\$ 18,505,000</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**9. 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, Streets and Street Light Maintenance Fund, Parks and Community Service 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, 2020 is as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Governmental activities	\$ 3,716,909	\$ 1,406,004	\$ (832,523)	\$ 4,290,390	\$ 996,968	\$ 3,293,422
Business-type activities	1,108,751	352,991	(137,274)	1,324,468	238,920	1,085,548
<b>Total</b>	<u>\$ 4,825,660</u>	<u>\$ 1,758,995</u>	<u>\$ (969,797)</u>	<u>\$ 5,614,858</u>	<u>\$ 1,235,888</u>	<u>\$ 4,378,970</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**10. CLASSIFICATION OF FUND BALANCE**

In governmental funds, nonspendable, restricted, committed, assigned and unassigned are presented as components of fund balance as follows:

	Major Governmental Funds					Non Major Government Funds	Total Government
	General	Housing Special Revenue	Measure C Special Revenue	Low & Moderate Income Housing Special Revenue	Streets and Signals Capital Projects		
Nonspendable:							
Inventory	\$ 55,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,727
Advances receivable	1,710,992	-	-	-	-	-	1,710,992
Total nonspendable	1,766,719	-	-	-	-	-	1,766,719
Restricted for:							
Street and street lights	-	-	-	-	-	8,844,483	8,844,483
Trust 115 - Pension	-	-	-	-	-	3,840,522	3,840,522
Community development	-	-	-	-	-	22,917,156	22,917,156
Housing	-	23,196,280	-	11,270,687	-	887,621	35,354,588
Public safety	-	-	-	-	-	689,422	689,422
Special districts	-	-	-	-	-	4,850,785	4,850,785
Capital projects	-	-	-	-	1,782,262	1,490,904	3,273,166
Parks & Recreation	-	-	-	-	-	238,114	238,114
Other special projects and programs:							
Cash basis fund*	4,000,000	-	-	-	-	-	4,000,000
Other	-	-	-	-	-	1,000,359	1,000,359
Total restricted	4,000,000	23,196,280	-	11,270,687	1,782,262	44,759,366	85,008,595
Committed to:							
Standard Housing	41,871	-	-	-	-	-	41,871
Street and street lights	-	-	-	-	-	8,273	8,273
Community development	-	-	-	-	-	2,720,769	2,720,769
Public safety	-	-	2,795,470	-	-	-	2,795,470
Housing	-	-	-	-	-	4,446,169	4,446,169
Total committed	41,871	-	2,795,470	-	-	7,175,211	10,012,552
Assigned to:							
Appropriations in subsequent year	703,302	-	-	-	-	-	703,302
Encumbrances:							
General government	599,099	-	-	-	-	-	599,099
Public safety	232,320	-	-	-	-	-	232,320
Public works	8,700	-	-	-	-	-	8,700
Parks and recreation	26,635	-	-	-	-	-	26,635
Total assigned	1,570,056	-	-	-	-	-	1,570,056
Unassigned	17,606,347	-	-	-	-	-	17,606,347
Total Fund Balances	\$ 24,984,993	\$ 23,196,280	\$ 2,795,470	\$ 11,270,687	\$ 1,782,262	\$ 51,934,577	\$ 115,964,269

\* The City's Cash Basis Fund is restricted per Section 1112 of the City of Merced Charter, which states that: "The city council shall maintain a revolving fund to be known as the "Cash basis fund," for the purpose of placing the payment of running expenses of the City on a cash basis. A reserve shall be built up in this fund from any available sources in an amount which the city council deems sufficient with which to meet all lawful 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 fund to any other fund or funds of such sum or sums as may be required for the purpose of placing such funds, as nearly as possible, on a cash basis. All moneys so transferred from the cash basis fund shall be returned thereto before the end of the fiscal year."



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**11. OTHER FUND DISCLOSURES**

**A. Deficit Balances**

At June 30, 2020, the funds below had the following deficit fund balance or net position:

Enterprise Funds:

<u>Refuse Fund</u>	\$ (1,195,510)
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The deficit net position was caused by the adjustments established through implementation of Governmental Accounting Standards Board Statement No. 68 and 75, which requires the net pension liability and net OPEB liability to be reported on the Statement of Net Position. The deficit will be eliminated by future charges for services.

Internal Service Funds:

<u>Workers' Compensation Insurance Fund</u>	\$ (6,469,189)
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The deficit net position was caused by recording a liability according to the Governmental Accounting Standards Board Statement No. 10 that 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 yet reported (IBNR).

<u>Liability Insurance Fund</u>	\$ (288,011)
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The deficit net position 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 yet reported (IBNR). The recording of these estimated future claims and IBNR has caused the net position deficit balance.

<u>Fleet Management Fund</u>	\$ (678,057)
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The deficit net position was caused by the adjustments established through implementation of Governmental Accounting Standards Board Statement No. 68, which requires net pension liability to be reported on the Statement of Net Position. The deficit will be eliminated by future charges for services.

<u>Facility Maintenance Fund</u>	\$ (3,573,302)
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The deficit net position was caused by recording other postemployment benefits liability through the implementation of Governmental Accounting Standards Board Statement No. 75 and net pension liability. In addition, the City's capital lease agreement to fund certain energy cost saving facility improvement measures and facility upgrades cause a reduction in fund balance. The related facility will become property of the City when all terms of the lease agreement are met. The deficit balance will be eliminated by future charges for services and debt service payments related to the capital lease agreement.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**11. OTHER FUND DISCLOSURES, Continued**

*A. Deficit Balances, Continued*

<u>Support Services Fund</u>	\$ (2,065,825)
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The deficit net position was caused by the recording of other postemployment benefits liability through the implementation of Governmental Accounting Standards Board Statement No. 75 and the net pension liability. The deficit balance will be eliminated by future charges for services.

<u>Public Works Administration Fund</u>	\$ (2,930,588)
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The deficit net position was caused by the recording of other postemployment benefits liability through the implementation of Governmental Accounting Standards Board Statement No. 75 and the net pension liability. The deficit will be eliminated by future charges for services.

**12. RISK MANAGEMENT**

The City maintains internal service funds to account for the City’s general liability and workers’ compensation insurance. All unpaid claims that were probable liabilities that occurred prior to 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, 2020, claims for general liability and workers’ compensation were \$2,221,545 and \$6,656,091 respectively.

The Liability Insurance Fund is used to account for all general liability claims against the City. The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), with a self-insured retention of \$100,000 for general liability and errors and omissions. The CSJVRMA retains the first \$1,000,000 of coverage above the \$100,000 self-insured retention. The CSJVRMA pays each claim from first dollar and then allocates the amount the city is responsible for and the amount which is shared by the pooled layers through the retrospective adjustment process. The CSJVRMA is a member of California Affiliated Risk Management Authorities (CARMA) for excess coverage over \$1 million up to \$54 million.

The Workers’ Compensation Insurance Fund is used to account for all workers’ compensation claims against the City. The fund provides for a maximum of \$350,000 for each claim. Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX) covers the layer above the member’s retained limit up to \$5 million. LAWCX is a member of the Public Risk Innovation, Solutions, and Management (PRISM), formerly known as California State Association of Counties Excess Insurance Authority (CSAC EIA) who provides the excess coverage over the \$5 million.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**12. RISK MANAGEMENT, Continued**

The changes in balance of claims liabilities during the past two years are as follows:

	General Liability	Workers' Compensation
Liability - June 30, 2018	\$ 1,077,168	\$ 5,919,179
Claims incurred	423,967	1,127,093
Claims payments	(269,630)	(2,300,525)
Changes to prior year estimates	-	395,504
Liability - June 30, 2019	1,231,505	5,141,250
Claims incurred	1,602,166	2,787,080
Claims payments	(612,126)	(1,389,399)
Changes to prior year estimates	-	117,159
Liability - June 30, 2020	<u>\$ 2,221,545</u>	<u>\$ 6,656,091</u>

**13. PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** - All qualified permanent and probationary employees are eligible to participate in the City's Safety (Fire and Police) and Miscellaneous Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions under the Plans are established by State statute and City Resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding number of employees covered, benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of service are eligible to retire at the retirement age with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The basic death benefit is offered to all members. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**13. PENSION PLANS, Continued**

Summary of the Plans' reported financial statement balances are as follows:

	Defined-Benefit Pension Plans		
	Miscellaneous Plan	Safety Plan	Total Plans
Deferred Outflows - Pension	\$ 6,424,222	\$ 9,490,329	\$ 15,914,551
Net Pension Liability	46,673,009	42,264,569	88,937,578
Deferred Inflows - Pension	1,156,874	1,472,598	2,629,472
Pension Expense	8,946,104	7,904,210	16,850,314

The Plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Plan		
	Existing plan members hired before	Existing plan members hired after	New plan members hired after
Hire date	December 10, 2012	December 10, 2012	January 1, 2013
Benefit formula	2.5% @55	2% @60	2% @62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	25.597%	25.597%	25.597%

	Safety Plan		
	Existing plan members hired before	Existing plan members hired after	New plan members hired after
Hire date - Fire	October 7, 2011	October 7, 2011	January 1, 2013
Hire date - Police	December 10, 2012	December 10, 2012	January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible	3.0%	2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.75%
Required employer contribution rates	37.533%	37.533%	37.533%

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**13. PENSION PLANS, Continued**

**A. General Information about the Pension Plans, Continued**

*Employees Covered* – As of the measurement date, the following employees were covered by the benefit terms for each Plan:

	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>
Inactive employees or beneficiaries currently receiving benefits	377	182
Inactive employees entitled to but not yet receiving benefits	215	113
Active employees	281	152
Total	<u>873</u>	<u>447</u>

*Contributions* – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**B. Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**13. PENSION PLANS, Continued**

**B. Net Pension Liability, Continued**

*Actuarial Assumptions* – The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	<u>Miscellaneous and Safety Plans</u>
Actuarial Assumptions:	Entry-Age Normal Cost Method
Discount Rate	7.15 %
Inflation	2.75 %
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50 % until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**13. PENSION PLANS, Continued**

**B. Net Pension Liability, Continued**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class (a)	Assumed asset allocation	Real Return Years 1 -10 (b)	Real Return Years 11+ (c)
Global equity	47.0%	4.90%	5.38%
Fixed income	19.0%	0.80%	2.27%
Inflation assets	6.0%	0.60%	1.39%
Private equity	12.0%	6.60%	6.63%
Real assets	14.0%	6.70%	10.57%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities;  
 Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.5% used for this period.
- (c) An expected inflation of 3.0% used for this period.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**13. PENSION PLANS, Continued**

**C. Changes in the Net Pension Liability**

The following table shows the changes in the net pension liability recognized over the measurement period.

<b>Miscellaneous Plan:</b>	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
Beginning balance	\$ 151,203,545	\$ 106,970,186	\$ 44,233,359
Change in the year:			
Service cost	2,698,887	-	2,698,887
Interest on the total pension liability	10,730,722	-	10,730,722
Changes in assumptions	-	-	-
Differences between actual and expected experience	1,287,405	-	1,287,405
Net Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	3,955,103	(3,955,103)
Contribution - employee	-	1,405,084	(1,405,084)
Net Investment income	-	6,993,264	(6,993,264)
Administrative expenses	-	(76,336)	76,336
Benefit payments, including refunds of employee contribution	(7,520,700)	(7,520,700)	-
Other Miscellaneous Income/ (Expense)	-	249	(249)
Net changes	7,196,314	4,756,664	2,439,650
Ending at June 30, 2019	\$ 158,399,859	\$ 111,726,850	\$ 46,673,009
<b>Safety Plan:</b>	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
Beginning balance	\$ 160,432,832	\$ 120,486,193	\$ 39,946,639
Change in the year:			
Service cost	3,521,487	-	3,521,487
Interest on the total pension liability	11,402,363	-	11,402,363
Changes in assumptions	-	-	-
Differences between actual and expected experience	1,031,970	-	1,031,970
Net Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	4,487,096	(4,487,096)
Contribution - employee	-	1,348,870	(1,348,870)
Net Investment income	-	7,887,626	(7,887,626)
Administrative expenses	-	(85,982)	85,982
Benefit payments, including refunds of employee contribution	(7,503,871)	(7,503,871)	-
Other Miscellaneous Income/ (Expense)	-	280	(280)
Net changes	8,451,949	6,134,019	2,317,930
Ending at June 30, 2019	\$ 168,884,781	\$ 126,620,212	\$ 42,264,569



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**13. PENSION PLANS, Continued**

**C. Changes in the Net Pension Liability, Continued**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of each Plan as of the measurement date, calculated using the discount rate of 7.15% for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point-higher than the current rate:

	Miscellaneous Plan	Safety Plan	Total Plans
1% decrease	6.15%	6.15%	6.15%
Net pension liability	\$ 67,645,323	\$ 65,852,372	\$ 133,497,695
Current discount rate	7.15%	7.15%	7.15%
Net pension liability	\$ 46,673,009	\$ 42,264,569	\$ 88,937,578
1% increase	8.15%	8.15%	8.15%
Net pension liability	\$ 29,318,609	\$ 22,900,660	\$ 52,219,269

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

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

For the year ended June 30, 2020, the City recognized pension expense of \$16,850,314 (\$8,946,104 and \$7,904,210 for Miscellaneous and Safety Plans, respectfully). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows / Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,535,059	\$ -	\$ 5,077,238	\$ -	\$ 9,612,297
Differences Between Expected and Actual Experience	1,379,329	-	1,322,761	(524,037)	2,178,053
Change in assumptions	509,834	(523,757)	3,090,330	(368,535)	2,707,872
Net differences between projected and actual earnings on pension plan investments	-	(633,117)	-	(580,026)	(1,213,143)
Total	\$ 6,424,222	\$ (1,156,874)	\$ 9,490,329	\$ (1,472,598)	\$ 13,285,079

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**13. PENSION PLANS, Continued**

*D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

For Miscellaneous and Safety Plans, \$4,535,059 and \$5,077,238, respectfully, is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended	Miscellaneous Plan	Safety Plan
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,242,269	\$ 2,328,669
2021	(596,587)	308,790
2022	(25,434)	77,245
2023	112,041	225,789
2024	-	-
Thereafter	-	-

**14. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)**

*A. General Information about the OPEB Plan*

*Plan Description* – The City of Merced Retiree Healthcare Plan (“Plan”) is an agent multiple-employer defined benefit healthcare plan. Benefit provisions are established and may be amended through agreements and Memorandums of Understanding (MOU) between the City, its management employees, and the unions representing City employees. The City’s Retiree Healthcare Plan does not issue a stand-alone financial report.

The City has \$2,256,365 in the California Employers’ Retiree Benefit Trust (CERBT) at the end of the fiscal year ending June 30, 2020. CERBT is a tax-qualified irrevocable trust administered by the California Public Employees’ Retirement System (CalPERS) and organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare and other postemployment benefits. Copies of CalPERS’ financial report may be obtained from the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or from CalPERS Headquarters at 400 Q Street, Sacramento, California, 95811.

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 for Unrepresented Management Employees are not eligible for retirement healthcare benefits.

Eligible employees can participate in the City’s Retiree Healthcare Plan if they 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 United Health Care. Dental and vision benefits are available to retirees, but at their own expense.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**14. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB), Continued**

**A. General Information about the OPEB Plan, Continued**

*Employees Covered* – At June 30, 2019, the measurement date, the following number of participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	262
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>132</u>
Total	<u><u>394</u></u>

*Contributions* - The contribution requirements of the Plan participants and City are established by and may be amended by the City pursuant to agreements with its management employees and the unions representing City employees. The plan is currently funded on a pay-as-you-go basis. No additional pre-funding is currently planned.

**B. Net OPEB Liability**

The City’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

*Actuarial Assumptions* - The total OPEB liability at the June 30, 2019 measurement date was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	Based on Municipal Bond Rate 3.5%, Bond Buyer 20
Inflation	2.75%
Expected Long-Term Investment Rate of Return	3.50% at June 30, 2019
Salary Increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement Scale	Post-retirement mortality projected fully generational with Scale MP-2019
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.00% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076
Healthcare Participation for Future Retirees	Medical coverage: 100% Spouse coverage: 100% for those with more than single coverage Assumptions based on study of recent retiree experience

The actuarial assumptions at the June 30, 2019 measurement date were based on the results of an actuarial experience study for the period 1997 to 2015.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

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**14. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB), Continued**

*B. Net OPEB Liability, Continued*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation CERBT-Strategy 1	Long-term expected real rate of return
Global equity	59.0%	4.82%
Fixed income	25.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITS	8.0%	3.76%
Total	100.0%	

*Discount Rate* - The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that the City contributions would be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**14. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB), Continued**

**C. Change in the Net OPEB Liability**

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Beginning balance	\$ 33,332,000	\$ 2,054,000	\$ 31,278,000
Change in the year:			
Service cost	470,000	-	470,000
Interest on the total OPEB liability	1,277,000	-	1,277,000
Changes of benefit terms	-	-	-
Changes in assumptions	852,000	-	852,000
Differences between expected and actual experience	(2,015,000)	-	(2,015,000)
Contribution - employer	-	1,617,000	(1,617,000)
Contribution - employee	-	-	-
Net Investment income	-	126,000	(126,000)
Benefit payments, including refunds	(1,617,000)	(1,617,000)	-
Administrative expenses	-	-	-
<b>Net Changes</b>	<b>(1,033,000)</b>	<b>126,000</b>	<b>(1,159,000)</b>
Ending at June 30, 2020 (measurement date June, 30, 2019)	<b>\$ 32,299,000</b>	<b>\$ 2,180,000</b>	<b>\$ 30,119,000</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - the following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	Discount Rate -1% (2.5%)	Current Discount Rate (3.5%)	Discount Rate +1% (4.5%)
<b>Net OPEB Liability/(Asset)</b>	<b>\$ 33,986,000</b>	<b>\$ 30,119,000</b>	<b>\$ 26,866,000</b>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - the following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rate - 1%	Current Trend	Healthcare Cost Trend Rate + 1%
<b>Net OPEB Liability/(Asset)</b>	<b>\$ 28,583,000</b>	<b>\$ 30,119,000</b>	<b>\$ 31,897,000</b>

**OPEB Plan Fiduciary Net Position** - detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**14. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB), Continued**

*D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$(415,000). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,209,000
Change in assumptions	511,000	366,000
Net differences between projected and actual earnings on OPEB plan investments	-	30,000
Employer contributions made subsequent to the measurement date	1,588,000	-
Total	<u>\$ 2,099,000</u>	<u>\$ 1,605,000</u>

The \$1,588,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ (846,000)
2022	(249,000)
2023	-
2024	1,000
2025	-
Thereafter	-
Total	<u>\$ (1,094,000)</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**15. COMMITMENTS AND CONTINGENT LIABILITIES**

Project Commitments

As of June 30, 2020, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
Clark Bros, Inc	\$ 2,114,189
Merced Gateway Investors II, LP	1,051,244
Hobbs Construction	793,702
Phase 1 Construction	725,188
Merced County Department of Public Works	625,230
Ruckstell CA Sales, Inc	580,768
Stantec Consulting Services, Inc	572,759
<b>Total</b>	<b>\$ 6,463,080</b>

**16. POLLUTION REMEDIATION OBLIGATIONS**

The City of Merced is aware of various contaminated sites throughout the City, which contain certain gasoline chemicals and other contaminants such as pesticides and solvents.

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 offset by insurance recoveries, and therefore no liability is reported on the City's Statement of Net Position.

**17. NET POSITION AND FUND BALANCE RESTATEMENT**

During the fiscal year, the City recorded the following restatements to correct intergovernmental receivable recorded in prior year.

The following is a summary of the restatement of beginning balance:

Government-Wide Financial Statements

*Governmental Activities:*

Beginning balance, July 1, 2019	\$ 298,717,123
Intergovernment receivable	8,590
Interest receivable	466,110
Notes receivable	1,000,000
Beginning balance, July 1, 2019, as restated	<u>\$ 300,191,823</u>

Fund Financial Statements  
*Governmental Funds:*

	General Fund	Measure C Special Revenue Fund	Low and Moderate Income Housing Special Revenue Fund	Non-Major Governmental Funds
Beginning balance, July 1, 2019	\$ 23,526,265	\$ 2,425,008	\$ 9,878,508	\$ 42,255,376
Intergovernment receivable	(2,517)	2,517	-	8,590
Interest receivable	-	-	466,110	-
Notes receivable	-	-	1,000,000	-
Beginning balance, July 1, 2019, as restated	<u>\$ 23,523,748</u>	<u>\$ 2,427,525</u>	<u>\$ 11,344,618</u>	<u>\$ 42,263,966</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Merced**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

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**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 and is adopted by resolution 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 schedules of revenues, expenditures, and changes in fund balance - budget to actual.

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, 2020, proceeds of taxes did not exceed allowable appropriations.

The accompanying Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund and major special revenue funds 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 in the various categories 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, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property tax:				
Secured	\$ 7,286,819	\$ 7,286,819	\$ 8,178,821	\$ 892,002
Unsecured	509,804	509,804	504,186	(5,618)
Supplemental roll:				
Prior year - unsecured	6,367	6,367	7,770	1,403
Prior year - supplemental roll	127,000	127,000	166,818	39,818
Other taxes:				
Sales and use	12,750,000	12,750,000	12,987,007	237,007
Transient occupancy tax	1,762,370	1,762,370	1,787,880	25,510
Franchise	1,680,000	1,680,000	1,658,250	(21,750)
Business license	1,390,000	1,390,000	1,319,591	(70,409)
Cost revenue impact study fee	723,450	723,450	1,313,721	590,271
Real property transfer	200,000	200,000	279,933	79,933
Vehicle in lieu backfill	6,256,000	6,256,000	6,773,574	517,574
Total taxes	<u>32,691,810</u>	<u>32,691,810</u>	<u>34,977,551</u>	<u>2,285,741</u>
Intergovernmental:				
Motor vehicle in lieu tax	41,000	41,000	68,944	27,944
Homeowners property tax relief	63,000	63,000	63,212	212
Police standards and training	25,000	25,000	112,813	87,813
Other state grants	556	220,549	173,491	(47,058)
Other federal grants	-	223,774	13,357	(210,417)
State mandated cost reimbursement	62,059	62,059	73,104	11,045
Total intergovernmental	<u>191,615</u>	<u>635,382</u>	<u>504,921</u>	<u>(130,461)</u>
Licenses and permits:				
Animal licenses	11,000	11,000	11,202	202
Bicycle licenses	170	170	5	(165)
Other licenses and permits	8,650	8,650	8,869	219
Total licenses and permits	<u>19,820</u>	<u>19,820</u>	<u>20,076</u>	<u>256</u>
Use of money and property				
Investment Earnings	285,770	285,770	642,817	357,047
Rents and concessions (other than recreation)	44,280	44,280	42,037	(2,243)
Total use of money and property	<u>330,050</u>	<u>330,050</u>	<u>684,854</u>	<u>354,804</u>

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- General Fund (continued)**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES, Continued:</b>				
Service charges:				
Accident and police reports	\$ 9,450	\$ 9,450	\$ 9,568	\$ 118
Fire department special services	25,250	116,735	115,612	(1,123)
Fire prevention	230,000	230,000	222,781	(7,219)
Weed and lot cleaning	-	-	-	-
Administrative citations	115,000	115,000	126,800	11,800
Administrative Fines	2,150	2,150	7,500	5,350
Cost recovery	135,600	135,600	149,006	13,406
Release fees class I	60,000	60,000	73,584	13,584
Administrative	4,098,504	4,098,504	4,098,504	-
Interdepartmental charges	2,057,540	2,057,540	2,022,540	(35,000)
<b>Total service charges</b>	<b>6,733,494</b>	<b>6,824,979</b>	<b>6,825,895</b>	<b>916</b>
Fines, forfeitures and penalties:				
Criminal fines	73,000	73,000	99,595	26,595
Parking fines	205,000	205,000	247,055	42,055
<b>Total fines, forfeitures and penalties</b>	<b>278,000</b>	<b>278,000</b>	<b>346,650</b>	<b>68,650</b>
Other:				
Animal control services	12,000	12,000	21,890	9,890
School police officer	668,343	668,343	453,297	(215,046)
Reimb Special Debt Expense	231,879	231,879	214,155	(17,724)
Merchandise and brochure revenue	34,200	34,200	18,153	(16,047)
Cash overages (shortages)	100	100	5	(95)
Donations and contributions	13,685	19,285	14,005	(5,280)
S.M.I.P. fees	2,800	2,800	-	(2,800)
Miscellaneous	21,240	24,333	50,306	25,973
<b>Total other</b>	<b>984,247</b>	<b>992,940</b>	<b>771,811</b>	<b>(221,129)</b>
<b>Total revenues</b>	<b>41,229,036</b>	<b>41,772,981</b>	<b>44,131,758</b>	<b>2,358,777</b>

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- General Fund (continued)**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
Current operating:				
General government:				
City council	\$ 265,996	\$ 278,846	\$ 208,969	\$ 69,877
Youth council	13,380	13,380	7,143	6,237
City manager	1,106,797	1,541,574	1,039,151	502,423
City clerk	475,737	472,127	445,236	26,891
City attorney	1,026,622	990,356	896,848	93,508
Finance	3,440,233	3,019,185	2,959,939	59,246
Purchasing	247,906	236,495	231,912	4,583
Economic development	523,263	601,954	489,035	112,919
Visitor's services	183,250	183,888	162,477	21,411
Total general government	<u>7,283,184</u>	<u>7,337,805</u>	<u>6,440,710</u>	<u>897,095</u>
Public safety:				
Police protection	20,325,379	20,443,176	19,871,390	571,786
Fire protection and weed abatement	10,479,471	10,541,507	10,354,614	186,893
Total public safety	<u>30,804,850</u>	<u>30,984,683</u>	<u>30,226,004</u>	<u>758,679</u>
Public works	1,876,481	1,890,056	1,820,842	69,214
Total current operating	<u>39,964,515</u>	<u>40,212,544</u>	<u>38,487,556</u>	<u>1,724,988</u>
Capital outlay	83,600	144,932	852	144,080
Debt service:				
Principal	610,000	2,610,000	2,610,000	-
Interest	228,637	231,667	230,168	1,499
Total debt service	<u>838,637</u>	<u>2,841,667</u>	<u>2,840,168</u>	<u>1,499</u>
<b>Total expenditures</b>	<u>40,886,752</u>	<u>43,199,143</u>	<u>41,328,576</u>	<u>1,870,567</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>342,284</u>	<u>(1,426,162)</u>	<u>2,803,182</u>	<u>4,229,344</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	1,400	1,400	20,702	19,302
Transfers in	779,525	2,641,742	2,480,252	(161,490)
Transfers out	(2,943,296)	(4,306,830)	(4,099,955)	206,875
Total other financing sources (uses)	<u>(2,162,371)</u>	<u>(1,663,688)</u>	<u>(1,599,001)</u>	<u>64,687</u>
<b>Net change in fund balance</b>	<u>\$ (1,820,087)</u>	<u>\$ (3,089,850)</u>	<u>1,204,181</u>	<u>\$ 4,294,031</u>
<b>FUND BALANCE:</b>				
Beginning of year, restated			17,843,652	
End of year			<u>\$ 19,047,833</u>	

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (continued)**

Reconciliation of General Fund Budgetary Schedule to generally accepted accounting principles information presented in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund.

The Parks and Community Services Fund has been combined with the General Fund for reporting purposes in compliance with GASB 54, since it no longer meets the definition of a Special Revenue Fund, due to lack of substantial inflows from restricted or committed revenue sources.

	General Fund - Budgetary Schedule - Actual	Parks and Community Services Fund	Revenue Stabilization Fund	Economic Development Opportunity Fund	Substandard Housing Fund	General Fund - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
Total revenues	\$ 44,131,758	\$ 228,910	\$ 88,061	\$ 343,715	\$ 25,677	\$ 44,818,121
Total expenditures	41,328,576	1,641,148	-	732,017	14,222	43,715,963
Excess (deficiency) of revenues over (under) expenditures	2,803,182	(1,412,238)	88,061	(388,302)	11,455	1,102,158
Total other financing sources (uses)	(1,599,001)	1,418,088	360,000	180,000	-	359,087
Net change in fund balance	1,204,181	5,850	448,061	(208,302)	11,455	1,461,245
Beginning of year, restated	17,843,652	21,393	3,276,178	2,350,806	31,719	23,523,748
End of year	\$ 19,047,833	\$ 27,243	\$ 3,724,239	\$ 2,142,504	\$ 43,174	\$ 24,984,993

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,971,547	\$ 4,548,919	\$ 904,912	\$ (3,644,007)
Use of money and property	207,800	207,800	125,940	(81,860)
Service charges	752,635	777,635	305,452	(472,183)
Other revenue	-	1,080,000	1,080,000	-
Total revenues	<u>3,931,982</u>	<u>6,614,354</u>	<u>2,416,304</u>	<u>(4,198,050)</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	4,559,511	7,443,393	879,501	6,563,892
Total current operating	<u>4,559,511</u>	<u>7,443,393</u>	<u>879,501</u>	<u>6,563,892</u>
Total expenditures	<u>4,559,511</u>	<u>7,443,393</u>	<u>879,501</u>	<u>6,563,892</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(627,529)</u>	<u>(829,039)</u>	<u>1,536,803</u>	<u>2,365,842</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	-	-	101	101
Transfers In	27	46	46	-
Transfers out	(571,444)	(138,391)	(57,026)	81,365
Total other financing sources (uses)	<u>(571,417)</u>	<u>(138,345)</u>	<u>(56,879)</u>	<u>81,466</u>
Net change in fund balances	<u>\$ (1,198,946)</u>	<u>\$ (967,384)</u>	1,479,924	<u>\$ 2,447,308</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>21,716,356</u>	
End of Year			<u>\$ 23,196,280</u>	



**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- Measure C Fund**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 6,607,000	\$ 6,607,000	\$ 6,852,814	\$ 245,814
Intergovernmental	110,484	120,128	67,634	(52,494)
Use of money and property	14,470	14,470	75,275	60,805
Service charges	106,633	127,192	127,192	-
Other revenue	-	-	64	64
Total revenues	<u>6,838,587</u>	<u>6,868,790</u>	<u>7,122,979</u>	<u>254,189</u>
<b>EXPENDITURES:</b>				
Current operating:				
Public safety	6,824,982	7,093,567	6,546,648	546,919
Public works	2,028	2,028	2,028	-
Total current operating	<u>6,827,010</u>	<u>7,095,595</u>	<u>6,548,676</u>	<u>546,919</u>
Total expenditures	<u>6,827,010</u>	<u>7,095,595</u>	<u>6,548,676</u>	<u>546,919</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>				
	<u>11,577</u>	<u>(226,805)</u>	<u>574,303</u>	<u>801,108</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,440	2,864	1,487	(1,377)
Transfers out	(182,845)	(207,845)	(207,845)	-
Total other financing sources (uses)	<u>(181,405)</u>	<u>(204,981)</u>	<u>(206,358)</u>	<u>(1,377)</u>
Net change in fund balances	<u>\$ (169,828)</u>	<u>\$ (431,786)</u>	367,945	<u>\$ 799,731</u>
<b>FUND BALANCE:</b>				
Beginning of year, restated			<u>2,427,525</u>	
End of Year			<u>\$ 2,795,470</u>	

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. BUDGETARY CONTROL AND ACCOUNTING, Continued**

***Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- Low and Moderate Income Housing Special Revenue Fund***

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 137,365	\$ 137,365	\$ 82,316	\$ (55,049)
Total revenues	<u>137,365</u>	<u>137,365</u>	<u>82,316</u>	<u>(55,049)</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,339,287	1,339,431	156,247	1,183,184
Total current operating	<u>1,339,287</u>	<u>1,339,431</u>	<u>156,247</u>	<u>1,183,184</u>
Total expenditures	<u>1,339,287</u>	<u>1,339,431</u>	<u>156,247</u>	<u>1,183,184</u>
Net change in fund balances	<u>\$ (1,201,922)</u>	<u>\$ (1,202,066)</u>	(73,931)	<u>\$ 1,128,135</u>
<b>FUND BALANCE:</b>				
Beginning of year, restated			<u>11,344,618</u>	
End of Year			<u>\$ 11,270,687</u>	

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**2. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) - *Miscellaneous Plan*

Measurement period (1)	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
<b>Total pension liability</b>						
Service cost	\$ 2,698,887	\$ 2,637,968	\$ 2,693,011	\$ 2,380,009	\$ 2,478,640	\$ 2,627,256
Interest on total pension liability	10,730,722	10,244,849	9,858,159	9,435,717	9,059,272	8,695,697
Changes of assumptions	-	(1,271,983)	8,157,365	-	(2,210,035)	-
Differences between expected and actual experience	1,287,405	1,040,612	673,366	(818,329)	(1,270,597)	-
Benefit payments, including refunds of employee contributions	(7,520,700)	(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
<b>Net change in total pension liability</b>	<b>\$ 7,196,314</b>	<b>\$ 5,361,657</b>	<b>\$ 14,903,681</b>	<b>\$ 4,936,954</b>	<b>\$ 2,618,874</b>	<b>\$ 6,183,800</b>
Total pension liability - beginning	151,203,545	145,841,888	130,938,207	126,001,253	123,382,379	117,198,579
<b>Total pension liability - ending (a)</b>	<b>\$158,399,859</b>	<b>\$151,203,545</b>	<b>\$145,841,888</b>	<b>\$130,938,207</b>	<b>\$126,001,253</b>	<b>\$123,382,379</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 3,955,103	\$ 3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
Contributions - employee	1,405,084	1,325,496	1,224,690	1,235,668	1,311,171	1,253,749
Net investment income (2)	6,916,928	8,420,861	10,300,142	473,484	2,039,373	14,172,466
Benefit payments, including refunds of employee contributions	(7,520,700)	(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
Net plan to plan resource movement	-	(249)	-	-	-	-
Other miscellaneous income/(expense)	249	(300,293)	-	-	-	-
<b>Net change in plan fiduciary net position - ending</b>	<b>\$ 4,756,664</b>	<b>\$ 5,492,102</b>	<b>\$ 8,036,224</b>	<b>\$ (1,503,851)</b>	<b>\$ 497,547</b>	<b>\$ 12,534,506</b>
Plan fiduciary net position - beginning	\$106,970,186	\$101,478,084	\$ 93,441,860	\$ 94,945,711	\$ 94,448,164	\$ 81,913,658
Plan fiduciary net position - ending (b)	111,726,850	106,970,186	101,478,084	93,441,860	94,945,711	94,448,164
<b>Plan net pension liability - ending (a)-(b)</b>	<b>\$ 46,673,009</b>	<b>\$ 44,233,359</b>	<b>\$ 44,363,804</b>	<b>\$ 37,496,347</b>	<b>\$ 31,055,542</b>	<b>\$ 28,934,215</b>
Plan fiduciary net position as a percentage of the total pension liability	70.53%	70.75%	69.58%	71.36%	75.35%	76.55%
Covered payroll	\$ 17,061,048	\$ 16,559,749	\$ 16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
Plan net pension liability / (asset) as percentage of covered payroll	273.56%	267.11%	268.60%	234.79%	190.68%	175.66%

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.  
(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes that occurred after the June 20, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2018. There were no changes in the discount rate in 2018 and 2019. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.). In 2014, amounts reported were based on the 7.5% discount rate.

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**2. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS, Continued**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) – *Safety Plan*

Measurement period (1)	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
<b>Total pension liability</b>						
Service cost	\$ 3,521,487	\$ 3,543,500	\$ 3,431,918	\$ 2,918,262	\$ 2,915,019	\$ 3,121,317
Interest on total pension liability	11,402,363	10,821,482	10,305,955	9,919,699	9,584,428	9,243,496
Changes of assumptions	-	(689,001)	8,884,695	-	(2,398,329)	-
Differences between expected and actual experience	1,031,970	982,138	(1,074,802)	(2,152,774)	(2,052,784)	-
Benefit payments, including refunds of employee contribution	(7,503,871)	(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
<b>Net change in total pension liability</b>	<b>\$ 8,451,949</b>	<b>\$ 7,638,516</b>	<b>\$ 14,814,140</b>	<b>\$ 4,549,320</b>	<b>\$ 2,252,908</b>	<b>\$ 6,619,144</b>
Total pension liability - beginning	160,432,832	152,794,316	137,980,176	133,430,856	131,177,948	124,558,804
<b>Total pension liability - ending (a)</b>	<b>\$168,884,781</b>	<b>\$160,432,832</b>	<b>\$152,794,316</b>	<b>\$137,980,176</b>	<b>\$133,430,856</b>	<b>\$131,177,948</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 4,487,096	\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
Contributions - employee	1,348,870	1,210,467	1,163,431	1,111,386	1,068,553	1,106,201
Net investment income (2)	7,801,644	9,388,347	11,381,967	474,720	2,226,669	15,776,487
Benefit payments, including refunds of employee contribution	(7,503,871)	(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
Net plan to plan resource movement	-	(280)	-	-	-	-
Other miscellaneous income/(expense)	280	(335,745)	-	-	-	-
<b>Net change in plan fiduciary net position - ending</b>	<b>\$ 6,134,019</b>	<b>\$ 7,027,912</b>	<b>\$ 9,310,604</b>	<b>\$ (1,399,977)</b>	<b>\$ 406,951</b>	<b>\$ 13,752,998</b>
Plan fiduciary net position - beginning	\$120,486,193	\$113,458,281	\$104,147,677	\$105,547,654	\$105,140,703	\$ 91,387,705
Plan fiduciary net position - ending (b)	126,620,212	120,486,193	113,458,281	104,147,677	105,547,654	105,140,703
<b>Plan net pension liability - ending (a)-(b)</b>	<b>\$ 42,264,569</b>	<b>\$ 39,946,639</b>	<b>\$ 39,336,035</b>	<b>\$ 33,832,499</b>	<b>\$ 27,883,202</b>	<b>\$ 26,037,245</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	74.97%	75.10%	74.26%	75.48%	79.10%	80.15%
Covered payroll	\$ 13,061,894	\$ 12,872,349	\$ 12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
Plan net pension liability / (asset) as percentage of covered payroll	323.57%	310.33%	313.81%	285.09%	236.81%	215.88%

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.  
(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes that occurred after the June 20, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2018. There were no changes in the discount rate in 2018 and 2019. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.). In 2014, amounts reported were based on the 7.5% discount rate.

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**3. SCHEDULE OF PLAN CONTRIBUTIONS**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) - *Miscellaneous Plan*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,535,059	\$ 3,955,103	\$ 3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
Contributions in relation to the actuarially determined contributions	(4,535,059)	(3,955,103)	(3,336,076)	(2,989,612)	(2,847,440)	(2,585,409)	(2,247,444)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll (2)	\$ 19,251,153	\$ 17,061,048	\$ 16,559,749	\$ 16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
Contributions as a percentage of covered payroll	23.56%	23.18%	20.15%	18.10%	17.83%	15.87%	13.64%

(1) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018-19; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-2017

**Notes to schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2016 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**3. SCHEDULE OF PLAN CONTRIBUTIONS, Continued**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) - *Safety Plan*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,077,238	\$ 4,487,096	\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
Contributions in relation to the actuarially determined contributions	(5,077,238)	(4,487,096)	(3,784,726)	(3,498,832)	(3,149,784)	(2,907,155)	(2,615,979)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll (2)	\$ 12,768,613	\$ 13,061,894	\$ 12,872,349	\$ 12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
Contributions as a percentage of covered payroll	39.76%	34.35%	29.40%	27.91%	26.54%	24.69%	21.69%

(1) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018-19; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-2017

**Notes to schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2016 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**4. SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

Measurement Period (1)	2019	2018	2017
<b>Total OPEB liability</b>			
Service cost	\$ 470,000	\$ 506,000	\$ 877,000
Interest on total OPEB liability	1,277,000	1,218,000	1,133,000
Changes in assumptions	852,000	(1,100,000)	(2,937,000)
Differences between expected and actual experience	(2,015,000)	-	(2,947,000)
Benefit payments, including refunds of employee contributions	(1,617,000)	(1,585,000)	(1,427,000)
<b>Net change in total OPEB liability</b>	<b>(1,033,000)</b>	<b>(961,000)</b>	<b>(5,301,000)</b>
<b>Total OPEB liability - beginning</b>	<b>33,332,000</b>	<b>34,293,000</b>	<b>39,594,000</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 32,299,000</b>	<b>\$ 33,332,000</b>	<b>\$ 34,293,000</b>
<b>OPEB fiduciary net position</b>			
Contributions - employer	\$ 1,617,000	\$ 1,585,000	\$ 1,427,000
Contributions - employee	-	-	-
Net investment income (2)	126,000	148,000	181,000
Benefit payments, including refunds of employee contributions	(1,617,000)	(1,585,000)	(1,427,000)
<b>Net change in plan fiduciary net position</b>	<b>126,000</b>	<b>148,000</b>	<b>181,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,054,000</b>	<b>1,906,000</b>	<b>1,725,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>2,180,000</b>	<b>2,054,000</b>	<b>1,906,000</b>
<b>Plan net OPEB liability - ending (a) - (b)</b>	<b>\$ 30,119,000</b>	<b>\$ 31,278,000</b>	<b>\$ 32,387,000</b>
Plan fiduciary net position as a percentage of the total OPEB liability	6.75%	6.16%	5.56%
Covered - employee payroll	\$ 11,970,000	\$ 11,909,000	\$ 12,558,000
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	251.62%	262.64%	257.90%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable.

(2) Net of administrative expenses.

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**5. SCHEDULE OF CONTRIBUTIONS - OPEB**

	2020	2019	2018
Actuarially determined contribution	\$ 2,380,000	\$ 2,431,000	\$ 2,370,000
Contributions in relation to the actuarially determined contribution	(1,588,000)	(1,617,000)	(1,584,000)
Contribution deficiency (excess)	<u>792,000</u>	<u>814,000</u>	<u>786,000</u>
Covered-employee payroll	\$ 10,836,000	\$ 11,970,000	\$ 11,909,000
Contributions as a percentage of covered-employee payroll	14.65%	13.51%	13.30%

Fiscal year 2018 was the 1st year of implementation.

**Notes to schedule:**

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were as of the June 30, 2018 measurement date.

**Methods and assumptions used to determine contributions:**

Valuation date	June 30, 2017
Actuarial cost method	Entry age, level percentage of payroll
Amortization method	Level dollar, closed period. 30 years for initial UAL and 15 years for subsequent changes.
Remaining amortization period	Average remaining period 24.8 years
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	3.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2016



**SUPPLEMENTARY INFORMATION**

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**City of Merced**  
**Supplementary Information**  
**General Fund Combining Balance Sheet**  
**June 30, 2020**

	General	Parks and	Revenue	Economic	Substandard	General
	Fund	Community	Stabilization	Development	Housing	Fund
	Fund	Services Fund	Fund	Opportunity	Fund	Combined
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 15,549,726	\$ 70,204	\$ 3,724,239	\$ 2,132,066	\$ 68,174	\$ 21,544,409
Restricted cash held by fiscal agents	23,039	-	-	-	-	23,039
Receivables:						
Accounts	1,018,758	7,080	-	-	-	1,025,838
Due from other government	3,070,361	-	-	-	-	3,070,361
Interest	66,808	-	-	10,438	-	77,246
Due from other funds	31,838	-	-	-	-	31,838
Inventory	55,727	-	-	-	-	55,727
Advances to other funds	1,710,992	-	-	-	-	1,710,992
<b>Total assets</b>	<b>\$ 21,527,249</b>	<b>\$ 77,284</b>	<b>\$ 3,724,239</b>	<b>\$ 2,142,504</b>	<b>\$ 68,174</b>	<b>\$ 27,539,450</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 176,413	\$ 13,439	\$ -	\$ -	\$ -	\$ 189,852
Payroll liabilities	1,080,960	36,602	-	-	-	1,117,562
Deferred inflows	1,026,498	-	-	-	-	1,026,498
Advances from other funds	185,873	-	-	-	-	185,873
Other liabilities	9,672	-	-	-	-	9,672
Deposits	-	-	-	-	25,000	25,000
<b>Total liabilities</b>	<b>2,479,416</b>	<b>50,041</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>2,554,457</b>
Fund Balances:						
Nonspendable	1,766,719	-	-	-	-	1,766,719
Restricted	4,000,000	-	-	-	-	4,000,000
Committed	-	-	-	-	41,871	41,871
Assigned	1,518,578	26,635	-	23,540	1,303	1,570,056
Unassigned	11,762,536	608	3,724,239	2,118,964	-	17,606,347
<b>Total fund balances</b>	<b>19,047,833</b>	<b>27,243</b>	<b>3,724,239</b>	<b>2,142,504</b>	<b>43,174</b>	<b>24,984,993</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 21,527,249</b>	<b>\$ 77,284</b>	<b>\$ 3,724,239</b>	<b>\$ 2,142,504</b>	<b>\$ 68,174</b>	<b>\$ 27,539,450</b>

**City of Merced**  
**Supplementary Information**  
**General Fund Combining Statement of Revenues, Expenditures**  
**And changes in Fund Balance**  
**For the year ended June 30, 2020**

	General Fund	Parks and Community Services Fund	Revenue Stabilization Fund	Economic Development Opportunity Fund	Substandard Housing Fund	General Fund Combined
<b>REVENUES:</b>						
Taxes	\$ 34,977,551	\$ -	\$ -	\$ -	\$ -	\$ 34,977,551
Intergovernmental	504,921	-	-	-	-	504,921
Licenses and permits	20,076	-	-	-	-	20,076
Use of money and property	684,854	1,805	88,061	93,715	4,458	872,893
Service charges	6,825,895	168,389	-	-	21,219	7,015,503
Fines, forfeitures and penalties	346,650	-	-	-	-	346,650
Other revenues	771,811	58,716	-	250,000	-	1,080,527
Total revenues	44,131,758	228,910	88,061	343,715	25,677	44,818,121
<b>EXPENDITURES:</b>						
Current operating:						
General government	6,440,710	-	-	515,000	-	6,955,710
Public safety	30,226,004	-	-	-	14,222	30,240,226
Public works	1,820,842	-	-	-	-	1,820,842
Culture and recreation	-	1,641,148	-	-	-	1,641,148
Total current operating	38,487,556	1,641,148	-	515,000	14,222	40,657,926
Capital outlay	852	-	-	217,017	-	217,869
Debt service:						
Principal	2,610,000	-	-	-	-	2,610,000
Interest and fiscal charges	230,168	-	-	-	-	230,168
Total expenditures	41,328,576	1,641,148	-	732,017	14,222	43,715,963
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,803,182</b>	<b>(1,412,238)</b>	<b>88,061</b>	<b>(388,302)</b>	<b>11,455</b>	<b>1,102,158</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of asset	20,702	1,724	-	-	-	22,426
Transfers in	2,480,252	84,253	-	-	-	2,564,505
Transfers out	(2,218,204)	(9,640)	-	-	-	(2,227,844)
Intrafund transfers	(1,881,751)	1,341,751	360,000	180,000	-	-
Total other financing sources (uses)	(1,599,001)	1,418,088	360,000	180,000	-	359,087
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,204,181</b>	<b>5,850</b>	<b>448,061</b>	<b>(208,302)</b>	<b>11,455</b>	<b>1,461,245</b>
<b>FUND BALANCES:</b>						
Beginning of year, restated	17,843,652	21,393	3,276,178	2,350,806	31,719	23,523,748
End of year	\$ 19,047,833	\$ 27,243	\$ 3,724,239	\$ 2,142,504	\$ 43,174	\$ 24,984,993

**City of Merced**  
**Supplementary Information**  
**University Capital Fund Combining Balance Sheet**  
**For the year ended June 30, 2020**

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
<b>ASSETS</b>			
Intergovernmental receivable	\$ 5,852,678	\$ 2,984,866	\$ 2,867,812
<b>Total assets</b>	<b>5,852,678</b>	<b>2,984,866</b>	<b>2,867,812</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accrued interest payable	75,469	38,489	36,980
Bonds payable current	300,000	153,000	147,000
Bonds payable noncurrent	5,477,509	2,793,677	2,683,832
<b>Total liabilities</b>	<b>5,852,978</b>	<b>2,985,166</b>	<b>2,867,812</b>
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,852,978</b>	<b>\$ 2,985,166</b>	<b>\$ 2,867,812</b>

**City of Merced**  
**Supplementary Information**  
**University Capital Fund Combining Statement of Revenues, Expenses**  
**And Changes in Fund Balance**  
**For the year ended June 30, 2020**

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
<b>OPERATING REVENUES:</b>			
Sewer facility fee	\$ 202,154	\$ 103,099	\$ 99,055
<b>Total operating revenues</b>	<b>202,154</b>	<b>103,099</b>	<b>99,055</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest and fiscal agent fees	202,154	103,099	99,055
<b>Total nonoperating (expenses)</b>	<b>202,154</b>	<b>103,099</b>	<b>99,055</b>
<b>Net Income (Loss)</b>	-	-	-
<b>FUND BALANCES:</b>			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -