



CITY OF MERCED, CALIFORNIA
BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR
ENDED JUNE 30, 2021

The El Capitan Hotel was originally built in 1872 on 16th and N Streets before it was razed by Southern Pacific Railroad Company in 1900. The Merced Hotel Company took another 12 years to build a new hotel in its current location on M and Main Streets. After a fire in 1931, the hotel annex on M Street was reconstructed in 1936.

The small town icon has gone through some thrilling and tumultuous times, welcoming some of California's dignitaries, celebrities and notable travelers on their way to Yosemite National Park as well as being the birthplace of many social clubs.

Eventually as time went on, leaving the days of El Capitan's former splendor in the past, the hotel became a neglected property with a lackluster façade.

The Hyatt lifestyle brand, Joie de Vivre, acquired the dilapidated hotel with plans to restore it to its former iconic downtown state. Remodeling began in 2018, with the hotel reopening to welcome the community and visitors on March 31, 2021.

El Capitan's 114-guestrooms, including three one-bedroom suites and nine junior suites, are spread across the restored Arbor Lane Wing and newly constructed Main Street Wing. The frontier spirit of early California and the American West come to life in the relaxed elegance of the property's eclectic design. Inspired by the golden warmth of the Central Valley, the guestrooms use natural, hand-crafted materials and textures to evoke the surrounding landscape and draw the outside in.



City of Merced

Financial Statements

June 30, 2021

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City of Merced

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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 as of and for the year ended June 30, 2021, 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.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Change in Accounting Principles*

As discussed in Note 1 and Note 17 to the financial statements, the City adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020, which has resulted in a restatement to net position of the fiduciary funds as of July 1, 2020.

Error Correction

Also, as discussed in Note 17, the City also corrected an error related to the classification of a special revenue fund that should have been part of the General Fund. Our opinions are not modified with respect to these matters

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 schedule for the general fund and each major special revenue fund, pension schedules, and other postemployment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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 or 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 financial statements. The general fund and university capital fund combining statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statements 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 combining and individual nonmajor fund financial statements 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 June 30, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Eide Bailly Signature

Sacramento, California
June 30, 2022

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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, 2021.

FINANCIAL HIGHLIGHTS

The City's net position as shown on the Government-Wide Statement of Activities increased by \$35.8 million. The governmental net position increased by \$17.3 million and the business-type net position increased by \$18.5 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 \$560.8 million.
- The net decrease to governmental activity long-term debt of \$4.1 million is due to 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 \$22.5 million, or 66.0% 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, Public Facilities Impact Special Revenue Fund, American Rescue Plan Act 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, the Low and Moderate Income Housing Special Revenue Fund, Public Facilities Impact Special Revenue Fund, and the American Rescue Plan Act 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 \$560.8 million at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 182,095,527	\$ 143,248,134	\$ 185,096,347	\$ 165,221,028	\$ 367,191,874	\$ 308,469,162
Capital assets	252,324,320	261,327,502	133,176,195	135,871,877	385,500,515	397,199,379
Total assets	434,419,847	404,575,636	318,272,542	301,092,905	752,692,389	705,668,541
Deferred outflows related to pension	13,697,569	13,350,393	3,154,122	2,564,158	16,851,691	15,914,551
Deferred outflows related to OPEB	2,966,019	1,331,417	1,901,644	767,583	4,867,663	2,099,000
Total deferred outflows	16,663,588	14,681,810	5,055,766	3,331,741	21,719,354	18,013,551
Current liabilities	25,302,626	14,257,725	9,775,373	8,438,662	35,077,999	22,696,387
Noncurrent liabilities	117,149,550	111,169,735	60,448,750	60,747,624	177,598,300	171,917,359
Total liabilities	142,452,176	125,427,460	70,224,123	69,186,286	212,676,299	194,613,746
Deferred inflows related to pension	207,121	2,199,362	291,015	430,110	498,136	2,629,472
Deferred inflows related to OPEB	326,498	1,036,151	76,502	568,849	403,000	1,605,000
Total deferred inflows	533,619	3,235,513	367,517	998,959	901,136	4,234,472
Net position:						
Net investment in capital assets	251,139,568	259,952,632	107,642,255	107,172,623	358,781,823	367,125,255
Restricted	96,524,487	85,008,595	62,767,157	55,895,820	159,291,644	140,904,415
Unrestricted	(39,566,415)	(54,366,754)	82,327,256	71,170,958	42,760,841	16,804,204
Total net position	\$ 308,097,640	\$ 290,594,473	\$ 252,736,668	\$ 234,239,401	\$ 560,834,308	\$ 524,833,874

The largest portion of the City's net position \$358.8 million or 63.9%, 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 \$560.8 million total net position, \$159.3 million, or 28.4% of these resources are subject to external restrictions on how they may be used. The total unrestricted net position is \$42.8 million. The business-type activities restricted and unrestricted net position is \$62.8 million and \$82.3 million, respectively.

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

The most significant increases came from the receipt of American Rescue Plan Act (ARPA) and CARES Act distributions as a response to the COVID-19 pandemic in the amount of \$14.8 million. The City is soliciting community input to decide how to spend the monies and so the offset to the cash receipt is unearned revenues. There was also a significant increase in the net pension liability as a result of actuarial studies.

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.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 23,356,367	\$ 19,428,498	\$ 70,212,647	\$ 59,754,075	\$ 93,569,014	\$ 79,182,573
Operating grants and contributions	9,306,250	5,421,098	541,568	337,279	9,847,818	5,758,377
Capital grants and contributions	3,639,136	1,877,110	-	722,098	3,639,136	2,599,208
General revenues and transfers:						
Property taxes	17,317,211	16,018,292	41,108	37,882	17,358,319	16,056,174
Sales taxes	30,068,510	23,346,592	-	-	30,068,510	23,346,592
Franchise taxes	1,765,963	1,658,249	-	-	1,765,963	1,658,249
Transient occupancy tax	1,779,854	1,787,880	-	-	1,779,854	1,787,880
Business license tax	1,582,145	1,325,002	-	-	1,582,145	1,325,002
Cost recovery impact study	1,769,765	1,313,721	-	-	1,769,765	1,313,721
Business improvement tax	92,508	81,024	-	-	92,508	81,024
Other	3,421,492	4,730,165	242,961	6,985,856	3,664,453	11,716,021
Total revenues	94,099,201	76,987,631	71,038,284	67,837,190	165,137,485	144,824,821
Expenses						
Governmental activities:						
General government	6,537,113	10,027,416	-	-	6,537,113	10,027,416
Public safety	42,054,299	42,130,516	-	-	42,054,299	42,130,516
Public works	24,882,789	21,367,892	-	-	24,882,789	21,367,892
Culture and recreation	3,056,522	3,467,779	-	-	3,056,522	3,467,779
Other	435,721	471,935	-	-	435,721	471,935
Business-type activities:						
Wastewater system	-	-	21,146,449	21,982,607	21,146,449	21,982,607
Water system	-	-	14,103,788	13,319,363	14,103,788	13,319,363
Refuse collection	-	-	15,977,609	15,260,883	15,977,609	15,260,883
Merced municipal airport	-	-	1,131,848	1,006,495	1,131,848	1,006,495
Total expenses	76,966,444	77,465,538	52,359,694	51,569,348	129,326,138	129,034,886
Increase (decrease) in net position before transfers and extraordinary item	17,132,757	(477,907)	18,678,590	16,267,842	35,811,347	15,789,935
Transfers	181,323	408,953	(181,323)	(408,953)	-	-
Extraordinary item - RDA dissolution	-	(9,528,396)	-	-	-	(9,528,396)
Increase (decrease) in net position	17,314,080	(9,597,350)	18,497,267	15,858,889	35,811,347	6,261,539
Net position beginning of year, as restated (Note 18)	290,783,560	300,191,823	234,239,401	218,380,512	525,022,961	518,572,335
Net position ending of year	\$ 308,097,640	\$ 290,594,473	\$ 252,736,668	\$ 234,239,401	\$ 560,834,308	\$ 524,833,874

Governmental Activities – Governmental activities increased the City's net position by \$17.3 million. Taxes provided 57.8% of the revenue, charges for services provided 24.8% of the revenue, operating and capital grants and contributions provided 13.8% of the revenue received during the year. Overall, there was increase in permits pulled that resulted in an increase of charges for services by 20.2%. The City also experienced an increase in grant revenue by 71.6% through the recognition of funding provided via the CARES Act and ARPA. Sales taxes increased by 22.4% due to an increase of online orders.

Expenditures overall increased by less than 1% due to maintaining consistent funding for programs and activities throughout the year as compared to the previous 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, 2021

	Total Cost of Services	Net Cost of Services
General government	\$ 6,537,113	\$ 11,475,913
Public safety	42,054,299	(35,905,218)
Public works	24,882,789	(13,501,150)
Culture and recreation	3,056,522	(2,298,515)
Interest on long-term debt	435,721	(435,721)
Total	<u>\$ 76,966,444</u>	<u>\$ (40,664,691)</u>

The costs for all governmental activities during the year were \$77.0 million, which is 59.5% of total governmental and business-type activities expenses. These costs were paid for by \$36.3 million of program revenues, \$54.4 million of taxes, and \$3.4 million of investment earnings and other revenue. Transfer to City's governmental activities were \$181,323.

Business-type Activities – Business-type activities increased the City's net position by \$18.5 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities include program revenue, investment earnings, other revenue and transfers of \$71.0 million. Expenses of business-type activities were \$52.4 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, 2021 of \$143.2 million, an increase of \$27.0 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 \$34.4 million and the unassigned fund balance was \$22.5 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 50.7% of total General Fund expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund balance increased by \$5.6 million during the fiscal year. Taxes are the primary revenue of the General Fund. Property tax increased by 8.1% and sales tax increased by 28.8%.

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

Housing Fund-

- This special revenue fund increased by \$5.4 million primarily due to transfers in from other funds.

Measure C Fund-

- This special revenue fund increased by \$2.0 million due to unspent funding that will be used to cover encumbrances.

Low and Moderate Income Housing Fund-

- This special revenue fund increased by \$1.3 million due to more repayment of principal and interest on loans.

Public Facilities Fund –

- This special revenue fund increased by \$5.7 million due to collection on permits.

American Rescue Plan Act Fund

- This fund was created during the year to account for the receipt of approximately \$15.0 million in Coronavirus State and Local Fiscal Recovery Funds received during the fiscal year.

Streets and Signals Fund-

- This capital projects fund increased by \$744 thousand 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 \$2.9 million. The unrestricted net position of the Enterprise Funds was \$82.3 million. The change in net position for the Governmental Activities Internal Service Funds is an increase of \$1.0 million and the Enterprise Funds is an increase of \$18.5 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 \$2.0 million 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 \$1.4 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, 2021, amounted to \$386.6 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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Non-depreciable Assets:						
Land and improvements	\$ 86,084,154	\$ 87,160,589	\$ 2,461,520	\$ 2,461,520	\$ 88,545,674	\$ 89,622,109
Construction in progress	9,746,149	9,001,700	19,182,870	14,538,063	28,929,019	23,539,763
Total non-depreciable assets	95,830,303	96,162,289	21,644,390	16,999,583	117,474,693	113,161,872
Depreciable Assets:						
Building and structures	23,237,281	23,225,281	9,324,573	9,324,573	32,561,854	32,549,854
Machinery and equipment	44,482,554	43,800,284	6,015,253	5,541,754	50,497,807	49,342,038
Improvements other than buildings, structures and land improvements	129,337,167	127,286,888	190,411,452	190,411,452	319,748,619	317,698,340
Infrastructure	383,756,256	381,146,274	49,299,029	46,204,071	433,055,285	427,350,345
Accumulated depreciation	(424,319,241)	(410,293,514)	(143,518,502)	(132,609,556)	(567,837,743)	(542,903,070)
Total depreciable assets, net	156,494,017	165,165,213	111,531,805	118,872,294	268,025,822	284,037,507
Total capital assets	\$ 252,324,320	\$ 261,327,502	\$ 133,176,195	\$ 135,871,877	\$ 385,500,515	\$ 397,199,379

Additions of capital assets exceeding \$1.0 million during this fiscal year included the following projects:

- Construction of Water Well 20 in the amount of \$2.0 million
- Sewer main replacement from Gerard to Hwy 140 in the amount of \$1.2 million.

Long-term Debt – At the end of the current fiscal year, the City had \$42.6 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.

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Pension obligation bonds	\$ 2,520,000	\$ 3,200,000	\$ -	\$ -	\$ 2,520,000	\$ 3,200,000
Loans payable	-	800,000	24,033,393	25,921,767	24,033,393	26,721,767
Capital lease	3,572,835	4,146,149	-	-	3,572,835	4,146,149
State Payable Settlement	5,528,396	7,528,396	-	-	5,528,396	7,528,396
Revenue bonds payable	-	-	6,510,000	7,970,000	6,510,000	7,970,000
Unamortized premiums	-	-	467,757	584,695	467,757	584,695
Total	\$11,621,231	\$15,674,545	\$31,011,150	\$34,476,462	\$42,632,381	\$50,151,007

During the current fiscal year, the City's net debt decreased by \$7.5 million or 15.0%. The net decrease was due to \$600,000 of HUD 108 Loan payoff and \$6.9 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

- Although long-term impacts of COVID-19 are uncertain, the City of Merced's economic outlook continues to be strong. Sales Tax and Property Tax receipts outperformed Fiscal Year 2020-21 projections over 30.0% and 16.0%, respectively. Single-family and multi-family construction continues to outpace prior years, with development occurring citywide. The county's unemployment rate as of October 2021 is 8.0% which has declined from 9.6% a year ago.
- The Yosemite Crossing Shopping Center in North Merced is currently underway. This is a new 20-acre mixed use commercial development. The current tenant mix includes Crumbl Cookies, Habit Burger, West Coast Sourdough and Starbucks, to name a few. Apartments, office space and a hotel are also slated for future phases of the project.

- History has proved that the City of Merced’s financial position can suddenly fluctuate. The Fiscal year 2021-22 budget adheres to the prudent principals established by the City Council including the following: 1) maintaining existing services and programs; 2) planning for one-time investments in parks and public spaces throughout the City; and 3) increasing funding to reserves and contingencies to protect against uncertainty. The City Council adopted a balanced and sustainable budget, which included a net increase of 7 positions.
- 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 35.0% of the General Fund operating budget, 30.0% will be set aside in a separate fund and 5.0% will remain in the General Fund as contingency. For Fiscal Year 2020-21, the General Fund Reserve is \$16.3 million, of which \$13.9 million (30%) has been set aside in a separate fund.
- During 2020, the City was awarded \$1.1 million from CARES Act funding, \$1.2 million from CDBG-CV and \$3.2 million from FAA-CARES Act which is being used to provide financial assistance for business grants, rental payment assistance, funding for the Merced Food Bank, spending incentives for local, small businesses, and Airport operations. In March 2021, Congress approved the American Rescue Plan Act of 2021 allocating \$27.4 million to the City of Merced to support local economy recovery and \$1.9 million from HOME-ARP for rental assistance and housing stabilization for residents due to COVID-19 impacts. The City Council is in the process of adopting a plan to put these funds to use in the community.
- 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 of five approved cannabis retail dispensaries have opened and are paying the Measure Y Tax. Fiscal Year 2020-21, Measure Y tax collected over \$3.2 million, which is an increase of \$2.0 million from the prior year. It is expected to increase in future years as more cannabis businesses are slated to open.
- 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

Sewer Rates were scheduled to increase 5.0% in January 2022 based on a CPI increase per the currently adopted ordinance. In December 2021, per staff recommendation, the City Council adopted a resolution not to increase sewer rates and to wait until another Sewer Rate Study is completed. A new sewer rate study is scheduled to Kick off by the end of 2022 after the Sewer Master Plan is complete and adopted by the City Council.

On October 28, 2021 the City received a CPD Monitoring Report based on an on-site environmental monitoring of the City of Merced’s Community Development Block Grant and HOME Investment Partnerships programs for Plan Years 2014 to 2018 conducted in January 2020. The report identified two findings, HUD program funds were committed to a choice-limiting action prior to submission of the Request for Release of Funds and Certification and failing to retain the written records of the broad-level review, Tier I of its Tiered environmental review approach. The monitoring resulted in several projects not meeting the required environmental process.

Corrective actions to be taken will require de-obligating funding commitments, repayments to CDBG and HOME of over \$1.0 million, and re-obligating funding commitments with a different funding source. The Housing Department is in the process of drafting a corrective action plan to be approved by the City Council and HUD.

REQUEST FOR INFORMATION

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

City of Merced
Basic Financial Statements
June 30, 2021

City of Merced
Government-Wide Financial Statements
June 30, 2021

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City of Merced
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 128,049,995	\$ 166,752,173	\$ 294,802,168
Restricted cash and investments	4,331,823	3	4,331,826
Receivables	18,663,880	16,499,568	35,163,448
Internal balances	(1,546,330)	1,546,330	-
Prepaid items	33,673	-	33,673
Inventory	182,507	273,595	456,102
Total current assets	<u>149,715,548</u>	<u>185,071,669</u>	<u>334,787,217</u>
Noncurrent assets:			
Land held for resale	1,337,319	-	1,337,319
Notes receivable	31,042,660	24,678	31,067,338
Capital assets:			
Non-depreciable	95,830,303	21,644,390	117,474,693
Depreciable, net	<u>156,494,017</u>	<u>111,531,805</u>	<u>268,025,822</u>
Total capital assets	<u>252,324,320</u>	<u>133,176,195</u>	<u>385,500,515</u>
Total noncurrent assets	<u>284,704,299</u>	<u>133,200,873</u>	<u>417,905,172</u>
Total assets	<u>434,419,847</u>	<u>318,272,542</u>	<u>752,692,389</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	13,697,569	3,154,122	16,851,691
Deferred outflows related to other postemployment benefits	<u>2,966,019</u>	<u>1,901,644</u>	<u>4,867,663</u>
Total deferred outflows of resources	<u>16,663,588</u>	<u>5,055,766</u>	<u>21,719,354</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,700,793	1,809,667	3,510,460
Payroll payable	2,405,674	573,473	2,979,147
Deposits and other liabilities	1,115,530	2,472,072	3,587,602
Unearned revenue	13,629,227	926,579	14,555,806
Accrued interest payable	61,559	284,198	345,757
Claims payable, due within one year	2,900,033	-	2,900,033
Compensated absences, due within one year	857,908	265,126	1,123,034
Long-term debt, due within one year	<u>2,631,902</u>	<u>3,444,258</u>	<u>6,076,160</u>
Total current liabilities	<u>25,302,626</u>	<u>9,775,373</u>	<u>35,077,999</u>

City of Merced
Statement of Net Position (Continued)
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Claims payable, due in more than one year	\$ 5,081,656	\$ -	\$ 5,081,656
Compensated absences, due in more than one year	2,838,116	867,859	3,705,975
Long-term debt, due in more than one year	8,989,329	27,566,892	36,556,221
Net other postemployment benefits liability	21,830,304	13,187,994	35,018,298
Net pension liability	<u>78,410,145</u>	<u>18,826,005</u>	<u>97,236,150</u>
Total noncurrent liabilities	<u>117,149,550</u>	<u>60,448,750</u>	<u>177,598,300</u>
Total liabilities	<u>142,452,176</u>	<u>70,224,123</u>	<u>212,676,299</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	207,121	291,015	498,136
Deferred inflows related to other postemployment benefits	<u>326,498</u>	<u>76,502</u>	<u>403,000</u>
Total deferred inflows of resources	<u>533,619</u>	<u>367,517</u>	<u>901,136</u>
NET POSITION			
Net investment in capital assets	251,139,568	107,642,255	358,781,823
Restricted for:			
Streets and street lights	8,516,588	-	8,516,588
Community development	29,474,299	-	29,474,299
Housing	39,022,638	-	39,022,638
Public safety	1,921,675	-	1,921,675
Special Districts	5,280,760	-	5,280,760
Other special projects and programs	4,912,583	2,031,485	6,944,068
Debt service	-	1,950,008	1,950,008
Parks and recreation	621,147	-	621,147
Capital projects	6,774,797	58,785,664	65,560,461
Unrestricted	<u>(39,566,415)</u>	<u>82,327,256</u>	<u>42,760,841</u>
Total net position	<u>\$ 308,097,640</u>	<u>\$ 252,736,668</u>	<u>\$ 560,834,308</u>

City of Merced
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 6,537,112	\$ 11,608,053	\$ 4,019,655	\$ 2,385,318	\$ 18,013,026
Public safety	42,054,299	4,427,390	1,721,691	-	6,149,081
Public works	24,882,789	6,562,917	3,564,904	1,253,818	11,381,639
Culture and recreation	3,056,522	758,007	-	-	758,007
Interest on long-term debt	435,721	-	-	-	-
Total governmental activities	76,966,443	23,356,367	9,306,250	3,639,136	36,301,753
Business-type activities:					
Wastewater system	21,146,449	28,141,479	-	-	28,141,479
Water system	14,103,788	21,867,778	-	-	21,867,778
Refuse collection system	15,977,609	19,768,762	114,441	-	19,883,203
Merced municipal airport	1,131,848	434,628	427,127	-	861,755
Total business-type activities	52,359,694	70,212,647	541,568	-	70,754,215
Total primary government	\$ 129,326,137	\$ 93,569,014	\$ 9,847,818	\$ 3,639,136	\$ 107,055,968

General Revenues:

Taxes:

Property

Sales

Franchise taxes

Transient lodging taxes

Business license tax

Business improvement tax

Cost recovery impact study

Total taxes

Gain on sale of assets

Investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, restated

Net position - end of year

City of Merced
Statement of Activities (Continued)
Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ 11,475,914	\$ -	\$ 11,475,914
(35,905,218)	-	(35,905,218)
(13,501,150)	-	(13,501,150)
(2,298,515)	-	(2,298,515)
(435,721)	-	(435,721)
<u>(40,664,690)</u>	<u>-</u>	<u>(40,664,690)</u>
-	6,995,030	6,995,030
-	7,763,990	7,763,990
-	3,905,594	3,905,594
-	(270,093)	(270,093)
<u>-</u>	<u>18,394,521</u>	<u>18,394,521</u>
<u>(40,664,690)</u>	<u>18,394,521</u>	<u>(22,270,169)</u>
17,317,211	41,108	17,358,319
30,068,510	-	30,068,510
1,765,963	-	1,765,963
1,779,854	-	1,779,854
1,582,145	-	1,582,145
92,508	-	92,508
1,769,765	-	1,769,765
<u>54,375,956</u>	<u>41,108</u>	<u>54,417,064</u>
2,602,564	32,952	2,635,516
818,927	210,009	1,028,936
181,323	(181,323)	-
<u>57,978,770</u>	<u>102,746</u>	<u>58,081,516</u>
17,314,080	18,497,267	35,811,347
<u>290,783,560</u>	<u>234,239,401</u>	<u>525,022,961</u>
<u>\$ 308,097,640</u>	<u>\$ 252,736,668</u>	<u>\$ 560,834,308</u>

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City of Merced
Fund Financial Statements
June 30, 2021

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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City of Merced
Governmental Fund Financial Statements
June 30, 2021

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.

Public Facilities Fee Program (PFFP) Special Revenue Fund - This fund is used to account for the facilities fees collected for the project categories Roadways, Bridges, Railroad Crossing, Traffic Signals, Fire, Police, Parks, Recreation, and Bikeways to be used for city installation of public improvements and developer reimbursement of PFFP installed improvements.

American Rescue Plan Act Special Revenue Fund - This fund is used to account for the Coronavirus State and Local Fiscal Recovery Funds received by the City as a result of the American Rescue Plan Act to be used for community revitalization as a response to the COVID-19 pandemic.

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, 2021

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
ASSETS				
Cash, cash equivalents and investments	\$ 27,657,609	\$ 6,268,146	\$ 3,345,033	\$ 2,277,979
Restricted cash held by fiscal agents	4,331,823	-	-	-
Receivables:				
Accounts	1,810,203	-	-	-
Due from other governments	4,325,354	1,101,638	1,688,532	-
Interest	53,233	22,999	9,903	473,361
Due from other funds	-	-	-	-
Prepaid Items	24,692	-	-	-
Inventory	66,562	-	-	-
Land held for resale	-	-	-	645,617
Notes receivable	81,247	21,261,362	-	9,165,089
Advances to other funds	1,710,991	-	-	-
Total assets	\$ 40,061,714	\$ 28,654,145	\$ 5,043,468	\$ 12,562,046
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 279,265	\$ 1,324	\$ 7,371	\$ 14,036
Payroll liabilities	1,653,938	12,314	196,176	-
Unearned revenue	1,126,179	54,989	-	-
Due to other funds	-	-	-	-
Advances from other funds	1,546,330	-	-	-
Deposit and other liabilities	1,059,940	3,350	-	-
Total liabilities	5,665,652	71,977	203,547	14,036
Fund balances:				
Nonspendable	1,777,554	-	-	-
Restricted	4,308,679	28,582,168	-	12,548,010
Committed	171,686	-	4,839,921	-
Assigned	5,607,715	-	-	-
Unassigned	22,530,428	-	-	-
Total fund balances	34,396,062	28,582,168	4,839,921	12,548,010
Total liabilities and fund balances	\$ 40,061,714	\$ 28,654,145	\$ 5,043,468	\$ 12,562,046

City of Merced
Balance Sheet – Governmental Funds (Continued)
June 30, 2021

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact	American Rescue Plan Act	Streets and Signals		
\$ 21,384,868	\$ 13,648,811	\$ 2,561,498	\$ 30,716,480	\$ 107,860,424
-	-	-	-	4,331,823
3,530,047	-	14,383	1,916,540	7,271,173
-	-	44,556	2,957,127	10,117,207
76,169	-	8,574	90,822	735,061
-	-	-	83,665	83,665
-	-	-	-	24,692
-	-	-	-	66,562
-	-	-	691,702	1,337,319
72,060	-	-	462,902	31,042,660
-	-	-	-	1,710,991
<u>\$ 25,063,144</u>	<u>\$ 13,648,811</u>	<u>\$ 2,629,011</u>	<u>\$ 36,919,238</u>	<u>\$ 164,581,577</u>
\$ -	\$ -	\$ 102,133	\$ 723,931	\$ 1,128,060
-	-	-	306,138	2,168,566
757,406	11,103,150	-	587,503	13,629,227
-	-	-	83,665	83,665
-	-	-	1,710,991	3,257,321
-	-	-	48,511	1,111,801
<u>757,406</u>	<u>11,103,150</u>	<u>102,133</u>	<u>3,460,739</u>	<u>21,378,640</u>
-	-	-	-	1,777,554
24,305,738	2,545,661	2,526,878	28,361,033	103,178,167
-	-	-	5,097,466	10,109,073
-	-	-	-	5,607,715
-	-	-	-	22,530,428
<u>24,305,738</u>	<u>2,545,661</u>	<u>2,526,878</u>	<u>33,458,499</u>	<u>143,202,937</u>
<u>\$ 25,063,144</u>	<u>\$ 13,648,811</u>	<u>\$ 2,629,011</u>	<u>\$ 36,919,238</u>	<u>\$ 164,581,577</u>

City of Merced
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

	<u>Government- Wide Statement of Net Position</u>	<u>Internal Service Funds</u>	<u>Total</u>
Total Fund Balances			\$ 143,202,937
Amount 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 services funds reported below, the capital assets are adjusted as follows:			
Non-depreciable	\$ 95,830,303	\$ (368,257)	\$ 95,462,046
Depreciable	<u>156,494,017</u>	<u>(10,415,184)</u>	<u>146,078,833</u>
Total capital assets	<u>\$ 252,324,320</u>	<u>\$ (10,783,441)</u>	241,540,879
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.			
			(11,773)
Internal services 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.			
			6,649,958
Deferred inflows and outflows of resources related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.			
			12,511,801
			2,190,131
			(72,428)
			(328,609)
Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet.			
Compensated absences, due within one year	\$ (857,908)	\$ 105,810	(752,098)
Long-term debt, due within one year	(2,631,902)	626,902	(2,005,000)
Compensated absences, due in more than one year	(2,838,116)	403,472	(2,434,644)
Long-term debt, due in more than one year	(8,989,329)	2,945,933	(6,043,396)
Net other postemployment benefits obligation	(21,830,304)	5,176,317	(16,653,987)
Net pension liability	<u>(78,410,145)</u>	<u>8,714,014</u>	<u>(69,696,131)</u>
Total long-term liability	<u>\$ (115,557,704)</u>	<u>\$ 17,972,448</u>	<u>(97,585,256)</u>
Net Position of Governmental Activities			<u>\$ 308,097,640</u>

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City of Merced
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
REVENUES:				
Taxes	\$ 39,428,116	\$ -	\$ 8,295,121	\$ -
Intergovernmental	1,462,557	1,200,875	22,904	-
Licenses and permits	17,733	-	-	-
Use of money and property	188,529	722,479	42,186	1,436,475
Charges for services	7,506,584	573,603	147,562	615
Fines, forfeitures and penalties	230,757	-	-	-
Other	668,481	-	264	-
Total revenues	49,502,757	2,496,957	8,508,037	1,437,090
EXPENDITURES:				
Current:				
General government	6,652,058	969,823	-	278,976
Public safety	31,313,294	-	6,402,324	-
Public works	1,766,916	-	5,128	-
Culture and recreation	1,706,711	-	-	-
Total current operating	41,438,979	969,823	6,407,452	278,976
Capital outlay	68,837	-	-	-
Debt Service:				
Principal	2,680,000	-	-	-
Interest and fiscal charges	227,378	-	-	-
Total expenditures	44,415,194	969,823	6,407,452	278,976
EXCESS (DEFICIENCY) OF REVENUS OVER (UNDER) EXPENDITURES	5,087,563	1,527,134	2,100,585	1,158,114
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	17,395	-	-	-
Transfers in	2,226,097	3,877,752	92,778	119,209
Transfers out	(1,760,509)	(18,998)	(148,912)	-
Total other financing sources (uses)	482,983	3,858,754	(56,134)	119,209
Net change in fund balance	5,570,546	5,385,888	2,044,451	1,277,323
FUND BALANCES:				
Beginning of year, restated	28,825,516	23,196,280	2,795,470	11,270,687
End of year	<u>\$ 34,396,062</u>	<u>\$ 28,582,168</u>	<u>\$ 4,839,921</u>	<u>\$ 12,548,010</u>

City of Merced
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)
Year Ended June 30, 2021

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact	American Rescue Plan Act	Streets and Signals		
\$ -	\$ -	\$ -	\$ 6,652,718	\$ 54,375,955
-	2,610,791	86,037	5,176,902	10,560,066
-	-	-	3,677,319	3,695,052
75,220	249,577	28,325	819,453	3,562,244
5,968,601	-	-	10,085,104	24,282,069
-	-	-	66,107	296,864
-	-	14,383	339,141	1,022,269
<u>6,043,821</u>	<u>2,860,368</u>	<u>128,745</u>	<u>26,816,744</u>	<u>97,794,519</u>
43,810	-	-	4,068,004	12,012,671
-	-	-	2,632,331	40,347,949
283,006	-	1,004,818	6,590,079	9,649,947
-	-	-	3,310	1,710,021
<u>326,816</u>	<u>-</u>	<u>1,004,818</u>	<u>13,293,724</u>	<u>63,720,588</u>
-	-	1,252,242	2,672,138	3,993,217
-	-	-	800,000	3,480,000
-	-	-	56,290	283,668
<u>326,816</u>	<u>-</u>	<u>2,257,060</u>	<u>16,822,152</u>	<u>71,477,473</u>
<u>5,717,005</u>	<u>2,860,368</u>	<u>(2,128,315)</u>	<u>9,994,592</u>	<u>26,317,046</u>
-	-	-	2,039,243	2,056,638
-	-	2,879,706	309,764	9,505,306
-	(314,707)	(6,775)	(8,579,508)	(10,829,409)
<u>-</u>	<u>(314,707)</u>	<u>2,872,931</u>	<u>(6,230,501)</u>	<u>732,535</u>
5,717,005	2,545,661	744,616	3,764,091	27,049,581
<u>18,588,733</u>	<u>-</u>	<u>1,782,262</u>	<u>29,694,408</u>	<u>116,153,356</u>
<u>\$ 24,305,738</u>	<u>\$ 2,545,661</u>	<u>\$ 2,526,878</u>	<u>\$ 33,458,499</u>	<u>\$ 143,202,937</u>

City of Merced

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Reconciliation of the Governmental Funds Statement of Rev. Exp. And Changes in Fund Balances to the Government-Wide State of Activities

Net Changes in Fund Balances - \$ 27,049,581

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

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide 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 \$4,234,241.	4,383,329
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 \$2,630,221.	(15,079,000)
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 the sales increase financial resources. This represents the difference between proceeds and the loss on disposal of capital assets.	272,319
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.	644,367
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.	(391,020)
Bond 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, Long-term debt.	3,480,000
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statement, 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.	21,679
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(4,141,461)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The next expense of the internal service funds is reported with governmental activities.	1,074,286
	\$ 17,314,080

City of Merced
Proprietary Fund Financial Statements
June 30, 2021

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, 2021

	Business - Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds		
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 74,834,659	\$ 78,223,366	\$ 13,380,091	\$ 314,057	\$ 166,752,173	\$ 20,189,571
Restricted cash and investments	2	1	-	-	3	-
Accounts receivable, net	5,100,982	4,403,777	654,903	112,763	10,272,425	479,209
Due from other governments	2,829,824	2,718,851	-	131,843	5,680,518	2,060
Interest receivable	240,633	263,114	42,039	839	546,625	59,170
Prepaid items	-	-	-	-	-	8,981
Inventory	-	273,595	-	-	273,595	115,945
Total current assets	83,006,100	85,882,704	14,077,033	559,502	183,525,339	20,854,936
Noncurrent assets:						
Notes receivable-private parties	-	24,678	-	-	24,678	-
Advances to other funds	-	1,546,330	-	-	1,546,330	-
Capital assets:						
Non-depreciable	6,975,370	14,360,494	290,728	17,798	21,644,390	368,257
Depreciable, net	85,008,660	22,237,782	851,278	3,434,085	111,531,805	10,415,184
Total noncurrent assets	91,984,030	38,169,284	1,142,006	3,451,883	134,747,203	10,783,441
Total assets	174,990,130	124,051,988	15,219,039	4,011,385	318,272,542	31,638,377
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	1,217,422	762,704	1,119,118	54,878	3,154,122	1,185,768
Deferred outflows related to other postemployment benefits	534,521	485,764	881,359	-	1,901,644	775,888
Total deferred outflows of resources	1,751,943	1,248,468	2,000,477	54,878	5,055,766	1,961,656
LIABILITIES						
Current liabilities:						
Accounts payable	795,777	595,118	418,003	769	1,809,667	572,733
Payroll payable	187,693	135,563	233,695	16,522	573,473	237,108
Unearned revenue	861,312	27,889	37,378	-	926,579	-
Accrued interest payable	231,180	53,018	-	-	284,198	49,786
Deposits and other liabilities	536,193	1,354,101	550,079	31,699	2,472,072	3,729
Compensated absences, due within one year	106,706	46,273	94,596	17,551	265,126	105,810
Claims payable, due within one year	-	-	-	-	-	2,900,033
Long-term debt, due within one year	2,825,008	619,250	-	-	3,444,258	626,902
Total current liabilities	5,543,869	2,831,212	1,333,751	66,541	9,775,373	4,496,101
Noncurrent liabilities:						
Compensated absences, due in more than one year	301,141	220,502	310,551	35,665	867,859	403,472
Claims payable, due in more than one year	-	-	-	-	-	5,081,656
Long-term debt, due in more than one year	23,405,769	4,161,123	-	-	27,566,892	2,945,933
Net other postemployment benefits obligation	3,919,115	3,165,368	6,103,511	-	13,187,994	5,176,317
Net pension liability	7,085,088	4,698,211	6,492,503	550,203	18,826,005	8,714,014
Total noncurrent liabilities	34,711,113	12,245,204	12,906,565	585,868	60,448,750	22,321,392
Total liabilities	40,254,982	15,076,416	14,240,316	652,409	70,224,123	26,817,493
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	109,571	72,599	100,405	8,440	291,015	134,693
Deferred inflows related to other postemployment benefits	36,036	(17,502)	57,968	-	76,502	(2,111)
Total deferred inflows of resources	145,607	55,097	158,373	8,440	367,517	132,582
NET POSITION						
Net investment in capital assets	71,230,463	31,817,903	1,142,006	3,451,883	107,642,255	9,598,691
Restricted:						
Other special projects and programs	781,466	996,424	251,006	2,589	2,031,485	-
Debt service	1,938,463	11,545	-	-	1,950,008	-
Capital projects	10,879,438	46,806,378	1,099,848	-	58,785,664	-
Unrestricted	51,511,654	30,536,693	327,967	(49,058)	82,327,256	(2,948,733)
Total net position	\$ 136,341,484	\$ 110,168,943	\$ 2,820,827	\$ 3,405,414	\$ 252,736,668	\$ 6,649,958

City of Merced
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Business - Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds		
OPERATING REVENUES						
Charges for services	\$ 27,017,570	\$ 21,835,162	\$ 19,748,602	\$ 435,553	\$ 69,036,887	\$ 28,856,790
Other revenues	1,123,909	32,616	20,160	(925)	1,175,760	216,660
Total operating revenues	<u>28,141,479</u>	<u>21,867,778</u>	<u>19,768,762</u>	<u>434,628</u>	<u>70,212,647</u>	<u>29,073,450</u>
OPERATING EXPENSES						
Personnel services	5,208,230	3,718,984	6,119,593	451,851	15,498,658	5,601,526
Materials, supplies and other services	7,112,755	7,845,730	9,633,217	250,975	24,842,677	21,254,810
Depreciation	8,298,648	2,365,613	224,799	429,022	11,318,082	2,630,221
Total operating expenses	<u>20,619,633</u>	<u>13,930,327</u>	<u>15,977,609</u>	<u>1,131,848</u>	<u>51,659,417</u>	<u>29,486,557</u>
OPERATING INCOME (LOSS)	<u>7,521,846</u>	<u>7,937,451</u>	<u>3,791,153</u>	<u>(697,220)</u>	<u>18,553,230</u>	<u>(413,107)</u>
NONOPERATING REVENUES (EXPENSES):						
Property taxes	-	-	-	41,108	41,108	-
Intergovernmental revenues	-	-	114,441	427,127	541,568	-
Interest and investment earnings	124,141	(24,628)	101,379	9,117	210,009	(117,908)
Gain (loss) on disposition of capital assets	10,148	-	22,804	-	32,952	273,607
Interest and related expenses	(526,816)	(173,461)	-	-	(700,277)	(173,732)
Total nonoperating revenues (expenses)	<u>(392,527)</u>	<u>(198,089)</u>	<u>238,624</u>	<u>477,352</u>	<u>125,360</u>	<u>(18,033)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>7,129,319</u>	<u>7,739,362</u>	<u>4,029,777</u>	<u>(219,868)</u>	<u>18,678,590</u>	<u>(431,140)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	7,434	11,271	81,758	31,536	131,999	2,398,175
Transfers out	(90,403)	(112,267)	(95,198)	(15,454)	(313,322)	(892,749)
Total transfers and capital contributions	<u>(82,969)</u>	<u>(100,996)</u>	<u>(13,440)</u>	<u>16,082</u>	<u>(181,323)</u>	<u>1,505,426</u>
CHANGE IN NET POSITION	7,046,350	7,638,366	4,016,337	(203,786)	18,497,267	1,074,286
NET POSITION:						
Beginning of year, restated	129,295,134	102,530,577	(1,195,510)	3,609,200	234,239,401	5,575,672
End of year	<u>\$ 136,341,484</u>	<u>\$ 110,168,943</u>	<u>\$ 2,820,827</u>	<u>\$ 3,405,414</u>	<u>\$ 252,736,668</u>	<u>\$ 6,649,958</u>

City of Merced
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business - Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 26,521,085	\$ 20,276,534	\$ 19,420,133	\$ 525,684	\$ 66,743,436	\$ 29,115,930
Payments to suppliers and users	(6,582,187)	(7,452,642)	(9,401,971)	(249,511)	(23,686,311)	(22,330,463)
Payments to employees	(4,987,452)	(3,425,659)	(5,685,404)	(423,832)	(14,522,347)	(5,003,603)
Net cash provided (used in) operating activities	<u>14,951,446</u>	<u>9,398,233</u>	<u>4,332,758</u>	<u>(147,659)</u>	<u>28,534,778</u>	<u>1,781,864</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Tax proceeds not attributable to capital	-	-	-	41,108	41,108	-
Cash receipts from other funds	7,434	(1,349,186)	81,758	31,536	(1,228,458)	2,398,175
Cash payments to other funds	(90,403)	(112,267)	(95,198)	(47,292)	(345,160)	(892,749)
Net cash provided by (used in) noncapital financing activities	<u>(82,969)</u>	<u>(1,461,453)</u>	<u>(13,440)</u>	<u>25,352</u>	<u>(1,532,510)</u>	<u>1,505,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(3,479,681)	(4,526,355)	(616,362)	-	(8,622,398)	(4,050,391)
Proceeds from sale of capital assets	10,148	-	22,804	-	32,952	273,607
Capital grants and cash contributions received	-	-	114,441	427,127	541,568	5,038
Interest paid	(550,860)	(213,936)	-	-	(764,796)	(181,721)
Principal payments - long-term debt	(2,839,177)	(591,999)	-	-	(3,431,176)	(573,314)
Net cash provided by (used in) capital and related financing activities	<u>(6,859,570)</u>	<u>(5,332,290)</u>	<u>(479,117)</u>	<u>427,127</u>	<u>(12,243,850)</u>	<u>(4,526,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	208,777	82,469	105,523	8,278	405,047	(87,386)
Net cash provided by investing activities	<u>208,777</u>	<u>82,469</u>	<u>105,523</u>	<u>8,278</u>	<u>405,047</u>	<u>(87,386)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>8,217,684</u>	<u>2,686,959</u>	<u>3,945,724</u>	<u>313,098</u>	<u>15,163,465</u>	<u>(1,326,877)</u>
Beginning of year	<u>66,616,977</u>	<u>75,536,408</u>	<u>9,434,367</u>	<u>959</u>	<u>151,588,711</u>	<u>21,516,448</u>
End of year	<u>\$ 74,834,661</u>	<u>\$ 78,223,367</u>	<u>\$ 13,380,091</u>	<u>\$ 314,057</u>	<u>\$ 166,752,176</u>	<u>\$ 20,189,571</u>
FINANCIAL STATEMENT PRESENTATION:						
Cash and Investments	\$ 74,834,659	\$ 78,223,366	\$ 13,380,091	\$ 314,057	\$ 166,752,173	\$ 20,189,571
Restricted cash and investments	2	1	-	-	3	-
Total	<u>\$ 74,834,661</u>	<u>\$ 78,223,367</u>	<u>\$ 13,380,091</u>	<u>\$ 314,057</u>	<u>\$ 166,752,176</u>	<u>\$ 20,189,571</u>

City of Merced
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended June 30, 2021

	Business - Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET						
CASH PROVIDED (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 7,521,846	\$ 7,937,451	\$ 3,791,153	\$ (697,220)	\$ 18,553,230	\$ (413,107)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation and amortization	8,298,648	2,365,613	224,799	429,022	11,318,082	2,630,221
Changes in assets and liabilities:						
Receivables	(1,620,897)	(1,591,681)	(352,744)	91,056	(3,474,266)	37,442
Inventory	-	(40,329)	-	-	(40,329)	5,183
Prepaid expenses	-	-	-	-	-	211
Accounts payable	437,089	10,288	108,520	(354)	555,543	(180,121)
Payroll liabilities	(7,829)	13,555	40,364	(2,838)	43,252	46,216
Unearned revenues	503	439	4,115	-	5,057	-
Other liabilities	93,479	423,129	122,726	1,818	641,152	59
Claims payable	-	-	-	-	-	(895,947)
Compensated absences	(152,811)	(1,898)	(45,816)	9,041	(191,484)	50,001
Deferred outflows of resources-pension	(221,991)	(147,253)	(203,424)	(17,296)	(589,964)	(273,084)
Deferred outflows of resources-OPEB	(302,333)	(285,997)	(545,731)	-	(1,134,061)	(468,805)
Deferred inflows of resources-pension	(52,338)	(34,718)	(47,961)	(4,078)	(139,095)	(64,386)
Deferred inflows of resources-OPEB	(131,257)	(124,167)	(236,926)	-	(492,350)	(203,530)
Net other postemployment benefits liability	534,994	506,087	965,701	-	2,006,782	829,576
Net pension liability	554,343	367,714	507,982	43,190	1,473,229	681,935
Total adjustments	7,429,600	1,460,782	541,605	549,561	9,981,548	2,194,971
Net cash provided (used in) operating activities	\$ 14,951,446	\$ 9,398,233	\$ 4,332,758	\$ (147,659)	\$ 28,534,778	\$ 1,781,864

City of Merced
Fiduciary Fund Financial Statements
June 30, 2021

Custodial 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, 2021

	Custodial Funds
ASSETS	
Cash, cash equivalents and investments	\$ 2,257,572
Restricted cash held by fiscal agent	3,037,460
Receivables	<u>18,551</u>
Total assets	<u>5,313,583</u>
LIABILITIES	
Deposits	1,792
Other liabilities	<u>827,918</u>
Total liabilities	<u>829,710</u>
NET POSITION	
Restricted for:	
Other agencies	1,001,280
Bondholders	<u>3,482,593</u>
Total net position	<u><u>\$ 4,483,873</u></u>

City of Merced
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS:	
Special tax assessments	\$ 1,744,283
Investment income	4,077
Miscellaneous	<u>440,749</u>
Total additions	<u>2,189,109</u>
DEDUCTIONS:	
Debts payment	1,775,496
Administration	<u>290,768</u>
Total deductions	<u>2,066,264</u>
Change in net position	122,845
NET POSITION:	
Beginning of year, as restated	<u>4,361,028</u>
End of year	<u><u>\$ 4,483,873</u></u>

Note 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.

City of Merced
Notes to Financial Statements
June 30, 2021

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.

B. Basis of Presentation and Accounting

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information on all 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.

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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

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 Public Facilities Fee Special Revenue Fund is used to account for the facilities fees collected for the project categories Roadways, Bridges, Railroad Crossing, Traffic Signals, Fire, Police, Parks, Recreation, and Bikeways to be used for city installation of public improvements and developer reimbursement of PFFP installed improvements.

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.

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The Custodial 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.

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.

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.

For purposes of the statement of cash flows, all cash and investments held by the enterprise funds and the internal service funds are pooled with the City's cash pool and are therefore considered to be short-term and accordingly, classified as cash and cash equivalents.

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 on 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.

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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 generally recorded at the lower of cost or fair value. In instances where an anticipated sales price is known to be lower than cost, a write down is recorded.

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 acquisition value on the date donated. City policy has set the capitalization thresholds for reporting capital assets of \$5,000. Depreciation is recorded on a straight-line basis over the following useful lives:

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

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, water and sewer systems, park land, and other similar items. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems 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 and 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.

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.

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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.”

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.

P. Use of Estimates

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

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.

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.

S. New Accounting Pronouncements

During the fiscal year ending June 30, 2021, the City implemented the following standards:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect of this Statement. This statement was implemented by the City as of July 1, 2020. The impact to the City resulted in a restatement of beginning net position. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2019. The City has determined that this Statement does not have a material impact on the financial statements.

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GASB Statement No. 98 – In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement established the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement is effective for fiscal years ending after December 15, 2021. The City has implemented this standard and accordingly is using the term annual comprehensive financial report or ACFR on a go forward basis.

Future new standards which may impact the City include the following:

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after June 15, 2021. The City has not determined the effect on the financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The City has not determined the effect on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the financial statements.

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GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the financial statements.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect on the financial statements.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect on the financial statements.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84 and A Supersession of GASB Statement No. 32*. The objective of this Statement is (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the financial statements.

GASB Statement No. 98 – In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The Statement is effective for reporting periods beginning after December 15, 2021. The City has not determined the effect on the financial statements.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistence of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the financial statements.

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GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for reporting periods beginning after June 15, 2023. The City has not determined the effect on the financial statements.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023. The City has not determined the effect on the financial statements.

Note 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 on June 30, 2021:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 128,049,995	\$ 166,752,173	\$ 294,802,168	\$ 2,257,572	\$ 297,059,740
Restricted cash held by fiscal agent	4,331,823	3	4,331,826	3,037,460	7,369,286
Total Cash and Investments	<u>\$ 132,381,818</u>	<u>\$ 166,752,176</u>	<u>\$ 299,133,994</u>	<u>\$ 5,295,032</u>	<u>\$ 304,429,026</u>

Cash and investments as of June 30, 2021, consist of the following:

Cash on Hand	\$ 4,870
Deposits with financial institutions	4,541,587
Restricted Cash held by fiscal agent	7,369,286
Investments	<u>292,513,283</u>
Total Cash and Investments	<u>\$ 304,429,026</u>

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.

City of Merced
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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, 2022 was \$5,396,055.

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 on June 30, 2021 are described below.

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Asset-backed Securities	\$ 9,747,140	\$ -	\$ 9,747,140	\$ -
Federal Agency Securities	84,772,899	-	84,772,899	-
Commercial Paper	17,275,789	-	17,275,789	-
Municipal Securities	2,321,132	-	2,321,132	-
Supranational Securities	20,204,515	-	20,204,515	-
U.S. Corporate Securities	60,670,464	-	60,670,464	-
U.S. Treasury Securities	51,674,726	-	51,674,726	-
Total investments subject to leveling	246,666,665	\$ -	\$ 246,666,665	\$ -
Investments not subject to leveling:				
Local Agency Investment Fund	45,846,618			
Total Investments	\$ 292,513,283			

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.

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. On June 30, 2021, LAIF included the following:

City of Merced
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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, 2021, the City had \$45,846,618 invested in LAIF, which had invested 2.31% of the pooled investment funds in Medium-term and Short-term Structured Notes and Asset-Backed Securities as compared to 3.37% in the previous year. The LAIF fair value factor of 1.000082970 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

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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	Fair Value	Investment Maturities (in years)		
		Less than 1 year	1-3 years	3-5 years
Cash:				
Cash Deposits	\$ 4,541,587	\$ 4,541,587	\$ -	\$ -
Petty Cash	4,870	4,870	-	-
Total cash	4,546,457	4,546,457	-	-
Investments:				
Federal Agency Securities	84,772,899	16,400,702	38,389,339	29,982,858
U.S. Corporate Securities	60,670,464	1,853,010	30,479,097	28,338,357
U.S. Treasury Securities	51,674,726	1,339,700	17,669,257	32,665,769
Asset-backed Securities	9,747,140	-	6,726,564	3,020,576
Collateralized Mortgage Obligations	17,275,789	1,887,600	12,599,079	2,789,110
Supranational Securities	20,204,515	3,031,908	6,408,539	10,764,068
Municipal Securities	2,321,132	-	-	2,321,132
Local Agency Investment Fund (LAIF)	45,846,618	45,846,618	-	-
Total investments	292,513,283	70,359,538	112,271,875	109,881,870
Total cash and investments	\$ 297,059,740	\$ 74,905,995	\$ 112,271,875	\$ 109,881,870
Restricted Cash with Fiscal Agents:				
Public Investment Money				
Market Fund	\$ 1,404,254	\$ 1,404,254	\$ -	\$ -
IRS Section 115 Trust- PARS				
Mutual Fund	4,308,679	4,308,679	-	-
Commercial Paper	1,633,206	1,633,206	-	-
Money Market Funds	23,146	23,146	-	-
Total restricted cash with fiscal agents	\$ 7,369,285	\$ 7,369,285	\$ -	\$ -

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.

City of Merced
Notes to Financial Statements
June 30, 2021

	Credit Quality
Investments:	
Asset-backed Securities	Aaa
Federal Agency Securities	Aaa
Collateralized Mortgage Obligations	Aaa
Municipal Securities	Aa2
Supranational Securities	Aaa
U.S. Corporate Securities	A2
U.S. Treasury Securities	Aaa
Fiscal Agents:	
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	\$ 33,925,237	11.42%
Federal Home Loan Bank	30,276,747	10.19%
Federal Home Loan Mtg Corp	29,561,813	9.95%

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the City). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

City of Merced
Notes to Financial Statements
June 30, 2021

On June 30, 2021, the carrying amount of the City's cash (excluding cash equivalents) is \$4,546,542, which includes the general checking account and petty cash of \$4,870. The bank balance in the City's general checking was \$889,542, 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. On June 30, 2021, cash and investments with fiscal agents totaled \$7,369,285.

Note 3 - Receivables

A. Government-wide Financial Statements

On June 30, 2021, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 7,750,382	\$ 10,272,425	\$ 18,022,807
Due from other governments	10,119,267	5,680,518	15,799,785
Interest receivable	794,231	546,625	1,340,856
	<u>\$ 18,663,880</u>	<u>\$ 16,499,568</u>	<u>\$ 35,163,448</u>
Total			

B. Fund Financial Statements

On June 30, 2021, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Accounts receivable	\$ 7,271,173	\$ 10,272,425	\$ 479,209	\$ 18,022,807
Due from other governments	10,117,207	5,680,518	2,060	15,799,785
Interest receivable	735,061	546,625	59,170	1,340,856
	<u>\$ 18,123,441</u>	<u>\$ 16,499,568</u>	<u>\$ 540,439</u>	<u>\$ 35,163,448</u>
Total				

City of Merced
Notes to Financial Statements
June 30, 2021

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2021 was as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Governmental Funds:			
General Fund	\$ 3,896,542	\$ (2,086,339)	\$ 1,810,203
Public Facilities Impact Special Revenue Fund	3,530,047	-	3,530,047
Streets and Signals Capital Project Fund	14,383	-	14,383
Non-Major Funds	1,991,777	(75,237)	1,916,540
	<u>9,432,749</u>	<u>(2,161,576)</u>	<u>7,271,173</u>
Enterprise Funds:			
Wastewater System	5,180,200	(79,218)	5,100,982
Water System	4,506,076	(102,299)	4,403,777
Refuse Collection System	762,532	(107,629)	654,903
Non-Major Funds	126,447	(13,684)	112,763
	<u>10,575,255</u>	<u>(302,830)</u>	<u>10,272,425</u>
Internal Service Funds	696,808	(217,599)	479,209
Total	<u>\$ 20,704,812</u>	<u>\$ (2,682,005)</u>	<u>\$ 18,022,807</u>

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, 2021 was as follows:

Governmental Funds:	
General Fund	\$ 4,325,354
Housing	1,101,638
Measure C	1,688,532
Streets and Signals	44,556
Non-Major Funds	2,957,127
Total Governmental Funds	<u>10,117,207</u>
Enterprise Funds:	
Wastewater System	2,829,824
Water System	2,718,851
Non-Major Funds	131,843
Total Enterprise Funds	<u>5,680,518</u>
Internal Service Funds	<u>2,060</u>
Total	<u>\$ 15,799,785</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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, 2021, was as follows:

Governmental Funds:	
General Fund	\$ 53,233
Measure C Special Revenue Fund	9,903
Housing Special Revenue Fund	22,999
Low and Moderate Income Housing Special Revenue Fund	473,361
Public Facilities Impact Special Revenue Fund	76,169
Streets and Signals	8,574
Non-Major Funds	<u>90,822</u>
Total Governmental Funds	<u>735,061</u>
Enterprise Funds:	
Wastewater System	240,633
Water System	263,114
Refuse Collection System	42,039
Non-Major Funds	<u>839</u>
Total Enterprise Funds	<u>546,625</u>
Internal Services Fund	<u>59,170</u>
Total	<u><u>\$ 1,340,856</u></u>

Note 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. On June 30, 2021, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 1,176,310	\$ -	\$ 1,176,310
Grants	54,989	-	54,989
Service charges received in advance	-	99,022	99,022
American Rescue Plan Act Grant	11,103,150	-	11,103,150
Developer credits	<u>1,294,778</u>	<u>827,557</u>	<u>2,122,335</u>
Total	<u><u>\$ 13,629,227</u></u>	<u><u>\$ 926,579</u></u>	<u><u>\$ 14,555,806</u></u>

City of Merced
Notes to Financial Statements
June 30, 2021

B. Fund Financial Statements

On June 30, 2021, the following unearned revenues were recorded in the Fund Financial Statements because the revenues had not been earned:

<i>Governmental Funds:</i>	<u>General</u>	<u>Housing</u>	<u>Public Facilities Impact</u>	<u>Non-Major Funds</u>	<u>Total</u>
Prepaid business license fees	\$ 1,126,179	\$ -	\$ -	\$ 50,131	\$ 1,176,310
Grants	-	54,989	-	-	54,989
American Rescue Plan Act Grant	-	-	-	11,103,150	11,103,150
Developer Credits	-	-	757,406	537,372	1,294,778
Total	<u>\$ 1,126,179</u>	<u>\$ 54,989</u>	<u>\$ 757,406</u>	<u>\$ 11,690,653</u>	<u>\$ 13,629,227</u>

<i>Enterprise Funds:</i>	<u>Wastewater System</u>	<u>Water System</u>	<u>Refuse Collection System</u>	<u>Total</u>
Service charges received in advance	\$ 33,755	\$ 27,889	\$ 37,378	\$ 99,022
Developer credits	827,557	-	-	827,557
Total	<u>\$ 861,312</u>	<u>\$ 27,889</u>	<u>\$ 37,378</u>	<u>\$ 926,579</u>

Note 5 - Interfund Transactions

A. Fund Financial Statements

Due To / Due From

On June 30, 2021, the City had the following short-term interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Governmental Activities</u>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 83,665
	Total	<u>\$ 83,665</u>

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.

City of Merced
Notes to Financial Statements
June 30, 2021

Long-Term Advances

On June 30, 2021, 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	\$ 1,710,991	\$ -	\$ 1,710,991
Water System	General Fund	-	1,546,330	1,546,330
	Total	<u>\$ 1,710,991</u>	<u>\$ 1,546,330</u>	<u>\$ 3,257,321</u>

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 Water System to the General Fund is assist in the repayment of the settlement agreement with the California Department of Finance. The term of the advance is for 30 years and is subject to an interest rate of 2.22%.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Transfers Out:	Governmental Funds						Proprietary Funds					Total
	General Fund	Housing	Measure C	Streets and Signals	LMI Housing	Non-Major Governmental Funds	Wastewater System	Water System	Refuse Collection System	Non-Major Enterprise Funds	Internal Service	
Governmental Funds:												
General Fund	\$ -	\$ -	\$ 31,862	\$ -	\$ -	\$ 176,123	\$ 7,434	\$ 11,271	\$ 12,913	\$ -	\$ 1,520,906	\$ 1,760,509
Housing	-	-	-	-	-	-	-	-	-	-	18,998	18,998
Measure C	-	-	-	-	-	125,000	-	-	-	-	23,912	148,912
Streets and Signals	-	-	-	-	-	6,775	-	-	-	-	-	6,775
Non-Major Governmental Funds	1,333,348	3,877,752	60,916	2,879,706	119,209	-	-	-	68,845	31,536	522,903	8,894,215
Enterprise Funds:												
Wastewater System	-	-	-	-	-	-	-	-	-	-	90,403	90,403
Water System	-	-	-	-	-	1,866	-	-	-	-	110,401	112,267
System	-	-	-	-	-	-	-	-	-	-	95,198	95,198
Non-Major Enterprise Funds	-	-	-	-	-	-	-	-	-	-	15,454	15,454
Internal Service	892,749	-	-	-	-	-	-	-	-	-	-	892,749
Total	<u>\$ 2,226,097</u>	<u>\$ 3,877,752</u>	<u>\$ 92,778</u>	<u>\$ 2,879,706</u>	<u>\$ 119,209</u>	<u>\$ 309,764</u>	<u>\$ 7,434</u>	<u>\$ 11,271</u>	<u>\$ 81,758</u>	<u>\$ 31,536</u>	<u>\$ 2,398,175</u>	<u>\$ 12,035,480</u>

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, 2021, the City made the following one-time transfers:

- 1) A transfer of \$38,932 from General Fund to Internal Services Funds for additional workers' compensation claim paid not during the fiscal year.
- 2) A transfer of \$1,035,573 from General Fund to Internal Services Funds to set aside RDA residual for future payment of RDA settlement obligations.

City of Merced
Notes to Financial Statements
June 30, 2021

Note 6 - Capital Assets

A. Government-Wide Financial Statements

On June 30, 2021, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 86,084,154	\$ 2,461,520	\$ 88,545,674
Construction in process	9,746,149	19,182,870	28,929,019
Total non-depreciable assets	95,830,303	21,644,390	117,474,693
<i>Depreciable Assets:</i>			
Buildings and structures	23,237,281	9,324,573	32,561,854
Machinery and equipment	44,482,554	6,015,253	50,497,807
Improvements other than buildings, structures, and land improvements	129,337,167	190,411,452	319,748,619
Infrastructure	383,756,256	49,299,029	433,055,285
Total depreciable assets	580,813,258	255,050,307	835,863,565
Total accumulated depreciation	(424,319,241)	(143,518,502)	(567,837,743)
Total depreciable assets, net	156,494,017	111,531,805	268,025,822
Total	\$ 252,324,320	\$ 133,176,195	\$ 385,500,515

City of Merced
Notes to Financial Statements
June 30, 2021

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

	Balance July 1, 2020	Additions	Deletions	Reclassification	Balance June 30, 2021
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 87,160,589	\$ 4,073	\$ (1,080,508)	\$ -	\$ 86,084,154
Construction in progress	9,001,700	3,841,532	(992,631)	(2,104,452)	9,746,149
Total non-depreciable assets	<u>96,162,289</u>	<u>3,845,605</u>	<u>(2,073,139)</u>	<u>(2,104,452)</u>	<u>95,830,303</u>
<i>Depreciable Assets:</i>					
Buildings and structures	23,225,281	-	-	12,000	23,237,281
Machinery and equipment	43,800,284	4,197,768	(3,620,400)	104,902	44,482,554
Improvements other than buildings, structures, and land improvements	127,286,888	151,472	-	1,898,807	129,337,167
Infrastructure	381,146,274	2,521,239	-	88,743	383,756,256
Total depreciable assets	<u>575,458,727</u>	<u>6,870,479</u>	<u>(3,620,400)</u>	<u>2,104,452</u>	<u>580,813,258</u>
Accumulated depreciation:					
Buildings and structures	(11,947,629)	(649,129)	-	-	(12,596,758)
Machinery and equipment	(34,276,401)	(2,718,849)	3,599,190	-	(33,396,060)
Improvements other than buildings, structures, and land improvements	(83,308,446)	(4,981,169)	84,304	-	(88,205,311)
Infrastructure	(280,761,038)	(9,360,074)	-	-	(290,121,112)
Total accumulated depreciation	<u>(410,293,514)</u>	<u>(17,709,221)</u>	<u>3,683,494</u>	<u>-</u>	<u>(424,319,241)</u>
Total depreciable assets, net	<u>165,165,213</u>	<u>(10,838,742)</u>	<u>63,094</u>	<u>2,104,452</u>	<u>156,494,017</u>
Total governmental activities, net	<u>\$ 261,327,502</u>	<u>\$ (6,993,137)</u>	<u>\$ (2,010,045)</u>	<u>\$ -</u>	<u>\$ 252,324,320</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2021 was as follows:

General government	\$ 1,378,000
Public safety	724,161
Public works	14,705,613
Culture and recreation	<u>901,447</u>
Total depreciation expense	<u>\$ 17,709,221</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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

	Balance July 1, 2020	Additions	Deletions	Reclassification	Balance June 30, 2021
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,461,520	\$ -	\$ -	\$ -	\$ 2,461,520
Construction in progress	14,538,063	7,185,580	(695,636)	(1,845,137)	19,182,870
Total non-depreciable assets	16,999,583	7,185,580	(695,636)	(1,845,137)	21,644,390
<i>Depreciable Assets:</i>					
Buildings and structures	9,324,573	-	-	-	9,324,573
Machinery and equipment	5,541,754	882,635	(409,136)	-	6,015,253
Improvements other than buildings, structures, and land improvements	190,411,452	-	-	-	190,411,452
Infrastructure	46,204,071	1,249,821	-	1,845,137	49,299,029
Total depreciable assets	251,481,850	2,132,456	(409,136)	1,845,137	255,050,307
<i>Accumulated depreciation:</i>					
Buildings and structures	(3,886,299)	(344,272)	-	-	(4,230,571)
Machinery and equipment	(4,674,183)	(457,919)	409,136	-	(4,722,966)
Improvements other than buildings, structures, and land improvements	(106,661,593)	(9,195,276)	-	-	(115,856,869)
Infrastructure	(17,387,481)	(1,320,615)	-	-	(18,708,096)
Total accumulated depreciation	(132,609,556)	(11,318,082)	409,136	-	(143,518,502)
Total depreciable assets, net	118,872,294	(9,185,626)	-	1,845,137	111,531,805
Total business-type activities, net	\$ 135,871,877	\$ (2,000,046)	\$ (695,636)	\$ -	\$ 133,176,195

Business-type activities depreciation expense for capital assets for the year ended June 30, 2021 was as follows:

Wastewater System Fund	\$ 8,298,648
Water System Fund	2,365,613
Refuse Collection System	224,799
Merced Municipal Airport	429,022
Total depreciation expense	\$ 11,318,082

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present general governmental capital assets since they do not provide for current financial resources. 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.

City of Merced
Notes to Financial Statements
June 30, 2021

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.

Note 7 - Deposits and Other Liabilities

A. Government-Wide Financial Statements

Deposits and other liabilities consist of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2021, were as follows:

	Governmental Activities	Business-Type Activities	Total
Deposits	\$ 849,927	\$ 2,452,118	\$ 3,302,045
Other liabilities	265,603	19,954	285,557
Total	<u>\$ 1,115,530</u>	<u>\$ 2,472,072</u>	<u>\$ 3,587,602</u>

B. Fund Financial Statements

	Deposits	Other Liabilities	Total Deposits and Other Liabilities
<i>Governmental Funds:</i>			
General Fund	\$ 849,927	\$ 210,013	\$ 1,059,940
Housing	-	3,350	3,350
Non-Major Funds	-	48,511	48,511
Total governmental funds	<u>849,927</u>	<u>261,874</u>	<u>1,111,801</u>
<i>Business-Type Activities:</i>			
Wastewater System	533,739	2,454	536,193
Water System	1,347,253	6,848	1,354,101
Refuse Collection System	550,079	-	550,079
Non-Major Funds	21,047	10,652	31,699
Total business-type activities	<u>2,452,118</u>	<u>19,954</u>	<u>2,472,072</u>
<i>Internal Service Funds</i>	-	3,729	3,729
Total	<u>\$ 3,302,045</u>	<u>\$ 285,557</u>	<u>\$ 3,587,602</u>

City of Merced
Notes to Financial Statements
June 30, 2021

Note 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, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year	Due in More than One Year
Pension obligation bonds	\$ 3,200,000	\$ -	\$ (680,000)	\$ 2,520,000	\$ 755,000	\$ 1,765,000
Direct Borrowings:						
Loans payable	800,000	-	(800,000)	-	-	-
Capital lease	4,146,149	-	(573,314)	3,572,835	626,902	2,945,933
State Payable Settlement	7,528,396	-	(2,000,000)	5,528,396	1,250,000	4,278,396
Total	\$ 15,674,545	\$ -	\$ (4,053,314)	\$ 11,621,231	\$ 2,631,902	\$ 8,989,329

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
2022	\$ 755,000	\$ 148,579	\$ 903,579
2023	840,000	104,065	944,065
2024	925,000	54,538	979,538
Total	\$ 2,520,000	\$ 307,182	\$ 2,827,182

City of Merced
Notes to Financial Statements
June 30, 2021

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. As of June 30, 2021, this loan has been paid in full.

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, 2021, the accumulated depreciation on the capital assets is \$1,077,998.

The capital lease agreement balance as of June 30, 2021:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2021
Governmental Activities: Facilities	4.50%	\$ 3,572,835

As of June 30, 2021, future minimum lease payments under capital leases are as follows:

Year Ending June 30	Governmental Activities
2022	\$ 782,005
2023	621,135
2024	643,420
2025	666,483
2026	690,355
2027	715,061
Total future minimum lease payments	4,118,459
Less: interest	(545,624)
Present value of minimum lease payments	\$ 3,572,835

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."

City of Merced
Notes to Financial Statements
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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 October 1, 2019.

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

Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 5,528,396</u>	<u>\$ -</u>	<u>\$ 5,528,396</u>

Business-Type Activities

Following is a summary of business-type activities long-term debt transactions during the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 7,970,000	\$ -	\$ (1,460,000)	\$ 6,510,000	\$ 1,515,000	\$ 4,995,000
Unamortized premiums	584,695	-	(116,938)	467,757	-	467,757
Direct Borrowing:						
Loans payable	25,921,767	-	(1,888,374)	24,033,393	1,929,258	22,104,135
Total	<u>\$ 34,476,462</u>	<u>\$ -</u>	<u>\$ (3,465,312)</u>	<u>\$ 31,011,150</u>	<u>\$ 3,444,258</u>	<u>\$ 27,566,892</u>

Revenue Bonds Payable

Revenue bonds payable on June 30, 2021, consisted of the following:

	Bonds Payable	Unamortized Premiums
Water Revenue Bonds	\$ 1,960,000	\$ 136,541
Wastewater Revenue Bonds	4,550,000	331,215
Total	<u>\$ 6,510,000</u>	<u>\$ 467,756</u>

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 on June 30, 2021 totals \$467,756.

City of Merced
Notes to Financial Statements
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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 2020-21 fiscal year, the debt coverage is 19.60 and 12.62 for the Water Fund and Wastewater Fund, respectively.

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
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>\$ 1,960,000</u>	<u>\$ 142,600</u>	<u>\$ 2,102,600</u>

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 4,550,000</u>	<u>\$ 468,750</u>	<u>\$ 5,018,750</u>

Loans Payable

Loans payable on June 30, 2021 consisted of the following:

California Infrastructure and Economic Development Bank (CIEDB)	
Enterprise Fund Installment Sales Agreement	\$ 5,477,209
California State Water Resources Control Board	
Clean Water State Revolving Fund	<u>18,556,184</u>
Total	<u>\$ 24,033,393</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	400,000	124,493	524,493
2027-2031	2,225,000	418,394	2,643,394
2032-2034	1,502,209	73,085	1,575,294
Total	<u>\$ 5,477,209</u>	<u>\$ 1,226,477</u>	<u>\$ 6,703,686</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.

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,652,868	136,951	1,789,819
2026	1,669,397	120,423	1,789,820
2027-2031	8,600,759	348,339	8,949,098
2032	1,772,099	17,721	1,789,820
Total	<u>\$ 18,556,184</u>	<u>\$ 1,131,831</u>	<u>\$ 19,688,015</u>

City of Merced
Notes to Financial Statements
June 30, 2021

B. Governmental 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, 2021
Fahrens Park Refunding Assessment District	\$ 610,000
Bellevue Ranch East CFD	7,380,000
Bellevue Ranch West CFD	5,445,000
Moraga CFD Refunding	3,805,000
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Total	\$ 17,240,000
	<hr/> <hr/>

Note 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.

City of Merced
Notes to Financial Statements
June 30, 2021

A summary of changes in compensated absences for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year	Due in More than One Year
Governmental activities	\$ 4,290,390	\$ 894,246	\$ (1,488,612)	\$ 3,696,024	\$ 857,908	\$ 2,838,116
Business-type activities	1,324,468	84,786	(276,269)	1,132,985	265,126	867,859
Total	\$ 5,614,858	\$ 979,032	\$ (1,764,881)	\$ 4,829,009	\$ 1,123,034	\$ 3,705,975

Note 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	Public Facilities Impact Special Revenue	American Rescue Plan Act Special Revenue	Streets and Signals Capital Projects		
Nonspendable:									
Inventory	\$ 66,562	-	-	-	-	-	-	-	\$ 66,562
Advances receivable	1,710,992	-	-	-	-	-	-	-	1,710,992
Total nonspendable	1,777,554	-	-	-	-	-	-	-	1,777,554
Restricted for:									
Street and street lights	-	-	-	-	-	-	-	8,516,587	8,516,587
Trust 115 - Pension	4,308,679	-	-	-	-	-	-	-	4,308,679
Community development	-	-	-	-	24,305,738	2,545,661	-	2,622,900	29,474,299
Housing	-	28,582,168	-	12,548,010	-	-	-	237,460	41,367,638
Public safety	-	-	-	-	-	-	-	1,921,676	1,921,676
Special districts	-	-	-	-	-	-	-	5,280,760	5,280,760
Capital projects	-	-	-	-	-	-	2,526,878	4,247,920	6,774,798
Parks & Recreation	-	-	-	-	-	-	-	621,147	621,147
Other	-	-	-	-	-	-	-	4,912,583	4,912,583
Total restricted	4,308,679	28,582,168	-	12,548,010	24,305,738	2,545,661	2,526,878	28,361,033	103,178,167
Committed to:									
Substandard Housing	171,686	-	-	-	-	-	-	-	171,686
Community development	-	-	-	-	-	-	-	5,097,466	5,097,466
Public safety	-	-	4,839,921	-	-	-	-	-	4,839,921
Total committed	171,686	-	4,839,921	-	-	-	-	5,097,466	10,109,073
Assigned to:									
Appropriations in subsequent year	4,565,112	-	-	-	-	-	-	-	4,565,112
Encumbrances:									
General government	724,681	-	-	-	-	-	-	-	724,681
Public safety	265,173	-	-	-	-	-	-	-	265,173
Public works	9,237	-	-	-	-	-	-	-	9,237
Parks and recreation	43,512	-	-	-	-	-	-	-	43,512
Total assigned	5,607,715	-	-	-	-	-	-	-	5,607,715
Unassigned	22,530,428	-	-	-	-	-	-	-	22,530,428
Total Fund Balances	\$ 34,396,062	\$ 28,582,168	\$ 4,839,921	\$ 12,548,010	\$ 24,305,738	\$ 2,545,661	\$ 2,526,878	\$ 33,458,499	\$ 143,202,937

City of Merced
Notes to Financial Statements
June 30, 2021

Note 11 - Other Fund Disclosures

Deficit Fund Balance/Net Position:

Internal Service Funds:

Workers' Compensation Insurance Fund \$ (6,412,901)

The deficit net position was caused by recognizing a liability for claims 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).

Fleet Management Fund (881,701)

The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit will be eliminated by future charges for services.

Facility Maintenance Fund (3,341,503)

The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit balance will be eliminated by future charges for services and debt service payments related to the capital lease agreement.

Support Services Fund (1,715,245)

The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit balance will be eliminated by future charges for services.

Public Works Administration Fund (3,180,542)

The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit will be eliminated by future charges for services.

City of Merced
Notes to Financial Statements
June 30, 2021

Note 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, 2021, claims for general liability and workers’ compensation were \$1,273,006 and \$6,708,683 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.

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

	General Liability	Workers' Compensation	Total Claims Liability
Liability - June 30, 2019	\$ 1,231,505	\$ 5,141,251	\$ 6,372,756
Claims incurred	1,602,166	2,787,080	4,389,246
Claims payments	(612,126)	(1,389,399)	(2,001,525)
Changes to prior year estimates	-	117,159	117,159
	<hr/>	<hr/>	<hr/>
Liability - June 30, 2020	2,221,545	6,656,091	8,877,636
Claims incurred	(380,926)	1,234,415	853,489
Claims payments	(567,613)	(1,420,316)	(1,987,929)
Changes to prior year estimates	-	238,493	238,493
	<hr/>	<hr/>	<hr/>
Liability - June 30, 2021	<u>\$ 1,273,006</u>	<u>\$ 6,708,683</u>	<u>\$ 7,981,689</u>
Current portion	<u>\$ 458,282</u>	<u>\$ 2,415,126</u>	<u>\$ 2,873,408</u>

Settled claims have not exceeded any of the City’s coverage amounts in any of the last three fiscal years and there were no reductions in the City’s coverage during the year ended June 30, 2021.

City of Merced
Notes to Financial Statements
June 30, 2021

Note 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.

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

	Defined-Benefit Pension Plans		
	Miscellaneous Plan	Safety Plan	Total Plans
Deferred Outflows - Pension	\$ 7,377,883	\$ 9,473,808	\$ 16,851,691
Net Pension Liability	50,635,436	46,600,714	97,236,150
Deferred Inflows - Pension	149,644	348,492	498,136
Pension Expense	6,990,861	8,655,151	15,646,012

City of Merced
Notes to Financial Statements
June 30, 2021

The Plans' provisions and benefits in effect on June 30, 2021 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	9.059%	9.059%	6.250%

	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	18.766%	18.766%	11.750%

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

	Miscellaneous Plan	Safety
Inactive employees or beneficiaries currently receiving benefits	387	190
Inactive employees entitled to but not yet receiving benefits	218	113
Active employees	298	158
Total	<u>903</u>	<u>461</u>

City of Merced
Notes to Financial Statements
June 30, 2021

B. 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. The City contributed \$4,989,325 and \$5,426,591 to the miscellaneous plan and safety plan, respectively during the fiscal year.

C. 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

Actuarial Assumptions – The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous and Safety Plans
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.500%
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.

City of Merced
Notes to Financial Statements
June 30, 2021

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.

In determining the long-term expected rate of return, CalPERS considered 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:

<u>Asset Class (a)</u>	<u>Assumed asset allocation</u>	<u>Real Return Years 1 -10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(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 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

City of Merced
Notes to Financial Statements
June 30, 2021

D. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
Miscellaneous Plan:			
Beginning balance	\$ 158,399,859	\$ 111,726,850	\$ 46,673,009
Change in the year:			
Service cost	2,940,267	-	2,940,267
Interest on the total pension liability	11,245,961	-	11,245,961
Changes in assumptions	-	-	-
Differences between actual and expected experience	1,266,165	-	1,266,165
Net Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	4,535,059	(4,535,059)
Contribution - employee	-	1,509,866	(1,509,866)
Net Investment income	-	5,602,548	(5,602,548)
Administrative expenses	-	(157,507)	157,507
Benefit payments, including refunds of employee contribution	(7,699,994)	(7,699,994)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	<u>7,752,399</u>	<u>3,789,972</u>	<u>3,962,427</u>
Ending at June 30, 2020	<u>\$ 166,152,258</u>	<u>\$ 115,516,822</u>	<u>\$ 50,635,436</u>
Safety Plan:			
Beginning balance	\$ 168,884,781	\$ 126,620,212	\$ 42,264,569
Change in the year:			
Service cost	3,726,898	-	3,726,898
Interest on the total pension liability	12,011,759	-	12,011,759
Changes in assumptions			
Differences between actual and expected experience	1,259,662	-	1,259,662
Net Plan to Plan Resource Movement			
Contribution - employer	-	5,077,238	(5,077,238)
Contribution - employee	-	1,417,644	(1,417,644)
Net Investment income	-	6,345,795	(6,345,795)
Administrative expenses	-	(178,503)	178,503
Benefit payments, including refunds of employee contribution	(8,022,558)	(8,022,558)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	<u>8,975,761</u>	<u>4,639,616</u>	<u>4,336,145</u>
Ending at June 30, 2020	<u>\$ 177,860,542</u>	<u>\$ 131,259,828</u>	<u>\$ 46,600,714</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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	\$ 72,434,030	\$ 71,200,034	\$ 143,634,064
Current discount rate	7.15%	7.15%	7.15%
Net pension liability	\$ 50,635,436	\$ 46,600,714	\$ 97,236,150
1% increase	8.15%	8.15%	8.15%
Net pension liability	\$ 32,573,486	\$ 26,379,219	\$ 58,952,705

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

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

For the year ended June 30, 2021, the City recognized pension expense of \$15,646,012 (\$6,990,861 and \$8,655,151 for Miscellaneous and Safety Plans, respectively). On June 30, 2021, 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	\$ 4,989,325	\$ -	\$ 5,426,591	\$ -	\$ 10,415,916
Differences Between Expected and Actual Experience	1,556,937	-	1,833,193	(140,190)	3,249,940
Change in assumptions	-	(149,644)	1,158,875	(208,302)	800,929
Net differences between projected and actual earnings on pension plan investments	831,621	-	1,055,149	-	1,886,770
Total	<u>\$ 7,377,883</u>	<u>\$ (149,644)</u>	<u>\$ 9,473,808</u>	<u>\$ (348,492)</u>	<u>\$ 16,353,555</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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

For Miscellaneous and Safety Plans, \$4,989,325 and \$5,426,591, respectively, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Period Ended	<u>Miscellaneous Plan</u> Deferred Outflows/(Inflows) Resources	<u>Safety Plan</u> Deferred Outflows/(Inflows) Resources
2022	\$ 226,296	\$ 1,123,459
2023	797,449	891,914
2024	754,045	1,040,458
2025	461,124	642,894
Total	<u>\$ 2,238,914</u>	<u>\$ 3,698,725</u>

Note 14 - Other Postemployment Healthcare 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 \$2,256,125 in the California Employers’ Retiree Benefit Trust (CERBT) at the end of the fiscal year ending June 30, 2021. 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 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. Retired employees not eligible may continue medical coverage at their own expense.

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 Financial Statements
June 30, 2021

Employees Covered – On June 30, 2020, the measurement date, the following number of participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	270
Inactive employees entitled to but not yet receiving benefits	-
Active employees	119
Total	389

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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures.

Actuarial Assumptions - The total OPEB liability at the June 30, 2020 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 2.21%, Bond Buyer 20
Inflation	2.75%
Expected Long-Term Investment Rate of Return	2.21% at June 30, 2020
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 - 7.00% for 2022, decreasing to an ultimate rate of 4.00% in 2076 Medicare - 6.1% for 2022, 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, 2020 measurement date were based on the results of an actuarial experience study for the period 1997 to 2015.

City of Merced
Notes to Financial Statements
June 30, 2021

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%	4.82%
Fixed income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITS	8%	3.76%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 2.21% and was based on the index provided by the Bond Buyer 20-Bond General Obligation index based on the 20-year AA municipal bond rate as of June 30, 2020.

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	\$ 32,299,000	\$ 2,180,000	\$ 30,119,000
Change in the year:			
Service cost	456,726	-	456,726
Interest on the total OPEB liability	1,118,660	-	1,118,660
Changes of benefit terms	-	-	-
Changes in assumptions	4,988,037	-	4,988,037
Differences between expected and actual experience	-	-	-
Contribution - employer	-	1,588,000	(1,588,000)
Contribution - employee	-	-	-
Net Investment income	-	77,190	(77,190)
Benefit payments, including refunds	(1,588,000)	(1,588,000)	-
Administrative expenses	-	(1,065)	1,065
Net Changes	<u>4,975,423</u>	<u>76,125</u>	<u>4,899,298</u>
Ending at June 30, 2021 (measurement date June, 30, 2020)	<u>\$ 37,274,423</u>	<u>\$ 2,256,125</u>	<u>\$ 35,018,298</u>

City of Merced
Notes to Financial Statements
June 30, 2021

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% (1.21%)	Current Discount Rate (2.21%)	Discount Rate +1% (3.21%)
Net OPEB Liability	\$ 39,766,238	\$ 35,018,298	\$ 31,055,818

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:

	Discount Rate - 1%	Current Trend	Discount Rate + 1%
Net OPEB Liability	\$ 33,079,551	\$ 35,018,298	\$ 37,273,838

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

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

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$2,515,798. On June 30, 2021, 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	\$ -	\$ 403,000
Change in assumptions	3,239,561	-
Net differences between projected and actual earnings on OPEB plan investments	40,939	-
Employer contributions made subsequent to the measurement date	1,587,163	-
Total	\$ 4,867,663	\$ 403,000

City of Merced
Notes to Financial Statements
June 30, 2021

The \$1,587,163 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2022	\$ 1,683,461
2023	1,165,070
2024	14,985
2025	13,984
Total	\$ 2,877,500

Note 15 - Commitments and Contingency Liabilities

As of June 30, 2021, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
Dokken Engineering	\$ 2,054,123
Merced Gateway Investors II, LP	1,051,244
Tyler Technologies Inc	951,170
Taylor Backhoe Service Inc	849,890
Hobbs Construction	793,702
Rolfe Construction Inc	692,531
Merced Co Dept of Public Works	625,230
Agee Construction Corp	558,883
Merced Irrigation District	520,549
Sierra Saving Grace	507,392
Total	\$ 8,604,714

Note 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.

City of Merced
Notes to Financial Statements
June 30, 2021

Note 17 - Net Position and Fund Balance Restatement

The City implemented GASB Statement No. 84 – *Fiduciary Activities* during the fiscal year and as a result of evaluating various activities, the City transferred funds from the private-purpose trust funds to nonmajor governmental funds. Additionally, the City transferred various activities, such as amounts held for other agencies and districts from Agency funds to Custodial Funds. The City corrected for an error and also transferred activities formerly recorded as nonmajor special revenue funds to the general fund as there is no longer a sustained restricted revenue stream. The following is a summary of the restatement of beginning fund balances in accordance with GASB Statement No 84 – *Fiduciary Activities*.

	Beginning Net Position/ Fund Balance	Restatement	Ending Net Position/ Fund Balance
Governmental Activities	\$ 290,594,474	\$ 189,086	\$ 290,783,560
General Fund	24,984,993	3,840,523	28,825,516
Public Facilities Impact	-	18,588,733	18,588,733
Nonmajor funds	51,934,577	(22,240,169)	29,694,408
Private-purpose Trust Fund	189,086	(189,086)	-
Custodial Funds	-	4,361,028	4,361,028



City of Merced

Required Supplementary Information
June 30, 2021

City of Merced
Budgetary Control and Accounting
Year Ended June 30, 2021

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, 2021, 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.

No budget was adopted for the Public Facilities Impact Special Revenue Fund.

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
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 7,564,683	\$ 7,564,683	\$ 8,791,197	\$ 1,226,514
Unsecured	525,098	525,098	521,377	(3,721)
Supplemental roll:				
Prior year - unsecured	6,494	6,494	6,297	(197)
Prior year - supplemental roll	129,540	129,540	216,159	86,619
Housing Authority In Lieu	-	-	59,965	59,965
Sales and use	11,660,000	11,660,000	15,355,999	3,695,999
Transient occupancy tax	1,560,000	1,560,000	1,779,854	219,854
Franchise	1,651,000	1,651,000	1,765,964	114,964
Business license	1,250,000	1,250,000	1,551,733	301,733
Cost revenue impact study fee	768,950	768,950	1,769,765	1,000,815
Real property transfer	200,000	200,000	393,610	193,610
Vehicle in lieu backfill	6,443,680	6,443,680	7,216,196	772,516
Total taxes	31,759,445	31,759,445	39,428,116	7,668,671
Intergovernmental:				
Motor vehicle in lieu tax	51,682	51,682	64,630	12,948
Homeowners property tax relief	61,855	61,855	64,584	2,729
Police standards and training	50,000	50,000	88,691	38,691
Cares Act Funding	-	1,088,029	1,088,029	-
Other state grants	33,874	98,210	77,849	(20,361)
Other federal grants	-	223,774	-	(223,774)
State mandated cost reimbursement	78,189	78,189	78,774	585
Total intergovernmental	275,600	1,651,739	1,462,557	(189,182)
Licenses and permits:				
Animal licenses	11,000	11,000	10,455	(545)
Bicycle licenses	85	85	-	(85)
Other licenses and permits	8,746	8,746	7,278	(1,468)
Total licenses and permits	19,831	19,831	17,733	(2,098)
Use of money and property				
Investment Earnings	273,030	273,030	(11,828)	(284,858)
Rents and concessions (other than recreation)	41,907	41,907	45,265	3,358
Total use of money and property	314,937	314,937	33,437	(281,500)

City of Merced
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
General Fund
Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES, Continued:				
Service charges:				
Accident and police reports	\$ 9,475	\$ 9,475	\$ 9,134	\$ (341)
Fire department special services	31,840	627,602	612,652	(14,950)
Fire prevention	155,964	155,964	285,482	129,518
Weed and lot cleaning	2,185	2,185	-	(2,185)
Administrative citations	188,200	188,200	79,986	(108,214)
Administrative Fines	2,000	2,000	1,275	(725)
Cost recovery	121,000	121,000	72,978	(48,022)
Release fees class I	65,700	65,700	73,920	8,220
Administrative	4,120,278	4,120,278	4,120,275	(3)
Interdepartmental charges	2,058,198	2,058,198	2,053,598	(4,600)
Other current service charges	330	330	802	472
Total service charges	6,755,170	7,350,932	7,310,102	(40,830)
Fines, forfeitures and penalties:				
Criminal fines	89,000	89,000	74,078	(14,922)
Parking fines	197,000	197,000	156,679	(40,321)
Total fines, forfeitures and penalties	286,000	286,000	230,757	(55,243)
Other:				
Animal control services	16,000	16,000	12,595	(3,405)
School police officer	682,369	682,369	371,585	(310,784)
Reimb Special Debt Expense	239,964	239,964	164,596	(75,368)
Merchandise and brochure revenue	-	-	1,607	1,607
Cash overages (shortages)	100	100	(153)	(253)
Donations and contributions	8,335	59,923	51,688	(8,235)
Miscellaneous	20,932	20,932	17,720	(3,212)
Total other	967,700	1,019,288	619,638	(399,650)
Total revenues	40,378,683	42,402,172	49,102,340	6,700,168

City of Merced
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
General Fund
Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City council	\$ 262,257	\$ 285,313	\$ 243,839	\$ 41,474
Youth council	11,756	11,756	10,223	1,533
City manager	1,130,865	1,372,744	987,871	384,873
City clerk	532,753	460,136	427,576	32,560
City attorney	1,031,439	1,257,984	1,080,819	177,165
Finance	3,192,946	3,091,123	3,009,614	81,509
Purchasing	249,189	289,742	294,171	(4,429)
Economic development	531,570	617,615	579,051	38,564
Total general government	<u>6,942,775</u>	<u>7,386,413</u>	<u>6,633,164</u>	<u>753,249</u>
Public safety:				
Police protection	20,668,542	20,576,309	20,374,666	201,643
Fire protection and weed abatement	10,337,084	11,319,747	10,903,248	416,499
Total public safety	<u>31,005,626</u>	<u>31,896,056</u>	<u>31,277,914</u>	<u>618,142</u>
Public works	1,822,156	1,792,222	1,766,916	25,306
Total current operating	<u>39,770,557</u>	<u>41,074,691</u>	<u>39,677,994</u>	<u>1,396,697</u>
Capital outlay	144,080	254,430	68,837	185,593
Debt service:				
Principal	2,732,050	2,732,050	2,680,000	52,050
Interest	240,699	240,699	227,378	13,321
Total debt service	<u>2,972,749</u>	<u>2,972,749</u>	<u>2,907,378</u>	<u>65,371</u>
Total expenditures	<u>42,887,386</u>	<u>44,301,870</u>	<u>42,654,209</u>	<u>1,647,661</u>
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,508,703)</u>	<u>(1,899,698)</u>	<u>6,448,131</u>	<u>5,052,507</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	4,521	4,521	17,369	12,848
Transfers in	1,527,370	15,770,368	14,902,658	(867,710)
Transfers out	(1,717,290)	(13,298,440)	(13,093,349)	205,091
Total other financing sources (uses)	<u>(185,399)</u>	<u>2,476,449</u>	<u>1,826,678</u>	<u>(649,771)</u>
Net change in fund balance	<u>\$ (2,694,102)</u>	<u>\$ 576,751</u>	8,274,809	<u>\$ 4,402,736</u>
FUND BALANCE:				
Beginning of year, restated			<u>5,876,211</u>	
End of year			<u>\$ 14,151,020</u>	

City of Merced
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
General Fund
Year Ended June 30, 2021

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.

	General Fund - Budgetary Schedule - Actual	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund	Economic Development Opportunity Fund
Total revenues	\$ 49,102,340	\$ -	\$ 83,085	\$ (143,570)	\$ 7,154
Total expenditures	<u>42,654,209</u>	<u>-</u>	<u>1,706,711</u>	<u>-</u>	<u>18,894</u>
Excess (deficiency) of revenues over (under) expenditures	6,448,131	-	(1,623,626)	(143,570)	(11,740)
Total other financing sources (uses)	<u>1,826,678</u>	<u>-</u>	<u>1,650,800</u>	<u>(3,545,789)</u>	<u>371,294</u>
Net change in fund balance	8,274,809	-	27,174	(3,689,359)	359,554
Beginning of year	<u>5,876,211</u>	<u>13,171,623</u>	<u>27,243</u>	<u>3,724,239</u>	<u>2,142,504</u>
End of year	<u><u>\$ 14,151,020</u></u>	<u><u>\$ 13,171,623</u></u>	<u><u>\$ 54,417</u></u>	<u><u>\$ 34,880</u></u>	<u><u>\$ 2,502,058</u></u>

	Substandard Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust Fund	General Fund - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
Total revenues	\$ 165,590	\$ -	\$ 288,158	\$ 49,502,757
Total expenditures	<u>35,380</u>	<u>-</u>	<u>-</u>	<u>44,415,194</u>
Excess (deficiency) of revenues over (under) expenditures	130,210	-	288,158	5,087,563
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>482,983</u>
Net change in fund balance	130,210	-	468,158	5,570,546
Beginning of year	<u>43,174</u>	<u>-</u>	<u>3,840,522</u>	<u>28,825,516</u>
End of year	<u><u>\$ 173,384</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,308,680</u></u>	<u><u>\$ 34,396,062</u></u>

City of Merced
 Budgetary Comparison Schedule - Housing Special Fund
 Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,612,248	\$ 7,215,424	\$ 1,200,875	\$ (6,014,549)
Use of money and property	368,600	368,600	722,479	353,879
Service charges	776,461	1,002,169	573,603	(428,566)
Total revenues	<u>3,757,309</u>	<u>8,586,193</u>	<u>2,496,957</u>	<u>(6,089,236)</u>
EXPENDITURES:				
Current operating:				
General government	5,272,665	13,757,418	969,823	12,787,595
Total current operating	<u>5,272,665</u>	<u>13,757,418</u>	<u>969,823</u>	<u>12,787,595</u>
Total expenditures	<u>5,272,665</u>	<u>13,757,418</u>	<u>969,823</u>	<u>12,787,595</u>
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,515,356)</u>	<u>(5,171,225)</u>	<u>1,527,134</u>	<u>6,698,359</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	3,877,752	3,877,752	-
Transfers out	(54,990)	(18,998)	(18,998)	-
Total other financing sources (uses)	<u>(54,990)</u>	<u>3,858,754</u>	<u>3,858,754</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,570,346)</u>	<u>\$ (1,312,471)</u>	5,385,888	<u>\$ 6,698,359</u>
FUND BALANCE:				
Beginning of Year			<u>23,196,280</u>	
End of Year			<u>\$ 28,582,168</u>	

City of Merced
Budgetary Comparison Schedule - Measure C Special Revenue Fund
Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 6,000,000	\$ 6,000,000	\$ 8,295,121	\$ 2,295,121
Intergovernmental	-	24,603	22,904	(1,699)
Use of money and property	30,920	30,920	42,186	11,266
Service charges	76,712	147,562	147,562	-
Other revenue	-	-	264	264
Total revenues	6,107,632	6,203,085	8,508,037	2,304,952
EXPENDITURES:				
Current operating:				
Public safety	6,563,876	6,842,755	6,402,324	440,431
Public works	5,128	5,128	5,128	-
Total current operating	6,569,004	6,847,883	6,407,452	440,431
Capital outlay	-	-	-	-
Total expenditures	6,569,004	6,847,883	6,407,452	440,431
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(461,372)	(644,798)	2,100,585	2,745,383
OTHER FINANCING SOURCES (USES):				
Transfers in	503	93,281	92,778	(503)
Transfers out	148,912	148,912	148,912	-
Total other financing sources (uses)	(148,409)	(55,631)	(56,134)	(503)
Net change in fund balances	\$ (609,781)	\$ (700,429)	2,044,451	\$ 2,744,880
FUND BALANCE:				
Beginning of Year			2,795,470	
End of Year			<u>\$ 4,839,921</u>	

City of Merced
 Budgetary Comparison Schedule - Low and Moderate Income Housing
 Special Revenue Fund
 Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 53,976	\$ 53,976	\$ 1,436,475	\$ 1,382,499
Other revenue	-	-	615	615
Total revenues	<u>53,976</u>	<u>53,976</u>	<u>1,437,090</u>	<u>1,383,114</u>
EXPENDITURES:				
Current operating:				
General government	<u>1,572,699</u>	<u>1,691,908</u>	<u>278,976</u>	<u>1,412,932</u>
Total current operating	<u>1,572,699</u>	<u>1,691,908</u>	<u>278,976</u>	<u>1,412,932</u>
Total expenditures	<u>1,572,699</u>	<u>1,691,908</u>	<u>278,976</u>	<u>1,412,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,518,723)</u>	<u>(1,637,932)</u>	<u>1,158,114</u>	<u>2,796,046</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>119,209</u>	<u>119,209</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>119,209</u>	<u>119,209</u>	<u>-</u>
Net change in fund balances	<u><u>\$ (1,518,723)</u></u>	<u><u>\$ (1,518,723)</u></u>	<u>1,277,323</u>	<u><u>\$ 2,796,046</u></u>
FUND BALANCE:				
Beginning of Year			<u>11,270,687</u>	
End of Year			<u><u>\$ 12,548,010</u></u>	

City of Merced
 Budgetary Comparison Schedule – Public Facilities Impact
 Special Revenue Fund
 Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 75,220	\$ 75,220
Charges for services	-	-	5,968,601	5,968,601
Total revenues	-	-	6,043,821	6,043,821
EXPENDITURES:				
Current operating:				
General government	-	-	43,810	(43,810)
Public works	-	-	283,006	(283,006)
Total current operating	-	-	326,816	(326,816)
Total expenditures	-	-	326,816	(326,816)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	5,717,005	5,717,005
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,717,005	<u>\$ 5,717,005</u>
FUND BALANCE:				
Beginning of Year			<u>18,588,733</u>	
End of Year			<u>\$ 24,305,738</u>	

City of Merced
 Budgetary Comparison Schedule – American Rescue Plan Act
 Special Revenue Fund
 Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,610,791	\$ 2,610,791
Use of money and property	-	-	249,577	249,577
Total revenues	-	-	2,860,368	2,860,368
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	2,860,368	2,860,368
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	314,707	314,707
Total other financing sources (uses)	-	-	(314,707)	314,707
Net change in fund balances	\$ -	\$ -	2,545,661	\$ 3,175,075
FUND BALANCE:				
Beginning of Year			\$ -	
End of Year			\$ 2,545,661	

City of Merced
Schedule of Changes in the Net Pension Liability and Related Ratios –
Miscellaneous Plan
Last 10 Years⁽¹⁾

Measurement period	2019-20	2018-19	2017-18
Total pension liability			
Service cost	\$ 2,940,267	\$ 2,698,887	\$ 2,637,968
Interest on total pension liability	11,245,961	10,730,722	10,244,849
Changes of assumptions	-	-	(1,271,983)
Differences between expected and actual experience	1,266,165	1,287,405	1,040,612
Benefit payments, including refunds of employee contributions	(7,699,994)	(7,520,700)	(7,289,789)
Net change in total pension liability	7,752,399	7,196,314	5,361,657
Total pension liability - beginning	158,399,859	151,203,545	145,841,888
Total pension liability - ending (a)	\$ 166,152,258	\$ 158,399,859	\$ 151,203,545
Plan fiduciary net position			
Contributions - employer	\$ 4,535,059	\$ 3,955,103	\$ 3,336,076
Contributions - employee	1,509,866	1,405,084	1,325,496
Net investment income	5,445,041	6,916,928	8,420,861
Benefit payments, including refunds of employee contributions	(7,699,994)	(7,520,700)	(7,289,789)
Net plan to plan resource movement	-	-	(249)
Other miscellaneous income/(expense)	-	249	(300,293)
Net change in plan fiduciary net position - ending	3,789,972	4,756,664	5,492,102
Plan fiduciary net position - beginning	111,726,850	106,970,186	101,478,084
Plan fiduciary net position - ending (b)	115,516,822	111,726,850	106,970,186
Plan net pension liability - ending (a)-(b)	\$ 50,635,436	\$ 46,673,009	\$ 44,233,359
Plan fiduciary net position as a percentage of the total pension liability	69.52%	70.53%	70.75%
Covered payroll	\$ 18,920,634	\$ 17,061,048	\$ 16,559,749
Plan net pension liability / (asset) as percentage of covered payroll	267.62%	273.56%	267.11%

(1) FY 2014-15 was the first year of implementation.

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
Schedule of Changes in the Net Pension Liability and Related Ratios –
Miscellaneous Plan
Last 10 Years⁽¹⁾

	2016-17	2015-16	2014-15	2013-14
\$	2,693,011	\$ 2,380,009	\$ 2,478,640	\$ 2,627,256
	9,858,159	9,435,717	9,059,272	8,695,697
	8,157,365	-	(2,210,035)	-
	673,366	(818,329)	(1,270,597)	-
	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
	14,903,681	4,936,954	2,618,874	6,183,800
	130,938,207	126,001,253	123,382,379	117,198,579
\$	145,841,888	\$ 130,938,207	\$ 126,001,253	\$ 123,382,379
\$	2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
	1,224,690	1,235,668	1,311,171	1,253,749
	10,300,142	473,484	2,039,373	14,172,466
	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
	-	-	-	-
	-	-	-	-
	8,036,224	(1,503,851)	497,547	12,534,506
	93,441,860	94,945,711	94,448,164	81,913,658
	101,478,084	93,441,860	94,945,711	94,448,164
\$	44,363,804	\$ 37,496,347	\$ 31,055,542	\$ 28,934,215
	69.58%	71.36%	75.35%	76.55%
\$	16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
	268.60%	234.79%	190.68%	175.66%

City of Merced
Schedules of Changes in the Net Pension Liability and Related Ratios –
Safety Plan
Last 10 Years⁽¹⁾

Measurement period	2019-20	2018-19	2017-18
Total pension liability			
Service cost	\$ 3,726,898	\$ 3,521,487	\$ 3,543,500
Interest on total pension liability	12,011,759	11,402,363	10,821,482
Changes of assumptions	-	-	(689,001)
Differences between expected and actual experience	1,259,662	1,031,970	982,138
Benefit payments, including refunds of employee contributions	(8,022,558)	(7,503,871)	(7,019,603)
Net change in total pension liability	8,975,761	8,451,949	7,638,516
Total pension liability - beginning	168,884,781	160,432,832	152,794,316
Total pension liability - ending (a)	\$ 177,860,542	\$ 168,884,781	\$ 160,432,832
Plan fiduciary net position			
Contributions - employer	\$ 5,077,238	\$ 4,487,096	\$ 3,784,726
Contributions - employee	1,417,644	1,348,870	1,210,467
Net investment income	6,167,292	7,801,644	9,388,347
Benefit payments, including refunds of employee contributions	(8,022,558)	(7,503,871)	(7,019,603)
Net plan to plan resource movement	-	-	(280)
Other miscellaneous income/(expense)	-	280	(335,745)
Net change in plan fiduciary net position - ending	4,639,616	6,134,019	7,027,912
Plan fiduciary net position - beginning	126,620,212	120,486,193	113,458,281
Plan fiduciary net position - ending (b)	131,259,828	126,620,212	120,486,193
Plan net pension liability - ending (a)-(b)	\$ 46,600,714	\$ 42,264,569	\$ 39,946,639
Plan fiduciary net position as a percentage of the total pension liability	73.80%	74.97%	75.10%
Covered payroll	\$ 14,095,681	\$ 13,061,894	\$ 12,872,349
Plan net pension liability / (asset) as percentage of covered payroll	330.60%	323.57%	310.33%

(1) FY 2014-15 was the first year of implementation.

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
Schedules of Changes in the Net Pension Liability and Related Ratios –
Safety Plan
Last 10 Years⁽¹⁾

	2016-17	2015-16	2014-15	2013-14
\$	3,431,918	\$ 2,918,262	\$ 2,915,019	\$ 3,121,317
	10,305,955	9,919,699	9,584,428	9,243,496
	8,884,695	-	(2,398,329)	-
	(1,074,802)	(2,152,774)	(2,052,784)	-
	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
	14,814,140	4,549,320	2,252,908	6,619,144
	137,980,176	133,430,856	131,177,948	124,558,804
\$	152,794,316	\$ 137,980,176	\$ 133,430,856	\$ 131,177,948
\$	3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
	1,163,431	1,111,386	1,068,553	1,106,201
	11,381,967	474,720	2,226,669	15,776,487
	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
	-	-	-	-
	-	-	-	-
	9,310,604	(1,399,977)	406,951	13,752,998
	104,147,677	105,547,654	105,140,703	91,387,705
	113,458,281	104,147,677	105,547,654	105,140,703
\$	39,336,035	\$ 33,832,499	\$ 27,883,202	\$ 26,037,245
	74.26%	75.48%	79.10%	80.15%
\$	12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
	313.81%	285.09%	236.81%	215.88%

City of Merced
Schedule of Pension Contributions –
Miscellaneous Plan
Last 10 Years⁽¹⁾

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 4,989,325	\$ 4,535,059	\$ 3,955,103	\$ 3,336,076
Contributions in relation to the actuarially determined contributions	<u>(4,989,325)</u>	<u>(4,535,059)</u>	<u>(3,955,103)</u>	<u>(3,336,076)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 18,847,094	\$ 18,920,634	\$ 17,061,048	\$ 16,559,749
Contributions as a percentage of covered payroll	26.47%	23.97%	23.18%	20.15%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were from the June 30, 2018 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2018 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	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.

City of Merced
 Schedule of Pension Contributions –
 Miscellaneous Plan
 Last 10 Years⁽¹⁾

2017	2016	2015	2014
\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
(2,989,612)	(2,847,440)	(2,585,409)	(2,247,444)
\$ -	\$ -	\$ -	\$ -
\$ 16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
18.10%	17.83%	15.87%	13.64%

City of Merced
Schedule of Pension Contributions –
Safety Plan
Last 10 Years⁽¹⁾

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 5,426,591	\$ 5,077,238	\$ 4,487,096	\$ 3,784,726
Contributions in relation to the actuarially determined contributions	<u>(5,426,591)</u>	<u>(5,077,238)</u>	<u>(4,487,096)</u>	<u>(3,784,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 12,651,174	\$ 14,095,681	\$ 13,061,894	\$ 12,872,349
Contributions as a percentage of covered payroll	42.89%	36.02%	34.35%	29.40%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were from the June 30, 2017 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2017 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	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.

City of Merced
Schedule of Pension Contributions –
Safety Plan
Last 10 Years⁽¹⁾

2017	2016	2015	2014
\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
(3,498,832)	(3,149,784)	(2,907,155)	(2,615,979)
\$ -	\$ -	\$ -	\$ -
\$ 12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
27.91%	26.54%	24.69%	21.69%

City of Merced
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Years⁽¹⁾

Measurement Period (1)	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 456,726	\$ 470,000	\$ 506,000	\$ 877,000
Interest on total pension liability	1,118,660	1,277,000	1,218,000	1,133,000
Changes in assumptions	4,988,037	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	(1,588,000)	(1,617,000)	(1,585,000)	(1,427,000)
Net change in total OPEB liability	4,975,423	(1,033,000)	(961,000)	(5,301,000)
Total OPEB liability - beginning	32,299,000	33,332,000	34,293,000	39,594,000
Total OPEB liability - ending (a)	\$ 37,274,423	\$ 32,299,000	\$ 33,332,000	\$ 34,293,000
OPEB fiduciary net position				
Contributions - employer	\$ 1,588,000	\$ 1,617,000	\$ 1,585,000	\$ 1,427,000
Net investment income (2)	76,125	126,000	148,000	181,000
Benefit payments, including refunds of employee contributions	(1,588,000)	(1,617,000)	(1,585,000)	(1,427,000)
Net change in plan fiduciary net position	76,125	126,000	148,000	181,000
Plan fiduciary net position - beginning	2,180,000	2,054,000	1,906,000	1,725,000
Plan fiduciary net position - ending (b)	2,256,125	2,180,000	2,054,000	1,906,000
Plan net OPEB liability - ending (a) - (b)	\$ 35,018,298	\$ 30,119,000	\$ 31,278,000	\$ 32,387,000
Plan fiduciary net position as a percentage of the total pension liability	6.05%	6.75%	6.16%	5.56%
Covered - employee payroll	\$ 10,836,000	\$ 11,970,000	\$ 11,909,000	\$ 12,558,000
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	323.17%	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
Schedule of Contributions - OPEB
Last 10 Years⁽¹⁾

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,751,000	\$ 2,380,000	\$ 2,431,000	\$ 2,370,000
Contributions in relation to the actuarially determined contribution	<u>(1,587,163)</u>	<u>(1,588,000)</u>	<u>(1,617,000)</u>	<u>(1,584,000)</u>
Contribution deficiency (excess)	<u>1,163,837</u>	<u>792,000</u>	<u>814,000</u>	<u>786,000</u>
Covered-employee payroll	\$ 10,517,865	\$ 10,836,000	\$ 11,970,000	\$ 11,909,000
Contributions as a percentage of covered-employee payroll	15.09%	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, 2019
Actuarial cost method	Entry age, level percentage of payroll
Amortization method	Level percentage of payroll
Amortization period	Level dollar, fresh start amortization of 6/30/20 UAAL over 18 years
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	2.21%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019

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City of Merced

Supplementary Information

June 30, 2021

City of Merced
General Fund
Combining Balance Sheet
June 30, 2021

	General Fund	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund
ASSETS				
Cash, cash equivalents and investments	\$ 11,458,297	\$ 13,171,623	\$ 141,387	\$ 34,880
Restricted cash held by fiscal agents	23,143	-	-	-
Receivables:				
Accounts	1,306,756	-	7,362	-
Due from other governments	3,637,776	-	-	-
Interest	45,385	-	-	-
Prepaid items	-	-	-	-
Inventory	66,562	-	-	-
Notes receivables	-	-	-	-
Advances to other funds	1,710,991	-	-	-
	<u>18,248,910</u>	<u>13,171,623</u>	<u>148,749</u>	<u>34,880</u>
Total assets	<u>\$ 18,248,910</u>	<u>\$ 13,171,623</u>	<u>\$ 148,749</u>	<u>\$ 34,880</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 238,739	\$ -	\$ 37,597	\$ -
Payroll liabilities	1,165,159	-	56,735	-
Deferred Inflow	1,126,179	-	-	-
Advance from other funds	1,546,330	-	-	-
Deposits	21,483	-	-	-
	<u>4,097,890</u>	<u>-</u>	<u>94,332</u>	<u>-</u>
Total liabilities	<u>4,097,890</u>	<u>-</u>	<u>94,332</u>	<u>-</u>
Fund balances:				
Nonspendable	1,777,554	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	5,475,208	-	43,512	-
Unassigned	6,898,258	13,171,623	10,905	34,880
	<u>14,151,020</u>	<u>13,171,623</u>	<u>54,417</u>	<u>34,880</u>
Total fund balances	<u>14,151,020</u>	<u>13,171,623</u>	<u>54,417</u>	<u>34,880</u>
	<u>\$ 18,248,910</u>	<u>\$ 13,171,623</u>	<u>\$ 148,749</u>	<u>\$ 34,880</u>
Total liabilities and fund balances	<u>\$ 18,248,910</u>	<u>\$ 13,171,623</u>	<u>\$ 148,749</u>	<u>\$ 34,880</u>

City of Merced
General Fund
Combining Balance Sheet
June 30, 2021

Economic Development Opportunity Fund	Substandard Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust Fund	General Fund Combined
\$ 2,494,210	\$ 109,741	\$ 247,471	\$ -	\$ 27,657,609
-	-	-	4,308,680	4,331,823
-	64,040	432,045	-	1,810,203
-	-	687,578	-	4,325,354
7,848	-	-	-	53,233
-	-	24,692	-	24,692
-	-	-	-	66,562
-	-	81,247	-	81,247
-	-	-	-	1,710,991
<u>\$ 2,502,058</u>	<u>\$ 173,781</u>	<u>\$ 1,473,033</u>	<u>\$ 4,308,680</u>	<u>\$ 40,061,714</u>
\$ -	\$ 397	\$ 2,532	\$ -	\$ 279,265
-	-	432,044	-	1,653,938
-	-	-	-	1,126,179
-	-	-	-	1,546,330
-	-	1,038,457	-	1,059,940
-	397	1,473,033	-	5,665,652
-	-	-	-	1,777,554
-	-	-	4,308,680	4,308,680
-	171,686	-	-	171,686
87,297	1,698	-	-	5,607,715
2,414,761	-	-	-	22,530,427
<u>2,502,058</u>	<u>173,384</u>	<u>-</u>	<u>4,308,680</u>	<u>34,396,062</u>
<u>\$ 2,502,058</u>	<u>\$ 173,781</u>	<u>\$ 1,473,033</u>	<u>\$ 4,308,680</u>	<u>\$ 40,061,714</u>

City of Merced
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2021

	General Fund	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund
REVENUES:				
Taxes	\$ 39,428,116	\$ -	\$ -	\$ -
Intergovernmental	1,462,557	-	-	-
Licenses and permits	17,733	-	-	-
Use of money and property	33,437	-	2,572	(143,570)
Service charges	7,310,102	-	31,670	-
Fines, forfeitures and penalties	230,757	-	-	-
Other	619,638	-	48,843	-
Total revenues	<u>49,102,340</u>	<u>-</u>	<u>83,085</u>	<u>(143,570)</u>
EXPENDITURES:				
Current operating:				
General government	6,633,164	-	-	-
Public safety	31,277,914	-	-	-
Public works	1,766,916	-	-	-
Culture and recreation	-	-	1,706,711	-
Total current operating	<u>39,677,994</u>	<u>-</u>	<u>1,706,711</u>	<u>-</u>
Capital outlay	68,837	-	-	-
Debt Service:				
Principal	2,680,000	-	-	-
Interest	227,378	-	-	-
Total expenditures	<u>42,654,209</u>	<u>-</u>	<u>1,706,711</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,448,131</u>	<u>-</u>	<u>(1,623,626)</u>	<u>(143,570)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of asset	17,370	-	25	-
Transfers in	1,731,034	-	495,027	-
Transfers out	(1,647,404)	-	(9,985)	(103,120)
Intrafund transfers	1,725,678	-	1,165,733	(3,442,669)
Total other financing sources (uses)	<u>1,826,678</u>	<u>-</u>	<u>1,650,800</u>	<u>(3,545,789)</u>
NET CHANGE IN FUND BALANCES	8,274,809	-	27,174	(3,689,359)
FUND BALANCES:				
Beginning of year	<u>5,876,211</u>	<u>13,171,623</u>	<u>27,243</u>	<u>3,724,239</u>
End of year	<u>\$ 14,151,020</u>	<u>\$ 13,171,623</u>	<u>\$ 54,417</u>	<u>\$ 34,880</u>

City of Merced
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2021

Economic Development Opportunity Fund	Substandard Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust Fund	General Fund Combined
\$ -	\$ -	\$ -	\$ -	\$ 39,428,116
-	-	-	-	1,462,557
-	-	-	-	17,733
7,154	778	-	288,158	188,529
-	164,812	-	-	7,506,584
-	-	-	-	230,757
-	-	-	-	668,481
<u>7,154</u>	<u>165,590</u>	<u>-</u>	<u>288,158</u>	<u>49,502,757</u>
18,894	-	-	-	6,652,058
-	35,380	-	-	31,313,294
-	-	-	-	1,766,916
-	-	-	-	1,706,711
<u>18,894</u>	<u>35,380</u>	<u>-</u>	<u>-</u>	<u>41,438,979</u>
-	-	-	-	68,837
-	-	-	-	2,680,000
-	-	-	-	227,378
<u>18,894</u>	<u>35,380</u>	<u>-</u>	<u>-</u>	<u>44,415,194</u>
<u>(11,740)</u>	<u>130,210</u>	<u>-</u>	<u>288,158</u>	<u>5,087,563</u>
-	-	-	-	17,395
36	-	-	-	2,226,097
-	-	-	-	(1,760,509)
<u>371,258</u>	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>-</u>
<u>371,294</u>	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>482,983</u>
359,554	130,210	-	468,158	5,570,546
<u>2,142,504</u>	<u>43,174</u>	<u>-</u>	<u>3,840,522</u>	<u>28,825,516</u>
<u>\$ 2,502,058</u>	<u>\$ 173,384</u>	<u>\$ -</u>	<u>\$ 4,308,680</u>	<u>\$ 34,396,062</u>

City of Merced
University Capital Fund
Combining Balance Sheet
June 30, 2021

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
ASSETS			
Intergovernmental receivable	\$ 5,548,674	\$ 2,829,824	\$ 2,718,850
Total assets	<u>\$ 5,548,674</u>	<u>\$ 2,829,824</u>	<u>\$ 2,718,850</u>
LIABILITIES AND FUND BALANCES			
Accrued interest payable	\$ 71,465	\$ 36,447	\$ 35,018
Bonds payable current	325,000	165,750	159,250
Bonds payable noncurrent	<u>5,152,209</u>	<u>2,627,627</u>	<u>2,524,582</u>
Total liabilities	<u>5,548,674</u>	<u>2,829,824</u>	<u>2,718,850</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,548,674</u>	<u>\$ 2,829,824</u>	<u>\$ 2,718,850</u>

City of Merced
University Capital Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balance
Year Ended June 30, 2021

	<u>Total University Charge</u>	<u>University Capital Charge Wastewater System</u>	<u>University Capital Charge Water System</u>
OPERATING REVENUES:			
Sewer facility fee	\$ 191,711	\$ 97,773	\$ 93,938
Total operating revenues	<u>191,711</u>	<u>97,773</u>	<u>93,938</u>
NONOPERATING REVENUE (EXPENSES):			
Interest and fiscal agent fees	<u>191,711</u>	<u>97,773</u>	<u>93,938</u>
Total nonoperating (expenses)	<u>191,711</u>	<u>97,773</u>	<u>93,938</u>
Net Income (Loss)	-	-	-
FUND BALANCES:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>