



City of Merced, California

**Basic Financial Statements for
Fiscal Year Ended June 30, 2022**



History:

The Merced Fire Department was established in 1873 as the community's fire department and is celebrating their 150th anniversary.

Town of Merced was established in 1872, and on April 14, 1873, a group of Merced business and property owners began meeting to create a volunteer fire department after learning of a large fire in the nearby town of Snelling. On December 24, 1873, Merced Engine Company No. 1 responded to their first fire in an outbuilding in the rear of the El Capital Hotel. President Evans' extinguished the fire using a Babcock fire extinguisher.

Jeffers Fire Engine (main picture):

The Jeffers Fire Engine is a fascinating historical account of the Merced Fire Department'. It was purchased on April 3, 1874, and featured several remarkable characteristics. The engine was built in 1859 in Pawtucket, Rhode Island, holds a unique and valuable place in the department's history.

The body of the fire engine was crafted from rosewood and meticulously stained and polished. On each side, there were intricate gold scroll engravings, adding to its aesthetic appeal. Many of the mountings on the engine were heavily plated with silver and embellished with pearl inlays, further enhancing its ornamental value.

In terms of functionality, the fire engine was equipped with two hose carts and carried 1500 feet of 2 1/2" fire hose. It required manual pumping, meaning firefighters had to operate the engine by hand to create the necessary water pressure for firefighting efforts.

After its acquisition, J.A. Norvall, the publisher of the Merced Express, bestowed the name "Old Betsy" upon the fire engine. This endearing name has stuck throughout the years and has become synonymous with the historic fire engine.

Today, "Old Betsy" is proudly displayed at the Merced County Courthouse Museum, serving as a cherished artifact that reflects the rich firefighting heritage of the Merced Fire Department.

1919 American LaFrance (right side insert):

1919 American LaFrance vehicle combination, consisting of a 750 gallons per minute pumping engine and a 14-4 service truck, was purchased from American-La France in Elmira, New York.

American-La France was a renowned manufacturer of fire engines and other emergency vehicles during the early 20th century. The 1919 American LaFrance was a significant acquisition for Merced Fire department for firefighting purposes at the time. Today, the LaFrance vehicle is used in parades and other special Events to highlight the history behind it.

Photographer-Glen Camarda



City of Merced, California

Financial Statements

June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced, California (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 18 to the financial statements, the City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to net position and fund balances as of July 1, 2021, to restate beginning net position and fund balances. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 18 to the financial statements, an error resulting in an overstatement of notes receivable in the Low- and Moderate-Income Housing special revenue fund as of June 30, 2021, was discovered by management of the City during the current year. Accordingly, a restatement has been made to the fund balance of the Low and Moderate Income Housing special revenue fund and governmental activities net position as of June 30, 2021, to correct the error. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.⁵

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension schedules, and other postemployment benefits (OPEB) schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements for the General Fund and University Capital Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining 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, 2023 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California
June 30, 2023

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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, 2022.

FINANCIAL HIGHLIGHTS

The City's net position as shown on the Government-Wide Statement of Activities increased by \$23.2 million. The governmental net position increased by \$13.2 million, and the business-type net position increased by \$10.1 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 \$582.6 million.
- The net decrease to governmental activity long-term debt of \$2.6 million was due to scheduled payments of principal and unamortized premium retirements. Additional information can be found in Note 9.
- The net decrease to business-type activity long-term debt of \$3.6 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 \$23.7 million, or 64.4% 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 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 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, Low and Moderate Income Housing Special Revenue Fund and the Public Facilities Impact 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 \$582.6 million at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 207,419,101	\$ 182,095,527	\$ 195,930,788	\$ 185,096,347	\$ 403,349,889	\$ 367,191,874
Capital assets	246,443,183	252,324,320	128,037,267	133,176,195	374,480,450	385,500,515
Total assets	453,862,284	434,419,847	323,968,055	318,272,542	777,830,339	752,692,389
Deferred outflows related to pension	11,631,714	13,697,569	2,729,509	3,154,122	14,361,223	16,851,691
Deferred outflows related to OPEB	1,650,252	2,966,019	1,130,816	1,901,644	2,781,068	4,867,663
Total deferred outflows	13,281,966	16,663,588	3,860,325	5,055,766	17,142,291	21,719,354
Current liabilities	40,348,081	25,302,626	10,347,928	9,775,373	50,696,009	35,077,999
Noncurrent liabilities	81,073,198	117,149,550	48,022,617	60,448,750	129,095,815	177,598,300
Total liabilities	121,421,279	142,452,176	58,370,545	70,224,123	179,791,824	212,676,299
Deferred inflows related to leases receivables	912,310	-	375,183	-	1,287,493	-
Deferred inflows related to pension	23,029,147	207,121	5,250,204	291,015	28,279,351	498,136
Deferred inflows related to OPEB	1,973,437	326,498	1,041,344	76,502	3,014,781	403,000
Total deferred inflows	25,914,894	533,619	6,666,731	367,517	32,581,625	901,136
Net position:						
Net investment in capital assets	245,445,525	251,139,568	105,739,524	107,642,255	351,185,049	358,781,823
Restricted	102,580,931	96,524,487	75,445,742	62,767,157	178,026,673	159,291,644
Unrestricted	(28,218,379)	(39,566,415)	81,605,838	82,327,256	53,387,459	42,760,841
Total net position	\$ 319,808,077	\$ 308,097,640	\$ 262,791,104	\$ 252,736,668	\$ 582,599,181	\$ 560,834,308

The largest portion of the City's net position \$351.2 million or 60.3%, reflects its net investment in capital assets (e.g., land and improvements, construction in progress, buildings and structures, machinery and equipment, improvements other than buildings, structures and land improvements, and right-to-use assets), less any related debt used to acquire those assets that is still outstanding. The City uses these capital and right-to-use 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.

The increase in Governmental Activities current liabilities of \$15.0 million is the result of recording unearned revenues from receipt of the first allocation from the American Rescue Plan Act of 2021.

Of the City's \$582.6 million total net position, \$178.0 million, or 30.6% of these resources are subject to external restrictions on how they may be used. The total unrestricted net position is \$53.4 million. The business-type activities restricted and unrestricted net position is \$75.4 million and \$81.6 million, respectively.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 22,883,134	\$ 23,356,367	\$ 66,894,421	\$ 70,212,647	\$ 89,777,555	\$ 93,569,014
Operating grants and contributions	19,730,697	9,306,250	1,034,358	541,568	20,765,055	9,847,818
Capital grants and contributions	1,962,976	3,639,136	-	-	1,962,976	3,639,136
General revenues and transfers:						
Property taxes	18,219,445	17,317,211	42,994	41,108	18,262,439	17,358,319
Sales taxes	32,382,059	30,068,510	-	-	32,382,059	30,068,510
Franchise taxes	1,866,040	1,765,963	-	-	1,866,040	1,765,963
Transient occupancy tax	2,389,419	1,779,854	-	-	2,389,419	1,779,854
Business license tax	1,488,125	1,582,145	-	-	1,488,125	1,582,145
Cost recovery impact study	904,166	1,769,765	-	-	904,166	1,769,765
Business improvement tax	92,082	92,508	-	-	92,082	92,508
Other	(6,831,237)	3,421,492	(6,734,682)	242,961	(13,565,919)	3,664,453
Total revenues	95,086,906	94,099,201	61,237,091	71,038,284	156,323,997	165,137,485
Expenses						
Governmental activities:						
General government	20,587,375	6,537,113	-	-	20,587,375	6,537,113
Public safety	42,039,085	42,054,299	-	-	42,039,085	42,054,299
Public works	16,783,550	24,882,789	-	-	16,783,550	24,882,789
Culture and recreation	2,237,226	3,056,522	-	-	2,237,226	3,056,522
Other	342,728	435,721	-	-	342,728	435,721
Business-type activities:						
Wastewater system	-	-	20,350,381	21,146,449	20,350,381	21,146,449
Water system	-	-	12,699,061	14,103,788	12,699,061	14,103,788
Refuse collection	-	-	16,908,050	15,977,609	16,908,050	15,977,609
Merced municipal airport	-	-	1,145,561	1,131,848	1,145,561	1,131,848
Total expenses	81,989,964	76,966,444	51,103,053	52,359,694	133,093,017	129,326,138
Increase (decrease) in net position before transfers and extraordinary item	13,096,942	17,132,757	10,134,038	18,678,590	23,230,980	35,811,347
Disposal of capital assets						
Transfers	79,602	181,323	(79,602)	(181,323)	-	-
Increase (decrease) in net position	13,176,544	17,314,080	10,054,436	18,497,267	23,230,980	35,811,347
Net position beginning of year, as restated (Note 18)	306,631,533	290,783,560	252,736,668	234,239,401	559,368,201	525,022,961
Net position ending of year	\$ 319,808,077	\$ 308,097,640	\$ 262,791,104	\$ 252,736,668	\$ 582,599,181	\$ 560,834,308

Governmental Activities - Governmental activities increased the City's net position by \$13.2 million. Taxes provided 60.3% of the revenue and charges for services provided 24.1% of the revenue and operating and capital grants and contributions provided 22.81% of the revenue received during the year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

	Total Cost of Services	Net Cost of Services
General government	\$ 20,587,375	\$ 3,555,333
Public safety	42,039,085	(35,641,648)
Public works	16,783,550	(3,500,358)
Culture and recreation	2,237,226	(1,483,756)
Interest on long-term debt	342,728	(342,728)
Total	<u>\$ 81,989,964</u>	<u>\$ (37,413,157)</u>

The costs for all governmental activities during the year were \$82.0 million, which is 61.6% of total governmental and business-type activities expenses. These costs were paid for by \$44.6 million of program revenues and \$57.3 million of taxes. Investment earnings and other revenue resulted in a net negative of (\$6.8) million. Transfer from City's governmental activities were \$79,602.

Business-type Activities – Business-type activities increased the City's net position by \$10.1 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities include program revenue, taxes, interest and investment earnings, other revenue and transfers of \$67.9 million. Expenses of business-type activities were \$51.1 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, 2022 of \$151.6 million, an increase of \$9.9 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 \$36.8 million, and the unassigned fund balance was \$23.7 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 50.4% of total General Fund expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund balance increased by \$2.4 million during the fiscal year. Taxes are the primary revenue of the General Fund. Property tax increased by 5.21%, sales tax increased by 7.69% while transient occupancy tax increased by 34.2%.

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

Housing Fund-

- This special revenue fund decreased by \$103,242 due to less repayment of principal and interest on loans.

Measure C Fund-

- This special revenue fund increased by \$1.8 million due to increase in sales tax revenue and unspent funding that will be used to cover encumbrances.

Low- and Moderate-Income Housing Fund-

- This special revenue fund decreased by \$237,655 due to less repayment of principal and interest on loans.

Public Facilities Impact-

- This public facilities impact fund increased by \$2.4 million due to the increase in fees received for building multi-family homes, and single-family dwelling units.

American Rescue Plan Act-

- The American Rescue Plan Act fund decreased by \$1.3 million due to investment earnings loss for fiscal year 2021-22.

Streets and Signals Fund-

- This capital projects fund decreased by \$295,280 due to capital outlay expenditures covered by carryover of funding from transferred in from other funds.

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 \$1.1 million. The unrestricted net position of the Enterprise Funds was \$81.6 million. The change in net position for the Governmental Activities Internal Service Funds is an increase of \$1.7 million and the Enterprise Funds is an increase of \$10.1 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 \$1.9 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 \$2.7 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, 2022, amounted to \$374.5 million. This investment in capital and right-to-use 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 and right-to-use assets can be found in Note 7.

Capital and right-to-use assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Non-depreciable Assets:						
Land and improvements	\$ 86,076,169	\$ 86,084,154	\$ 2,461,520	\$ 2,461,520	\$ 88,537,689	\$ 88,545,674
Construction in progress	11,706,948	9,746,149	17,888,672	19,182,870	29,595,620	28,929,019
Total non-depreciable assets	97,783,117	95,830,303	20,350,192	21,644,390	118,133,309	117,474,693
Depreciable Assets:						
Building and structures	23,264,305	23,237,281	9,439,956	9,324,573	32,704,261	32,561,854
Machinery and equipment	43,601,911	44,482,554	7,029,366	6,015,253	50,631,277	50,497,807
Improvements other than buildings, structures and land improvements	129,350,697	129,337,167	192,370,729	190,411,452	321,721,426	319,748,619
Infrastructure	392,071,040	383,756,256	53,671,964	49,299,029	445,743,004	433,055,285
Right-to-use (lease) assets	27,731	-	-	-	27,731	-
Accumulated depreciation/amortization	(439,655,618)	(424,319,241)	(154,824,940)	(143,518,502)	(594,480,558)	(567,837,743)
Total depreciable and amortizable assets, net	148,660,066	156,494,017	107,687,075	111,531,805	256,347,141	268,025,822
Total capital and right-to-use assets	\$ 246,443,183	\$ 252,324,320	\$ 128,037,267	\$ 133,176,195	\$ 374,480,450	\$ 385,500,515

Additions of capital and right-to-use assets exceeding \$1 million during this fiscal year included the following projects:

- B St & Childs Ave Development in the amount of \$3.3 million
- Bellevue Landscape project in the amount of \$1.2 million.

Long-term Debt – At the end of the current fiscal year, the City had \$36.4 million in outstanding debt consisting of pension obligation bonds, revenue bonds, capital lease, State Payable Settlement and loans. All debt was secured or earmarked by specific revenue sources.

	Outstanding Debt June 30, 2022					
	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Pension obligation bonds	\$ 1,765,000	\$ 2,520,000	\$ -	\$ -	\$ 1,765,000	\$ 2,520,000
Loans payable	-	-	22,104,135	24,033,393	22,104,135	24,033,393
Financed purchases	2,945,934	3,572,835	-	-	2,945,934	3,572,835
Lease liabilities	20,788	-	-	-	20,788	-
State Payable Settlement	4,278,396	5,528,396	-	-	4,278,396	5,528,396
Revenue bonds payable	-	-	4,995,000	6,510,000	4,995,000	6,510,000
Unamortized premiums	-	-	350,817	467,756	350,817	467,756
Total	\$ 9,010,118	\$ 11,621,231	\$ 27,449,952	\$ 31,011,149	\$ 36,460,070	\$ 42,632,380

During the current fiscal year, the City’s net debt decreased by \$6.2 million or 14.5%. The net decrease was scheduled payments of principal and unamortized premium retirements. Additional information on the City of Merced’s debt can be found in Note 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City of Merced's economic outlook is strong. Sales Tax and Property Tax receipts are outperforming Fiscal Year 2021-22 projections, and total General Fund revenues are budgeted to include a projected 8% increase based on mid-year revised estimates. The county's unemployment rate is 8.3% as compared to 11.4% in 2021.
- The Yosemite Crossing Shopping Center in North Merced is a new 20-acre mixed use commercial development. Tenants that have opened include Habit Burger, Starbucks, Verizon, Xfinity, 7-11, and Mister Car Wash. West Coast Sourdough, Panda Express, Crumbl Cookies and Sprouts should be open by Spring of 2023. Apartments, office space and a hotel are also slated for future phases of the project.
- The City Council adopted a balanced and sustainable budget, which included a net increase of 7 positions. Based on the General fund reserve policy, \$18.2 million is 35% of the General Fund operating budget, \$16.6 (30%) will be set aside in a separate fund and \$2.6 million (5%) will remain in the General Fund as contingency for Fiscal Year 2022-23.
- The City was awarded multiple housing grants, including \$2.5 million for a first-time homebuyer down payment assistance and owner-occupied rehabilitation program, \$1.3 million to support a 67-unit affordable housing project, \$24 million for a 95-unit motel conversion project, and \$4.2 million for a 21-unit permanent supportive container housing project. In addition, the City Council approved \$500,000 from the General Fund to establish an Affordable Housing Trust Fund. A policy will need to be developed that will identify how and when funding is to be used.
- 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 held several community engagement forums and allocated funding for the following: Stimulus & Residential Utility Bill Programs, Youth Job Training, Community Violence Prevention, Nonprofit Support, Expended Community Facilities, Community Access to Broadband, Water Efficiency Rebates, and affordable housing project support.
- 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 and some cultivation businesses are open and are paying the Measure Y Tax. Fiscal Year 2021-22, Measure Y tax collected over \$2.4 million, which is a significant decrease of \$800,000 from the prior year. Due to the uncertainty in future cannabis tax revenue, it will be monitored closely.
- Enterprise Funds continue to maintain a stable financial position. Refuse rates are set to increase every July through 2023. Water and Sewer rates are scheduled to increase every year based on a consumer price index increase until new rate studies are complete. In June 2022, the City Council adopted a resolution not to increase water rates due to the financial stability of the Water Operating Fund and coming out of the COVID-19 pandemic.

SUBSEQUENT EVENTS

- Sewer Rates were scheduled to increase 8.6% in January 2023 based on a CPI increase per the currently adopted ordinance. In December 2022, per staff recommendation, the City Council adopted a resolution not to increase sewer rates and to wait until another Sewer Rate Study is completed. The Sewer Master Plan has taken longer than anticipated but is scheduled to be presented to the City Council in early 2023. A new sewer rate study will kick off once the Sewer Master Plan is complete and adopted by the City Council.

City of Merced, California
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 139,971,386	\$ 180,370,724	\$ 320,342,110
Restricted cash and investments	5,556,199	3	5,556,202
Receivables	29,390,531	12,746,552	42,137,083
Internal balances	(2,138,919)	2,138,919	-
Prepaid items	34,982	-	34,982
Inventory	308,537	278,584	587,121
Total current assets	<u>173,122,716</u>	<u>195,534,782</u>	<u>368,657,498</u>
Noncurrent assets:			
Land held for resale	1,351,598	-	1,351,598
Lease receivable	928,963	376,955	1,305,918
Notes receivable	32,015,824	19,051	32,034,875
Capital assets:			
Non-depreciable	97,783,117	20,350,192	118,133,309
Depreciable, net	148,639,196	107,687,075	256,326,271
Leased assets, net of amortization	20,870	-	20,870
Total capital assets	<u>246,443,183</u>	<u>128,037,267</u>	<u>374,480,450</u>
Total noncurrent assets	<u>280,739,568</u>	<u>128,433,273</u>	<u>409,172,841</u>
Total assets	<u>453,862,284</u>	<u>323,968,055</u>	<u>777,830,339</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	11,631,714	2,729,509	14,361,223
Deferred outflows related to other postemployment benefits	1,650,252	1,130,816	2,781,068
Total deferred outflows of resources	<u>13,281,966</u>	<u>3,860,325</u>	<u>17,142,291</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,687,579	1,657,220	4,344,799
Payroll payable	2,682,423	635,356	3,317,779
Deposits and other liabilities	1,154,905	3,150,323	4,305,228
Unearned revenue	26,523,214	942,700	27,465,914
Accrued interest payable	49,295	250,462	299,757
Claims payable, due within one year	3,834,236	-	3,834,236
Compensated absences, due within one year	826,949	176,567	1,003,516
Long-term debt, due within one year	2,589,480	3,535,300	6,124,780
Total current liabilities	<u>40,348,081</u>	<u>10,347,928</u>	<u>50,696,009</u>

City of Merced, California
Statement of Net Position (Continued)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Claims payable, due in more than one year	\$ 5,398,905	\$ -	\$ 5,398,905
Compensated absences, due in more than one year	2,816,579	955,998	3,772,577
Long-term debt, due in more than one year	6,420,638	23,914,652	30,335,290
Net other postemployment benefits liability	18,346,025	11,146,766	29,492,791
Net pension liability	48,091,051	12,005,201	60,096,252
	<u>81,073,198</u>	<u>48,022,617</u>	<u>129,095,815</u>
Total noncurrent liabilities			
	<u>121,421,279</u>	<u>58,370,545</u>	<u>179,791,824</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receivables	912,310	375,183	1,287,493
Deferred inflows related to pensions	23,029,147	5,250,204	28,279,351
Deferred inflows related to other postemployment benefits	1,973,437	1,041,344	3,014,781
	<u>25,914,894</u>	<u>6,666,731</u>	<u>32,581,625</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	245,445,525	105,739,524	351,185,049
Restricted for:			
Streets and street lights	11,179,548	-	11,179,548
Community development	32,850,344	-	32,850,344
Housing	39,323,174	-	39,323,174
Public safety	1,986,915	-	1,986,915
Special Districts	7,291,376	-	7,291,376
Other special projects and programs	1,694,093	3,323,743	5,017,836
Debt service	-	1,957,514	1,957,514
Parks and recreation	1,866,444	-	1,866,444
Capital projects	6,389,037	70,164,485	76,553,522
Unrestricted	(28,218,379)	81,605,838	53,387,459
	<u>\$ 319,808,077</u>	<u>\$ 262,791,104</u>	<u>\$ 582,599,181</u>
Total net position			

City of Merced, California
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 20,587,375	\$ 9,947,786	\$ 14,194,922	\$ -	\$ 24,142,708
Public safety	42,039,085	5,424,896	972,541	-	6,397,437
Public works	16,783,550	6,785,942	4,563,234	1,934,016	13,283,192
Welfare	-	-	-	-	-
Culture and recreation	2,237,226	724,510	-	28,960	753,470
Interest on long-term debt	342,728	-	-	-	-
Total governmental activities	<u>81,989,964</u>	<u>22,883,134</u>	<u>19,730,697</u>	<u>1,962,976</u>	<u>44,576,807</u>
Business-type activities:					
Wastewater system	20,350,381	25,139,238	155,737	-	25,294,975
Water system	12,699,061	19,461,729	153,771	-	19,615,500
Refuse collection system	16,908,050	21,898,473	189,701	-	22,088,174
Merced municipal airport	1,145,561	394,981	535,149	-	930,130
Total business-type activities	<u>51,103,053</u>	<u>66,894,421</u>	<u>1,034,358</u>	<u>-</u>	<u>67,928,779</u>
Total primary government	<u>\$ 133,093,017</u>	<u>\$ 89,777,555</u>	<u>\$ 20,765,055</u>	<u>\$ 1,962,976</u>	<u>\$ 112,505,586</u>

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 (loss)
- Other revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, restated

Net position - end of year

City of Merced, California
Statement of Activities (Continued)
Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ 3,555,333	\$ -	\$ 3,555,333
(35,641,648)	-	(35,641,648)
(3,500,358)	-	(3,500,358)
-	-	-
(1,483,756)	-	(1,483,756)
(342,728)	-	(342,728)
<u>(37,413,157)</u>	<u>-</u>	<u>(37,413,157)</u>
-	4,944,594	4,944,594
-	6,916,439	6,916,439
-	5,180,124	5,180,124
-	(215,431)	(215,431)
<u>-</u>	<u>16,825,726</u>	<u>16,825,726</u>
<u>(37,413,157)</u>	<u>16,825,726</u>	<u>(20,587,431)</u>
18,219,445	42,994	18,262,439
32,382,059	-	32,382,059
1,866,040	-	1,866,040
2,389,419	-	2,389,419
1,488,125	-	1,488,125
92,082	-	92,082
904,166	-	904,166
<u>57,341,336</u>	<u>42,994</u>	<u>57,384,330</u>
(121,156)	7,161	(113,995)
(6,743,402)	(6,741,843)	(13,485,245)
33,321	-	33,321
79,602	(79,602)	-
<u>50,589,701</u>	<u>(6,771,290)</u>	<u>43,818,411</u>
13,176,544	10,054,436	23,230,980
<u>306,631,533</u>	<u>252,736,668</u>	<u>559,368,201</u>
<u>\$ 319,808,077</u>	<u>\$ 262,791,104</u>	<u>\$ 582,599,181</u>

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Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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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 Transportation, Fire, Police, Parks and Recreation, Public Works and Information Technology 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, California
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
ASSETS				
Cash, cash equivalents and investments	\$ 24,563,630	\$ -	\$ 5,315,272	\$ 2,083,908
Restricted cash held by fiscal agents	5,556,199	-	-	-
Receivables:				
Accounts	2,303,809	-	12,624	-
Due from other governments	4,162,885	12,718,810	1,609,468	-
Interest	76,753	9,886	13,709	6,868
Due from other funds	6,806,502	-	-	-
Prepaid Items	27,094	-	-	-
Inventory	73,467	-	-	-
Land held for resale	-	-	-	645,617
Lease receivable	84,514	-	-	-
Notes receivable	84,676	23,276,602	-	8,112,530
	<u>43,739,529</u>	<u>36,005,298</u>	<u>6,951,073</u>	<u>10,848,923</u>
Total assets	<u>\$ 43,739,529</u>	<u>\$ 36,005,298</u>	<u>\$ 6,951,073</u>	<u>\$ 10,848,923</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 465,154	\$ 644,784	\$ 67,173	\$ 4,675
Payroll liabilities	1,838,750	16,762	246,018	-
Unearned revenue	1,350,206	54,989	-	-
Due to other funds	-	6,806,502	-	-
Advances from other funds	2,138,919	-	-	-
Deposit and other liabilities	1,088,026	3,335	-	-
	<u>6,881,055</u>	<u>7,526,372</u>	<u>313,191</u>	<u>4,675</u>
Total liabilities	<u>6,881,055</u>	<u>7,526,372</u>	<u>313,191</u>	<u>4,675</u>
Deferred inflows of resources				
Related to leases	<u>83,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	73,467	-	-	-
Restricted	5,535,332	28,478,926	-	10,844,248
Committed	192,570	-	6,637,882	-
Assigned	7,274,744	-	-	-
Unassigned	23,698,663	-	-	-
	<u>36,774,776</u>	<u>28,478,926</u>	<u>6,637,882</u>	<u>10,844,248</u>
Total fund balances	<u>36,774,776</u>	<u>28,478,926</u>	<u>6,637,882</u>	<u>10,844,248</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 43,739,529</u>	<u>\$ 36,005,298</u>	<u>\$ 6,951,073</u>	<u>\$ 10,848,923</u>

City of Merced, California
Balance Sheet – Governmental Funds (Continued)
June 30, 2022

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact	American Rescue Plan Act	Streets and Signals		
\$ 25,388,010	\$ 25,791,195	\$ 1,379,987	\$ 34,219,471	\$ 118,741,473
-	-	-	-	5,556,199
1,299,241	-	839,908	1,784,403	6,239,985
-	-	489,942	3,304,121	22,285,226
82,768	-	4,613	82,228	276,825
-	-	-	166,095	6,972,597
-	-	-	-	27,094
-	-	-	-	73,467
-	-	-	705,981	1,351,598
-	-	-	625,885	710,399
72,060	-	-	469,956	32,015,824
<u>\$ 26,842,079</u>	<u>\$ 25,791,195</u>	<u>\$ 2,714,450</u>	<u>\$ 41,358,140</u>	<u>\$ 194,250,687</u>
\$ -	\$ 85,580	\$ 482,852	\$ 614,742	\$ 2,364,960
-	1,559	-	345,590	2,448,679
108,646	24,508,217	-	501,156	26,523,214
-	-	-	166,095	6,972,597
-	-	-	352,000	2,490,919
-	-	-	59,815	1,151,176
<u>108,646</u>	<u>24,595,356</u>	<u>482,852</u>	<u>2,039,398</u>	<u>41,951,545</u>
-	-	-	614,327	698,025
-	-	-	-	73,467
26,733,433	1,195,839	2,231,598	33,117,754	108,137,130
-	-	-	5,591,040	12,421,492
-	-	-	-	7,274,744
-	-	-	(4,379)	23,694,284
<u>26,733,433</u>	<u>1,195,839</u>	<u>2,231,598</u>	<u>38,704,415</u>	<u>151,601,117</u>
<u>\$ 26,842,079</u>	<u>\$ 25,791,195</u>	<u>\$ 2,714,450</u>	<u>\$ 41,358,140</u>	<u>\$ 194,250,687</u>

City of Merced, California
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

	Government- Wide Statement of Net Position	Internal Service Funds	Total
Total Fund Balances			\$ 151,601,117
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	\$ 97,783,117	\$ (1,439,774)	96,343,343
Depreciated	148,639,196	(8,920,276)	139,718,920
Right to use assets, amortized	20,870	-	20,870
Total capital assets	\$ 246,422,313	\$ (10,360,050)	236,083,133
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.			
			(8,245)
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.			
			8,311,796
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.			
			10,642,492
			1,179,987
			(20,598,928)
			(1,593,001)

City of Merced, California
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

	Government- Wide Statement of Net Position	Internal Service Funds	Total
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	\$ (826,949)	\$ 71,429	\$ (755,520)
Long-term debt, due within one year	(2,582,979)	492,979	(2,090,000)
Lease liabilities, due within one year	(6,501)	-	(6,501)
Compensated absences, due in more than one year	(2,816,579)	339,310	(2,477,269)
Long-term debt, due in more than one year	(6,406,351)	2,452,955	(3,953,396)
Lease liabilities, due in more than one year	(14,287)	-	(14,287)
Net other postemployment benefits obligation	(18,346,025)	4,366,997	(13,979,028)
Net pension liability	(48,091,051)	5,556,778	(42,534,273)
Total long-term liability	\$ (79,090,722)	\$ 13,280,448	(65,810,274)
Net Position of Governmental Activities			\$ 319,808,077

City of Merced, California
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
REVENUES:				
Taxes	\$ 41,865,439	\$ -	\$ 9,229,225	\$ -
Intergovernmental	1,081,713	13,135,939	23,626	-
Licenses and permits	16,905	-	-	-
Use of money and property	(1,891,478)	104,644	(193,177)	(51,301)
Charges for services	8,247,162	656,929	250,486	-
Fines, forfeitures and penalties	374,490	-	-	-
Other	1,089,049	-	-	-
Total revenues	50,783,280	13,897,512	9,310,160	(51,301)
EXPENDITURES:				
Current:				
General government	7,061,524	13,307,060	-	186,354
Public safety	33,832,606	-	7,289,121	-
Public works	1,985,718	-	5,106	-
Culture and recreation	1,602,248	-	-	-
Total current operating	44,482,096	13,307,060	7,294,227	186,354
Capital outlay	322,347	676,234	51,821	-
Debt Service:				
Principal	2,005,000	-	-	-
Interest and fiscal charges	199,889	-	-	-
Total expenditures	47,009,332	13,983,294	7,346,048	186,354
EXCESS (DEFICIENCY) OF REVENUS OVER (UNDER) EXPENDITURES	3,773,948	(85,782)	1,964,112	(237,655)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	1,007	-	-	-
Transfers in	1,712,171	1,538	3,783	-
Transfers out	(3,108,412)	(18,998)	(169,934)	-
Total other financing sources (uses)	(1,395,234)	(17,460)	(166,151)	-
Net change in fund balance	2,378,714	(103,242)	1,797,961	(237,655)
FUND BALANCES:				
Beginning of year, restated	34,396,062	28,582,168	4,839,921	11,081,903
End of year	\$ 36,774,776	\$ 28,478,926	\$ 6,637,882	\$ 10,844,248

City of Merced, California
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)
Year Ended June 30, 2022

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact	American Rescue Plan Act	Streets and Signals		
\$ -	\$ -	\$ -	\$ 6,246,672	\$ 57,341,336
-	308,874	790,866	5,860,724	21,201,742
-	-	-	2,651,350	2,668,255
(942,208)	(1,320,485)	(73,757)	(1,047,870)	(5,415,632)
3,595,617	-	-	10,364,734	23,114,928
-	-	-	9,856	384,346
-	-	825,524	1,255,603	3,170,176
<u>2,653,409</u>	<u>(1,011,611)</u>	<u>1,542,633</u>	<u>25,341,069</u>	<u>102,465,151</u>
47,260	56,948	-	5,378,246	26,037,392
-	-	-	3,138,350	44,260,077
244,113	-	-	7,183,778	9,418,715
-	-	-	3,571	1,605,819
<u>291,373</u>	<u>56,948</u>	<u>-</u>	<u>15,703,945</u>	<u>81,322,003</u>
-	183,496	3,562,923	2,872,062	7,668,883
-	-	-	-	2,005,000
-	-	-	-	199,889
<u>291,373</u>	<u>240,444</u>	<u>3,562,923</u>	<u>18,576,007</u>	<u>91,195,775</u>
<u>2,362,036</u>	<u>(1,252,055)</u>	<u>(2,020,290)</u>	<u>6,765,062</u>	<u>11,269,376</u>
-	-	-	375	1,382
65,659	-	1,778,870	1,991,279	5,553,300
-	(97,767)	(53,860)	(3,510,800)	(6,959,771)
<u>65,659</u>	<u>(97,767)</u>	<u>1,725,010</u>	<u>(1,519,146)</u>	<u>(1,405,089)</u>
2,427,695	(1,349,822)	(295,280)	5,245,916	9,864,287
<u>24,305,738</u>	<u>2,545,661</u>	<u>2,526,878</u>	<u>33,458,499</u>	<u>141,736,830</u>
<u>\$ 26,733,433</u>	<u>\$ 1,195,839</u>	<u>\$ 2,231,598</u>	<u>\$ 38,704,415</u>	<u>\$ 151,601,117</u>

City of Merced, California
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2022

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 -	\$ 9,864,287
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 \$2,430,996	9,541,695
Depreciation and amortization expense on capital and right-to-use assets are reported in the Governmental Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation and amortization expense are not reported as expenditures in the governmental funds. This amount is net of internal service funds of \$2,835,788	(15,248,389)
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.	221,501
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.	(46,047)
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.	400,423
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.	2,011,659
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.	3,528
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	4,766,049
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.	1,661,838
	\$ 13,176,544

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, California
Statement of Net Position – Proprietary Funds
June 30, 2022

	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	\$ 81,751,760	\$ 81,201,475	\$ 16,868,302	\$ 549,187	\$ 180,370,724	\$ 21,229,913
Restricted cash and investments	2	1	-	-	3	-
Accounts receivable, net	2,589,640	2,975,067	1,072,143	173,658	6,810,508	530,796
Due from other governments	2,661,911	2,557,523	-	159,379	5,378,813	1,298
Interest receivable	249,807	257,001	49,180	1,243	557,231	56,401
Prepaid items	-	-	-	-	-	7,888
Inventory	-	278,584	-	-	278,584	235,070
Total current assets	87,253,120	87,269,651	17,989,625	883,467	193,395,863	22,061,366
Noncurrent assets:						
Leases receivable	112,037	-	-	264,918	376,955	218,564
Notes receivable-private parties	-	19,051	-	-	19,051	-
Advances to other funds	-	2,138,919	-	-	2,138,919	352,000
Capital assets:						
Non-depreciable	7,380,776	12,660,890	290,728	17,798	20,350,192	1,439,774
Depreciable, net	78,678,779	24,855,753	1,081,068	3,071,475	107,687,075	8,920,276
Total noncurrent assets	86,171,592	39,674,613	1,371,796	3,354,191	130,572,192	10,930,614
Total assets	173,424,712	126,944,264	19,361,421	4,237,658	323,968,055	32,991,980
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	1,057,649	656,722	972,709	42,429	2,729,509	989,222
Deferred outflows related to other postemployment benefits	358,567	309,298	462,951	-	1,130,816	470,265
Total deferred outflows of resources	1,416,216	966,020	1,435,660	42,429	3,860,325	1,459,487
LIABILITIES						
Current liabilities:						
Accounts payable	563,745	523,051	502,938	67,486	1,657,220	322,619
Payroll payable	198,221	137,446	281,245	18,444	635,356	233,744
Unearned revenue	867,065	31,782	43,853	-	942,700	-
Accrued interest payable	204,047	46,415	-	-	250,462	41,050
Deposits and other liabilities	854,061	1,658,316	604,690	33,256	3,150,323	3,729
Compensated absences, due within one year	82,829	29,041	51,807	12,890	176,567	71,429
Claims payable, due within one year	-	-	-	-	-	3,834,236
Long-term debt, due within one year	2,896,050	639,250	-	-	3,535,300	492,979
Total current liabilities	5,666,018	3,065,301	1,484,533	132,076	10,347,928	4,999,786

City of Merced, California
Statement of Net Position – Proprietary Funds
June 30, 2022

	Business - Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds		
Noncurrent liabilities:						
Compensated absences, due in more than one year	\$ 310,047	\$ 207,972	\$ 395,494	\$ 42,485	\$ 955,998	\$ 339,310
Claims payable, due in more than one year	-	-	-	-	-	5,398,905
Long-term debt, due in more than one year	20,426,914	3,487,738	-	-	23,914,652	2,452,955
Net other postemployment benefits obligation	3,453,171	2,698,070	4,995,525	-	11,146,766	4,366,997
Net pension liability	4,518,572	2,995,762	4,140,629	350,238	12,005,201	5,556,778
Total noncurrent liabilities	28,708,704	9,389,542	9,531,648	392,723	48,022,617	18,114,945
Total liabilities	34,374,722	12,454,843	11,016,181	524,799	58,370,545	23,114,731
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to lease receivables	112,939	-	-	262,244	375,183	214,285
Deferred inflows related to pensions	1,975,603	1,310,395	1,810,378	153,828	5,250,204	2,430,219
Deferred inflows related to other postemployment benefits	256,277	203,379	581,688	-	1,041,344	380,436
Total deferred inflows of resources	2,344,819	1,513,774	2,392,066	416,072	6,666,731	3,024,940
NET POSITION						
Net investment in capital assets	65,364,218	35,914,237	1,371,796	3,089,273	105,739,524	9,383,180
Restricted:						
Other special projects and programs	977,854	1,081,770	1,077,780	186,339	3,323,743	-
Debt service	1,938,463	19,051	-	-	1,957,514	-
Capital projects	19,717,167	49,213,122	1,191,352	42,844	70,164,485	-
Unrestricted	50,123,685	27,713,487	3,747,906	20,760	81,605,838	(1,071,384)
Total net position	\$ 138,121,387	\$ 113,941,667	\$ 7,388,834	\$ 3,339,216	\$ 262,791,104	\$ 8,311,796

City of Merced, California
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	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	\$ 23,630,612	\$ 18,933,217	\$ 21,864,172	\$ 394,331	\$ 64,822,332	\$ 31,937,896
Other revenues	1,508,626	528,512	34,301	650	2,072,089	730,578
Total operating revenues	<u>25,139,238</u>	<u>19,461,729</u>	<u>21,898,473</u>	<u>394,981</u>	<u>66,894,421</u>	<u>32,668,474</u>
OPERATING EXPENSES						
Personnel services	3,966,560	3,070,629	5,604,153	373,588	13,014,930	6,235,520
Materials, supplies and other services	7,570,850	7,067,094	11,022,125	341,825	26,001,894	22,901,313
Depreciation	8,357,314	2,411,535	281,772	430,148	11,480,769	2,835,788
Total operating expenses	<u>19,894,724</u>	<u>12,549,258</u>	<u>16,908,050</u>	<u>1,145,561</u>	<u>50,497,593</u>	<u>31,972,621</u>
OPERATING INCOME (LOSS)	<u>5,244,514</u>	<u>6,912,471</u>	<u>4,990,423</u>	<u>(750,580)</u>	<u>16,396,828</u>	<u>695,853</u>
NONOPERATING REVENUES (EXPENSES):						
Property taxes	-	-	-	42,994	42,994	-
Intergovernmental revenues	155,737	153,771	189,701	535,149	1,034,358	155,882
Interest and investment earnings	(3,085,419)	(3,080,806)	(612,531)	36,913	(6,741,843)	(769,135)
Gain (loss) on disposition of capital assets	6,127	1,034	-	-	7,161	239,532
Interest and related expenses	(455,657)	(149,803)	-	-	(605,460)	(146,367)
Total nonoperating revenues (expenses)	<u>(3,379,212)</u>	<u>(3,075,804)</u>	<u>(422,830)</u>	<u>615,056</u>	<u>(6,262,790)</u>	<u>(520,088)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>1,865,302</u>	<u>3,836,667</u>	<u>4,567,593</u>	<u>(135,524)</u>	<u>10,134,038</u>	<u>175,765</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	5,512	4,255	95,612	85,200	190,579	2,192,243
Transfers out	(90,911)	(68,198)	(95,198)	(15,874)	(270,181)	(706,170)
Total transfers and capital contributions	<u>(85,399)</u>	<u>(63,943)</u>	<u>414</u>	<u>69,326</u>	<u>(79,602)</u>	<u>1,486,073</u>
CHANGE IN NET POSITION	<u>1,779,903</u>	<u>3,772,724</u>	<u>4,568,007</u>	<u>(66,198)</u>	<u>10,054,436</u>	<u>1,661,838</u>
NET POSITION:						
Beginning of year, as restated	<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>
End of year	<u>\$ 138,121,387</u>	<u>\$ 113,941,667</u>	<u>\$ 7,388,834</u>	<u>\$ 3,339,216</u>	<u>\$ 262,791,104</u>	<u>\$ 8,311,796</u>

City of Merced, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	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	\$ 27,974,201	\$ 21,198,547	\$ 21,542,319	\$ 335,643	\$ 71,050,710	\$ 32,616,887
Payments to suppliers and users	(7,802,882)	(7,144,150)	(10,937,190)	(275,108)	(26,159,330)	(23,269,459)
Payments to employees	(4,581,463)	(3,527,130)	(6,175,799)	(411,635)	(14,696,027)	(5,872,289)
Net cash provided (used in) operating activities	<u>15,589,856</u>	<u>10,527,267</u>	<u>4,429,330</u>	<u>(351,100)</u>	<u>30,195,353</u>	<u>3,475,139</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payments on notes receivable	-	5,627	-	-	5,627	-
Payments on advances from other funds	-	(592,589)	-	-	(592,589)	(352,000)
Operating grants received	323,650	315,099	189,701	507,613	1,336,063	156,644
Tax proceeds not attributable to capital	-	-	-	42,994	42,994	-
Cash receipts from other funds	5,512	4,255	95,612	85,200	190,579	2,192,243
Cash payments to other funds	(90,911)	(68,198)	(95,198)	(15,874)	(270,181)	(706,170)
Net cash provided by (used in) noncapital financing activities	<u>238,251</u>	<u>(335,806)</u>	<u>190,115</u>	<u>619,933</u>	<u>712,493</u>	<u>1,290,717</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(2,432,839)	(3,329,902)	(511,562)	(67,538)	(6,341,841)	(2,412,397)
Proceeds from sale of capital assets	6,127	1,034	-	-	7,161	239,532
Capital grants and cash contributions received	-	-	-	-	-	-
Cash received on lease receivables	902	-	-	(2,674)	(1,772)	(4,279)
Interest paid	(565,595)	(190,541)	-	-	(756,136)	(155,103)
Principal payments - long-term debt	(2,825,008)	(619,250)	-	-	(3,444,258)	(626,901)
Net cash provided by (used in) capital and related financing activities	<u>(5,816,413)</u>	<u>(4,138,659)</u>	<u>(511,562)</u>	<u>(70,212)</u>	<u>(10,536,846)</u>	<u>(2,959,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	(3,094,593)	(3,074,693)	(619,672)	36,509	(6,752,449)	(766,366)
Net cash provided by investing activities	<u>(3,094,593)</u>	<u>(3,074,693)</u>	<u>(619,672)</u>	<u>36,509</u>	<u>(6,752,449)</u>	<u>(766,366)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS:	<u>6,917,101</u>	<u>2,978,109</u>	<u>3,488,211</u>	<u>235,130</u>	<u>13,618,551</u>	<u>1,040,342</u>
Beginning 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>
End of year	<u>\$ 81,751,762</u>	<u>\$ 81,201,476</u>	<u>\$ 16,868,302</u>	<u>\$ 549,187</u>	<u>\$ 180,370,727</u>	<u>\$ 21,229,913</u>
FINANCIAL STATEMENT PRESENTATION:						
Cash and Investments	\$ 81,751,760	\$ 81,201,475	\$ 16,868,302	\$ 549,187	\$ 180,370,724	\$ 21,229,913
Restricted cash and investments	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
Total	<u>\$ 81,751,762</u>	<u>\$ 81,201,476</u>	<u>\$ 16,868,302</u>	<u>\$ 549,187</u>	<u>\$ 180,370,727</u>	<u>\$ 21,229,913</u>

City of Merced, California
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended June 30, 2022

	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)	\$ 5,244,514	\$ 6,912,471	\$ 4,990,423	\$ (750,580)	\$ 16,396,828	\$ 695,853
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation and amortization	8,357,314	2,411,535	281,772	430,148	11,480,769	2,835,788
Pension expense	(540,711)	(358,671)	(495,492)	(42,128)	(1,437,002)	(665,164)
OPEB expense	(69,749)	(69,951)	(165,858)	-	(305,558)	(121,150)
Changes in assets and liabilities:						
Receivables	2,511,342	1,428,710	(417,240)	(60,895)	3,461,917	(51,587)
Inventory	-	(4,989)	-	-	(4,989)	(119,125)
Prepaid expenses	-	-	-	-	-	1,093
Accounts payable	(232,032)	(72,067)	84,935	66,717	(152,447)	(250,114)
Payroll liabilities	10,528	1,883	47,550	1,922	61,883	(3,364)
Unearned revenues	5,753	3,893	6,475	-	16,121	-
Other liabilities	317,868	304,215	54,611	1,557	678,251	-
Claims payable	-	-	-	-	-	1,251,452
Compensated absences	(14,971)	(29,762)	42,154	2,159	(420)	(98,543)
Total adjustments	10,345,342	3,614,796	(561,093)	399,480	13,798,525	2,779,286
Net cash provided (used in) operating activities	<u>\$ 15,589,856</u>	<u>\$ 10,527,267</u>	<u>\$ 4,429,330</u>	<u>\$ (351,100)</u>	<u>\$ 30,195,353</u>	<u>\$ 3,475,139</u>
Noncash capital and noncapital financing and investing activities:						
Lease receivable recognized on lessor lease transaction	\$ -	\$ -	\$ -	\$ 286,085	\$ 286,085	\$ -
Amortization of bond premium/discount	\$ 82,805	\$ 34,135	\$ -	\$ -	\$ 116,940	\$ -

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, California
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash, cash equivalents and investments	\$ 1,889,877
Restricted cash held by fiscal agent	3,050,739
Due from other governments	18,371
Interest receivable	<u>2,382</u>
 Total assets	 <u>4,961,369</u>
LIABILITIES	
Accounts payable	5,489
Deposits	<u>835,303</u>
 Total liabilities	 <u>840,792</u>
NET POSITION	
Restricted for:	
Other agencies	901,516
Bondholders	<u>3,219,061</u>
 Total net position	 <u><u>\$ 4,120,577</u></u>

City of Merced, California
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
ADDITIONS:	
Special tax assessments	\$ 1,473,873
Investment income	(41,727)
Miscellaneous	<u>252,550</u>
Total additions	<u>1,684,696</u>
DEDUCTIONS:	
Debts payment	1,692,956
Administration	<u>355,036</u>
Total deductions	<u>2,047,992</u>
Change in net position	(363,296)
NET POSITION:	
Beginning of year	<u>4,483,873</u>
End of year	<u><u>\$ 4,120,577</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.

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.

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 Transportation, Fire, Police, Parks and Recreation, Public Works and Information Technology to be used for city installation of public improvements and developer reimbursement of PFFP installed improvements.

The American Rescue Plan Act Special Revenue 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.

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 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.

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 are recorded at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital asset are depreciated using a straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land is not depreciated.

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:

	Years
Infrastructure	10-40
Buildings and structures	15-20
Improvements other than buildings	15
Machinery and equipment	5
Leased assets	3-5

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, and streetlights. These subsystems are not delineated in the basic financial statements.

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

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 assets 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 assets 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.

Lease Liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the City.

N. Net Position and Fund Equity

Government-Wide Financial Statements

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

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

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

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

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 11.

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, 2022, the City implemented the following standards:

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 effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 18.

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 determined that this statement does not have a material impact 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, 2021. The City has determined that this statement does not have a material impact 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 determined that this statement does not have a material impact on the financial statements.

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 determined that this statement does not have a material impact 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 determined that this statement does not have a material impact on the financial statements.

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

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. 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, 2022. The City has not determined the effect on the financial statements.

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, 2022:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 139,971,386	\$ 180,370,724	\$ 320,342,110	\$ 1,889,877	\$ 322,231,987
Restricted cash held by fiscal agent	5,556,199	3	5,556,202	3,050,739	8,606,941
Total Cash and Investments	\$ 145,527,585	\$ 180,370,727	\$ 325,898,312	\$ 4,940,616	\$ 330,838,928

Cash and investments as of June 30, 2022, consist of the following:

Cash on Hand	\$ 4,870
Deposits with financial institutions	20,110,515
Restricted Cash held by fiscal agent	8,606,941
Investments	302,116,602
Total Cash and Investments	\$ 330,838,928

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments to be carried at fair market value instead of cost. If material, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The fair market value adjustment for the fiscal year ended June 30, 2022 was (\$13,783,194).

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, 2022 are described below.

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Asset-backed Securities	\$ 33,644,284	\$ -	\$ 33,644,284	\$ -
Federal Agency Securities	62,147,009	-	62,147,009	-
Commercial Paper	19,003,941	-	19,003,941	-
Municipal Securities	2,156,484	-	2,156,484	-
Supranational Securities	18,651,760	-	18,651,760	-
U.S. Corporate Securities	74,064,167	-	74,064,167	-
U.S. Treasury Securities	67,143,222	-	67,143,222	-
Total investments subject to leveling	<u>276,810,867</u>	<u>\$ -</u>	<u>\$ 276,810,867</u>	<u>\$ -</u>
Investments not subject to leveling:				
Local Agency Investment Fund	25,305,735			
Money Market Funds	<u>8,606,941</u>			
Total Investments	<u>\$ 310,723,543</u>			

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

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, 2022, LAIF included structured notes (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, 2022, the City had \$25,305,735 invested in LAIF, which had invested 1.88% of the pooled investment funds in Medium-term and Short-term Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The LAIF fair value factor of 0.987125414 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

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	\$ 20,110,515	\$ 20,110,515	\$ -	\$ -
Petty Cash	4,870	4,870	-	-
Total cash	20,115,385	20,115,385	-	-
Investments:				
Federal Agency Securities	62,147,009	11,027,464	39,634,179	11,485,366
U.S. Corporate Securities	74,064,167	-	42,025,210	32,038,957
U.S. Treasury Securities	67,143,222	823,390	32,719,037	33,600,795
Asset-backed Securities	33,644,284	-	18,417,773	15,226,511
Collateralized Mortgage Obligations	19,003,941	274,405	17,735,053	994,483
Supranational Securities	18,651,760	3,288,191	2,697,318	12,666,251
Municipal Securities	2,156,484	-	2,156,484	-
Local Agency Investment Fund (LAIF)	25,305,735	25,305,735	-	-
Total investments	302,116,602	40,719,185	155,385,054	106,012,363
Total cash and investments	\$ 322,231,987	\$ 60,834,570	\$ 155,385,054	\$ 106,012,363
Restricted Cash with Fiscal Agents:				
Public Investment Money				
Market Fund	\$ 3,050,739	\$ 3,050,739	\$ -	\$ -
IRS Section 115 Trust - PARS				
Mutual Fund	5,535,332	5,535,332	-	-
Money Market Funds	20,870	20,870	-	-
Total restricted cash with fiscal agents	\$ 8,606,941	\$ 8,606,941	\$ -	\$ -

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.

	<u>Credit Quality Ratings</u>
Investments:	
Asset-backed Securities	Aaa
Federal Agency Securities	Aaa
Collateralized Mortgage Obligations	Aaa
Municipal Securities	Aa2
Supranational Securities	Aaa
U.S. Corporate Securities	A1/Aaa/A2/A3/Aa3
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	\$ 22,323,079	6.92%
Federal Home Loan Bank	20,234,411	6.27%
Federal Home Loan Mtg Corp	30,524,587	9.46%

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.

On June 30, 2022, the carrying amount of the City's cash (excluding cash equivalents) is \$20,115,378, which includes the general checking account and petty cash of \$4,870. The bank balance in the City's general checking was \$19,352,865, 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, 2022, cash and investments with fiscal agents totaled \$8,606,941.

Note 3 - Receivables

A. Government-wide Financial Statements

On June 30, 2022, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 6,770,781	\$ 6,810,508	\$ 13,581,289
Due from other governments	22,286,524	5,378,813	27,665,337
Interest receivable	333,226	557,231	890,457
Total	\$ 29,390,531	\$ 12,746,552	\$ 42,137,083

B. Fund Financial Statements

On June 30, 2022, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Accounts receivable	\$ 6,239,985	\$ 6,810,508	\$ 530,796	\$ 13,581,289
Due from other governments	22,285,226	5,378,813	1,298	27,665,337
Interest receivable	276,825	557,231	56,401	890,457
Total	<u>\$ 28,802,036</u>	<u>\$ 12,746,552</u>	<u>\$ 588,495</u>	<u>\$ 42,137,083</u>

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2022 was as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Governmental Funds:			
General Fund	\$ 4,658,601	\$ (2,354,792)	\$ 2,303,809
Measure C Special Revenue Fund	12,624	-	12,624
Public Facilities Impact Special Revenue Fund	1,299,241	-	1,299,241
Streets and Signals Capital Project Fund	839,908	-	839,908
Non-Major Funds	1,858,059	(73,656)	1,784,403
Total Governmental Funds	<u>8,668,433</u>	<u>(2,428,448)</u>	<u>6,239,985</u>
Enterprise Funds:			
Wastewater System	2,665,676	(76,036)	2,589,640
Water System	3,071,045	(95,978)	2,975,067
Refuse Collection System	1,202,999	(130,856)	1,072,143
Non-Major Funds	187,342	(13,684)	173,658
Total Enterprise Funds	<u>7,127,062</u>	<u>(316,554)</u>	<u>6,810,508</u>
Internal Service Funds	<u>748,396</u>	<u>(217,600)</u>	<u>530,796</u>
Total	<u>\$ 16,543,891</u>	<u>\$ (2,962,602)</u>	<u>\$ 13,581,289</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, 2022 was as follows:

Governmental Funds:	
General Fund	\$ 4,162,885
Housing Special Revenue Fund	12,718,810
Measure C Special Revenue Fund	1,609,468
Streets and Signals Capital Projects Fund	489,942
Non-Major Funds	<u>3,304,121</u>
Total Governmental Funds	<u>22,285,226</u>
Enterprise Funds:	
Wastewater System	2,661,911
Water System	2,557,523
Non-Major Funds	<u>159,379</u>
Total Enterprise Funds	<u>5,378,813</u>
Internal Service Funds	<u>1,298</u>
Total	<u><u>\$ 27,665,337</u></u>

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, 2022, was as follows:

Governmental Funds:	
General Fund	\$ 76,753
Measure C Special Revenue Fund	13,709
Housing Special Revenue Fund	9,886
Low and Moderate Income Housing Special Revenue Fund	6,868
Public Facilities Impact Special Revenue Fund	82,768
Streets and Signals Capital Projects Fund	4,613
Non-Major Funds	<u>82,228</u>
Total Governmental Funds	<u>276,825</u>
Enterprise Funds:	
Wastewater System	249,807
Water System	257,001
Refuse Collection System	49,180
Non-Major Funds	<u>1,243</u>
Total Enterprise Funds	<u>557,231</u>
Internal Services Fund	<u>56,401</u>
Total	<u><u>\$ 890,457</u></u>

Note 4 - Lease Receivables

The City has accrued receivables for eight (8) different leases. The remaining lease receivables was \$1,305,918 for the year ended June 30, 2022. Deferred inflows related to these leases were \$1,287,493 as of June 30, 2022. Interest revenue recognized on these leases was \$21,927 for the year ended June 30, 2022. Principal receipts of \$244,605 were recognized during the fiscal year. The interest rate on the leases were set at 1.953%. Final receipt is expected in fiscal year 2028.

Note 5 - 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, 2022, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 1,417,262	\$ -	\$ 1,417,262
Grants	54,989	-	54,989
Service charges received in advance	-	115,143	115,143
American Rescue Plan Act Grant	24,508,217	-	24,508,217
Developer credits	542,746	827,557	1,370,303
	<u>542,746</u>	<u>827,557</u>	<u>1,370,303</u>
Total	<u>\$ 26,523,214</u>	<u>\$ 942,700</u>	<u>\$ 27,465,914</u>

B. Fund Financial Statements

On June 30, 2022, the following unearned revenues were recorded in the Fund Financial Statements because the revenues had not been earned:

<i>Governmental Funds:</i>	General	Housing	Public Facilities Impact	American Rescue Plan Act	Non-Major Funds	Total
Prepaid business license fees	\$ 1,350,206	\$ -	\$ -	\$ -	\$ 67,056	\$ 1,417,262
Grants	-	54,989	-	-	-	54,989
American Rescue Plan Act Grant	-	-	-	24,508,217	-	24,508,217
Developer Credits	-	-	108,646	-	434,100	542,746
	<u>-</u>	<u>-</u>	<u>108,646</u>	<u>-</u>	<u>434,100</u>	<u>542,746</u>
Total	<u>\$ 1,350,206</u>	<u>\$ 54,989</u>	<u>\$ 108,646</u>	<u>\$ 24,508,217</u>	<u>\$ 501,156</u>	<u>\$ 26,523,214</u>

<i>Enterprise Funds:</i>	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 39,508	\$ 31,782	\$ 43,853	\$ 115,143
Developer credits	827,557	-	-	827,557
	<u>827,557</u>	<u>-</u>	<u>-</u>	<u>827,557</u>
Total	<u>\$ 867,065</u>	<u>\$ 31,782</u>	<u>\$ 43,853</u>	<u>\$ 942,700</u>

Note 6 - Interfund Transactions

A. Fund Financial Statements

Due To / Due From

On June 30, 2022, the City had the following short-term interfund receivables and payables:

Receivable Fund	Payable Fund	Governmental Activities
General Fund	Housing Special Revenue Fund	\$ 6,806,502
Non-Major Governmental Funds	Non-Major Governmental Funds	166,095
	Total	\$ 6,972,597

Amounts shown as due to and from other funds represent interfund balances that arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Long-Term Advances

On June 30, 2022, the City had the following interfund long-term advances:

Receivable Fund	Payable Fund	Governmental Activities	Business-type Activities	Total
Internal service fund	Nonmajor governmental fund	\$ 352,000	\$ -	\$ 352,000
Water system	General fund	-	2,138,919	2,138,919
	Total	\$ 352,000	\$ 2,138,919	\$ 2,490,919

Advance from the Internal Service Fund to the Community Facilities Districts Fund (non-major governmental fund) has an interest rate equal to 2.016% which is the rate earned on the City's investment portfolio on the date of the disbursement. Advance is to be repaid with amounts received from the annual special tax. The term of the advance is 15 years.

Advance from the Water System to the General Fund is to assist 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, 2022 is as follows:

Transfers Out:	Transfers In:					
	Governmental Funds					
	General Fund	Housing	Measure C	Public Facilities Impact	Streets and Signals	Non-Major Governmental Funds
Governmental Funds:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,281
Housing	-	-	-	-	-	-
Measure C	-	-	-	-	-	125,000
American Rescue Plan Act	50,960	1,538	3,673	-	-	5,101
Streets and Signals	-	-	-	-	-	53,860
Non-Major Governmental Funds	955,041	-	110	65,659	1,778,870	-
Enterprise Funds:						
Wastewater System	-	-	-	-	-	-
Water System	-	-	-	-	-	37
Refuse Collection System	-	-	-	-	-	-
Non-Major Enterprise Funds	-	-	-	-	-	-
Internal Service	706,170	-	-	-	-	-
Total	\$ 1,712,171	\$ 1,538	\$ 3,783	\$ 65,659	\$ 1,778,870	\$ 1,991,279

Transfers Out:	Transfers In:					
	Proprietary Funds					
	Wastewater System	Water System	Refuse Collection System	Non-Major Enterprise Funds	Internal Service	Total
Governmental Funds:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,301,131	\$ 3,108,412
Housing	-	-	-	-	18,998	18,998
Measure C	-	-	-	-	44,934	169,934
American Rescue Plan Act	5,512	4,255	6,045	816	19,867	97,767
Streets and Signals	-	-	-	-	-	53,860
Non-Major Governmental Funds	-	-	89,567	84,384	537,169	3,510,800
Enterprise Funds:						
Wastewater System	-	-	-	-	90,911	90,911
Water System	-	-	-	-	68,161	68,198
Refuse Collection System	-	-	-	-	-	-
Non-Major Enterprise Funds	-	-	-	-	95,198	95,198
Internal Service	-	-	-	-	15,874	15,874
Total	\$ 5,512	\$ 4,255	\$ 95,612	\$ 85,200	\$ 2,192,243	\$ 7,936,122

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, 2022, the City made the following one-time transfers:

- 1) Transfer of \$202,000 from General fund to Internal Service Funds for additional workers' compensation claim paid out during the fiscal year.
- 2) A transfer of \$554,621 from General Fund to Internal Service Funds to set aside RDA residual for payment future of RDA settlement obligations.
- 3) A transfer of \$97,767 from American Rescue Plan Act Fund to various funds for COVID-19 related expenditures.
- 4) A transfer of \$1,710,992 from General Fund to Nonmajor Governmental Funds for loans forgiveness to Fire, Police and Parks Maintenance in Community Facility District Funds.
- 5) A transfer of \$8,560 from General Fund to Non-Major Governmental funds to cover vehicle abatement expenditures.

Note 7 - Capital Assets

A. Government-Wide Financial Statements

On June 30, 2022, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 86,076,169	\$ 2,461,520	\$ 88,537,689
Construction in process	11,706,948	17,888,672	29,595,620
Total non-depreciable assets	<u>97,783,117</u>	<u>20,350,192</u>	<u>118,133,309</u>
<i>Depreciable Assets:</i>			
Buildings and structures	23,264,305	9,439,956	32,704,261
Machinery and equipment	43,601,911	7,029,365	50,631,276
Improvements other than buildings, structures, and land improvements	129,350,697	192,370,729	321,721,426
Infrastructure	392,071,040	53,671,964	445,743,004
Leases	27,731	-	27,731
Total depreciable assets	588,315,684	262,512,014	850,827,698
Total accumulated depreciation/ amortization	<u>(439,655,618)</u>	<u>(154,824,939)</u>	<u>(594,480,557)</u>
Total depreciable assets, net	<u>148,660,066</u>	<u>107,687,075</u>	<u>256,347,141</u>
Total	<u>\$ 246,443,183</u>	<u>\$ 128,037,267</u>	<u>\$ 374,480,450</u>

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

	Balance July 1, 2021 as restated	Additions	Deletions	Reclassification	Balance June 30, 2022
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 86,084,154	\$ -	\$ (7,985)	\$ -	\$ 86,076,169
Construction in progress	9,746,149	7,539,283	(318,470)	(5,260,014)	11,706,948
Total non-depreciable assets	<u>95,830,303</u>	<u>7,539,283</u>	<u>(326,455)</u>	<u>(5,260,014)</u>	<u>97,783,117</u>
<i>Depreciable Assets:</i>					
Buildings and structures	23,237,281	-	-	27,024	23,264,305
Machinery and equipment	44,482,554	1,889,253	(2,818,004)	48,108	43,601,911
Improvements other than buildings, structures, and land improvements	129,337,167	-	-	13,530	129,350,697
Infrastructure	383,756,256	3,127,441	-	5,187,343	392,071,040
Total depreciable assets	<u>580,813,258</u>	<u>5,016,694</u>	<u>(2,818,004)</u>	<u>5,276,005</u>	<u>588,287,953</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(12,596,758)	(649,776)	-	-	(13,246,534)
Machinery and equipment	(33,396,060)	(2,968,332)	2,763,791	(15,991)	(33,616,592)
Improvements other than buildings, structures, and land improvements	(88,205,311)	(5,099,190)	-	-	(93,304,501)
Infrastructure	(290,121,112)	(9,360,018)	-	-	(299,481,130)
Total accumulated depreciation	<u>(424,319,241)</u>	<u>(18,077,316)</u>	<u>2,763,791</u>	<u>(15,991)</u>	<u>(439,648,757)</u>
Total depreciable assets, net	<u>156,494,017</u>	<u>(13,060,622)</u>	<u>(54,213)</u>	<u>5,260,014</u>	<u>148,639,196</u>
<i>Amortizable Assets:</i>					
Right to use assets - equipment	27,731	-	-	-	27,731
<i>Accumulated amortization:</i>					
Right to use assets - equipment	-	(6,861)	-	-	(6,861)
Total governmental activities, net	<u>\$ 252,352,051</u>	<u>\$ (5,528,200)</u>	<u>\$ (380,668)</u>	<u>\$ -</u>	<u>\$ 246,443,183</u>

Governmental activities depreciation and amortization expense for capital assets for the year ended June 30, 2022 were as follows:

General government	\$ 1,381,869
Public safety	748,699
Public works	15,055,545
Culture and recreation	898,064
Total depreciation and amortization expense	<u>\$ 18,084,177</u>

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

	Balance July 1, 2021	Additions	Deletions	Reclassification	Balance June 30, 2022
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 2,461,520	\$ -	\$ -	\$ -	\$ 2,461,520
Construction in progress	19,182,870	3,721,513	(51,088)	(4,964,623)	17,888,672
Total non-depreciable assets	21,644,390	3,721,513	(51,088)	(4,964,623)	20,350,192
<i>Depreciable Assets:</i>					
Buildings and structures	9,324,573	-	-	115,383	9,439,956
Machinery and equipment	6,015,253	1,236,257	(206,154)	(15,991)	7,029,365
Improvements other than buildings, structures, and land improvements	190,411,452	-	-	1,959,277	192,370,729
Infrastructure	49,299,029	1,319,283	-	3,053,652	53,671,964
Total depreciable assets	255,050,307	2,555,540	(206,154)	5,112,321	262,512,014
<i>Accumulated depreciation:</i>					
Buildings and structures	(4,230,571)	(344,706)	-	-	(4,575,277)
Machinery and equipment	(4,722,966)	(544,630)	206,154	(31,822)	(5,093,264)
Improvements other than buildings, structures, and land improvements	(115,856,869)	(9,187,402)	-	-	(125,044,271)
Infrastructure	(18,708,096)	(1,404,031)	-	-	(20,112,127)
Total accumulated depreciation	(143,518,502)	(11,480,769)	206,154	(31,822)	(154,824,939)
Total depreciable assets, net	111,531,805	(8,925,229)	-	5,080,499	107,687,075
Total business-type activities, net	\$ 133,176,195	\$ (5,203,716)	\$ (51,088)	\$ 115,876	\$ 128,037,267

Business-type activities depreciation expense for capital assets for the year ended June 30, 2022 was as follows:

Wastewater System	\$ 8,357,314
Water System	2,411,535
Refuse Collection System	281,772
Merced Municipal Airport	430,148
Total depreciation expense	\$ 11,480,769

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.

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 8 - 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, 2022, were as follows:

	Governmental Activities	Business-Type Activities	Total
Deposits	\$ 885,449	\$ 2,695,918	\$ 3,581,367
Other liabilities	269,456	454,405	723,861
Total	<u>\$ 1,154,905</u>	<u>\$ 3,150,323</u>	<u>\$ 4,305,228</u>

B. Fund Financial Statements

	Deposits	Other Liabilities	Total Deposits and Other Liabilities
<i>Governmental Funds:</i>			
General Fund	\$ 885,449	\$ 202,577	\$ 1,088,026
Housing	-	3,335	3,335
Non-Major Funds	-	59,815	59,815
Total governmental funds	<u>885,449</u>	<u>265,727</u>	<u>1,151,176</u>
<i>Business-Type Activities:</i>			
Wastewater System	569,078	284,983	854,061
Water System	1,589,492	68,824	1,658,316
Refuse Collection System	516,436	88,254	604,690
Non-Major Funds	20,912	12,344	33,256
Total business-type activities	<u>2,695,918</u>	<u>454,405</u>	<u>3,150,323</u>
<i>Internal Service Funds</i>	<u>-</u>	<u>3,729</u>	<u>3,729</u>
Total	<u>\$ 3,581,367</u>	<u>\$ 723,861</u>	<u>\$ 4,305,228</u>

Note 9 - 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, 2022:

	Restated Balance as restated	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Pension obligation bonds	\$ 2,520,000	\$ -	\$ (755,000)	\$ 1,765,000	\$ 840,000	\$ 925,000
Direct Borrowings:						
Financed Purchases	3,572,835	-	(626,901)	2,945,934	492,979	2,452,955
Lease liabilities	27,731	-	(6,943)	20,788	6,501	14,287
State Payable Settlement	5,528,396	-	(1,250,000)	4,278,396	1,250,000	3,028,396
Total	\$ 11,648,962	\$ -	\$ (2,638,844)	\$ 9,010,118	\$ 2,589,480	\$ 6,420,638

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
2023	\$ 840,000	\$ 104,065	\$ 944,065
2024	925,000	54,538	979,538
Total	\$ 1,765,000	\$ 158,603	\$ 1,923,603

Financed Purchases

On March 9, 2011, the City entered into a financing 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 agreement of \$7,157,493 funded energy efficiency retrofitting of \$4,783,916 and capital improvements of \$2,373,577.

The annual debt service requirements for the financed purchases are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 492,979	\$ 128,156	\$ 621,135
2024	538,142	105,278	643,420
2025	586,164	80,319	666,483
2026	637,209	53,146	690,355
2027	691,440	23,621	715,061
Total	<u>\$ 2,945,934</u>	<u>\$ 390,520</u>	<u>\$ 3,336,454</u>

Lease Liability

The City has entered into lease agreements for equipment. The City is required to make principal and interest payments through August 2025. The lease liability was valued using a discount rate of 2.00% which is based on the City's most recent borrowings.

Year Ending June 30	Principal	Interest	Total
2023	\$ 6,501	\$ 414	\$ 6,915
2024	6,912	294	7,206
2025	6,760	972	7,732
2026	615	2	617
Total	<u>\$ 20,788</u>	<u>\$ 1,682</u>	<u>\$ 22,470</u>

State Payable Settlement

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

The parties agreed that the City of Merced will remit \$9,528,396 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
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>\$ 4,278,396</u>	<u>\$ -</u>	<u>\$ 4,278,396</u>

Business-Type Activities

Following is a summary of business-type activities long-term debt transactions during the fiscal year ended June 30, 2022:

	Balance as restated	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 6,510,000	\$ -	\$ (1,515,000)	\$ 4,995,000	\$ 1,590,000	\$ 3,405,000
Unamortized premiums	467,757	-	(116,940)	350,817	-	350,817
Direct Borrowing:						
Loans payable	24,033,393	-	(1,929,258)	22,104,135	1,945,300	20,158,835
Total	<u>\$ 31,011,150</u>	<u>\$ -</u>	<u>\$ (3,561,198)</u>	<u>\$ 27,449,952</u>	<u>\$ 3,535,300</u>	<u>\$ 23,914,652</u>

Revenue Bonds Payable

Revenue bonds payable on June 30, 2022, consisted of the following:

	Bonds Payable	Unamortized Premiums
Water Revenue Bonds	\$ 1,500,000	\$ 102,406
Wastewater Revenue Bonds	3,495,000	248,411
Total	<u>\$ 4,995,000</u>	<u>\$ 350,817</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, 2022 totals \$350,818.

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 2021-22 fiscal year, the debt coverage is 23.91 and 13.44 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 480,000	\$ 45,200	\$ 525,200
2024	500,000	25,600	525,600
2025	520,000	7,800	527,800
Total	<u>\$ 1,500,000</u>	<u>\$ 78,600</u>	<u>\$ 1,578,600</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,495,000</u>	<u>\$ 267,625</u>	<u>\$ 3,762,625</u>

Loans Payable

Loans payable on June 30, 2022 consisted of the following:

California Infrastructure and Economic Development Bank (CIEDB) Enterprise Fund Installment Sales Agreement	\$ 5,152,208
California State Water Resources Control Board Clean Water State Revolving Fund	<u>16,951,927</u>
Total	<u>\$ 22,104,135</u>

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement

On October 1, 2003, the City entered into an Enterprise Fund Installment Sales Agreement with California Infrastructure and Economic Development Bank for the purchase of water and sewer improvements for the University of California Merced Campus. The principal balance of the agreement was \$8,262,208 and bears interest of 3.17%.

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	425,000	111,416	536,416
2028-2032	2,275,000	347,069	2,622,069
2033-2034	1,027,208	32,994	1,060,202
Total	<u>\$ 5,152,208</u>	<u>\$ 1,058,001</u>	<u>\$ 6,210,209</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>
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	8,600,759	103,729	8,704,488
2028-2032	1,772,100	262,332	2,034,432
Total	<u>\$ 16,951,927</u>	<u>\$ 946,270</u>	<u>\$ 17,898,197</u>

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, 2022
Fahrens Park Refunding Assessment District	\$ 305,000
Bellevue Ranch East CFD	6,960,000
Bellevue Ranch West CFD	5,170,000
Moraga CFD	3,590,000
Total	\$ 16,025,000

Note 10 - 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. 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 Service Fund.

A summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Governmental activities	\$ 3,696,024	\$ 805,452	\$ (857,948)	\$ 3,643,528	\$ 826,949	\$ 2,816,579
Business-type activities	1,132,985	189,729	(190,149)	1,132,565	176,567	955,998
Total	\$ 4,829,009	\$ 995,181	\$ (1,048,097)	\$ 4,776,093	\$ 1,003,516	\$ 3,772,577

Note 11 - 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	\$ 73,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,467
Total nonspendable	73,467	-	-	-	-	-	-	-	73,467
Restricted for:									
Street and street lights	-	-	-	-	-	-	-	11,179,548	11,179,548
Trust 115 - Pension	5,535,332	-	-	-	-	-	-	-	5,535,332
Community development	-	-	-	-	26,733,433	1,195,839	-	4,921,072	32,850,344
Housing	-	28,478,926	-	10,844,248	-	-	-	-	39,323,174
Public safety	-	-	-	-	-	-	-	1,986,915	1,986,915
Special districts	-	-	-	-	-	-	-	7,291,376	7,291,376
Capital projects	-	-	-	-	-	-	2,231,598	4,157,439	6,389,037
Parks & Recreation	-	-	-	-	-	-	-	1,866,444	1,866,444
Other	-	-	-	-	-	-	-	1,714,960	1,714,960
Total restricted	5,535,332	28,478,926	-	10,844,248	26,733,433	1,195,839	2,231,598	33,117,754	108,137,130
Committed to:									
Substandard Housing	192,570	-	-	-	-	-	-	-	192,570
Community development	-	-	-	-	-	-	-	5,591,040	5,591,040
Public safety	-	-	6,637,882	-	-	-	-	-	6,637,882
Total committed	192,570	-	6,637,882	-	-	-	-	5,591,040	12,421,492
Assigned to:									
Appropriations in subsequent year	5,108,942	-	-	-	-	-	-	-	5,108,942
Encumbrances:									
General government	918,959	-	-	-	-	-	-	-	918,959
Public safety	1,042,305	-	-	-	-	-	-	-	1,042,305
Public works	53,452	-	-	-	-	-	-	-	53,452
Parks and recreation	151,086	-	-	-	-	-	-	-	151,086
Total assigned	7,274,744	-	-	-	-	-	-	-	7,274,744
Unassigned	23,698,663	-	-	-	-	-	-	(4,379)	23,694,284
Total Fund Balances	\$ 36,774,776	\$ 28,478,926	\$ 6,637,882	\$ 10,844,248	\$ 26,733,433	\$ 1,195,839	\$ 2,231,598	\$ 38,704,415	\$ 151,601,117

Note 12 - Other Fund Disclosures

On June 30, 2022, the funds below had the following deficit fund balance or net position:

Governmental Fund:

<u>Nonmajor Funds</u>	\$ (4,379)
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The deficit fund balance in the nonmajor funds is in the Bell Station Facility special revenue fund. The deficit was caused by higher than planned expenditures. The deficit will be eliminated by future tax revenues.

Internal Service Funds:

<u>Workers' Compensation Insurance Fund</u>	(7,067,117)
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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).

<u>Fleet Management Fund</u>	(727,574)
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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.

<u>Facility Maintenance Fund</u>	(2,552,012)
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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.

<u>Support Services Fund</u>	(579,444)
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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.

<u>Public Works Administration Fund</u>	(2,716,063)
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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.

Note 13 - 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, 2022, claims for general liability and workers’ compensation were \$2,015,106 and \$7,218,035 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, 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	1,273,006	6,708,683	7,981,689
Claims incurred	1,201,652	1,867,176	3,068,828
Claims payments	(459,552)	(1,784,292)	(2,243,844)
Changes to prior year estimates	-	426,468	426,468
	<hr/>	<hr/>	<hr/>
Liability - June 30, 2022	<u>\$ 2,015,106</u>	<u>\$ 7,218,035</u>	<u>\$ 9,233,141</u>
Current portion	<u>\$ 2,015,106</u>	<u>\$ 1,819,130</u>	<u>\$ 3,834,236</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, 2022.

Note 14 - 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	\$ 6,235,837	\$ 8,125,386	\$ 14,361,223
Net Pension Liability	32,290,079	27,806,173	60,096,252
Deferred Inflows - Pension	13,487,968	14,791,383	28,279,351
Pension Expense	1,676,749	3,012,573	4,689,322

The Plans' provisions and benefits in effect on June 30, 2022 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	8.00%	7.00%	6.25%
Required employer contribution rates	8.85%	8.85%	8.85%
	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	17.61%	17.61%	17.61%

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	400	198
Inactive employees entitled to but not yet receiving benefits	230	113
Active employees	299	152
Total	<u>929</u>	<u>463</u>

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 \$5,541,736 and \$6,015,801 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 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.

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:

Asset Class (a)	Assumed asset allocation	Real Return Years 1 -10 (b)	Real Return Years 11+ (c)
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 ACFR, 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.

D. Changes in the Net Pension Liability

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

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
Beginning balance	<u>\$ 166,152,258</u>	<u>\$ 115,516,822</u>	<u>\$ 50,635,436</u>
Change in the year:			
Service cost	2,983,483	-	2,983,483
Interest on the total pension liability	11,634,523	-	11,634,523
Differences between actual and expected experience	(621,812)	-	(621,812)
Contribution - employer	-	4,989,325	(4,989,325)
Contribution - employee	-	1,355,200	(1,355,200)
Net Investment income	-	26,112,420	(26,112,420)
Administrative expenses	-	(115,394)	115,394
Benefit payments, including refunds of employee contribution	<u>(8,603,156)</u>	<u>(8,603,156)</u>	<u>-</u>
Net changes	<u>5,393,038</u>	<u>23,738,395</u>	<u>(18,345,357)</u>
Ending at June 30, 2021	<u><u>\$ 171,545,296</u></u>	<u><u>\$ 139,255,217</u></u>	<u><u>\$ 32,290,079</u></u>
	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
Beginning balance	<u>\$ 177,860,542</u>	<u>\$ 131,259,828</u>	<u>\$ 46,600,714</u>
Change in the year:			
Service cost	3,588,362	-	3,588,362
Interest on the total pension liability	12,629,921	-	12,629,921
Differences between actual and expected experience	1,327,276	-	1,327,276
Contribution - employer	-	5,426,591	(5,426,591)
Contribution - employee	-	1,382,442	(1,382,442)
Net Investment income	-	29,662,188	(29,662,188)
Administrative expenses	-	(131,121)	131,121
Benefit payments, including refunds of employee contribution	<u>(8,679,502)</u>	<u>(8,679,502)</u>	<u>-</u>
Net changes	<u>8,866,057</u>	<u>27,660,598</u>	<u>(18,794,541)</u>
Ending at June 30, 2021	<u><u>\$ 186,726,599</u></u>	<u><u>\$ 158,920,426</u></u>	<u><u>\$ 27,806,173</u></u>

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	\$ 54,615,655	\$ 53,425,129	\$ 108,040,784
Current discount rate	7.15%	7.15%	7.15%
Net pension liability	\$ 32,290,079	\$ 27,806,173	\$ 60,096,252
1% increase	8.15%	8.15%	8.15%
Net pension liability	\$ 13,786,868	\$ 6,755,354	\$ 20,542,222

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, 2022, the City recognized pension expense of \$4,689,322 (\$1,676,749 and \$3,012,573 for Miscellaneous and Safety Plans, respectively). On June 30, 2022, 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	\$ 5,541,736	\$ -	\$ 6,015,801	\$ -	\$ 11,557,537
Differences Between Expected and Actual Experience	694,101	(444,151)	2,109,585	-	2,359,535
Change in assumptions	-	-	-	(48,069)	(48,069)
Net differences between projected and actual earnings on pension plan investments	-	(13,043,817)	-	(14,743,314)	(27,787,131)
Total	<u>\$ 6,235,837</u>	<u>\$ (13,487,968)</u>	<u>\$ 8,125,386</u>	<u>\$ (14,791,383)</u>	<u>\$ (13,918,128)</u>

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

For Miscellaneous and Safety Plans, \$5,541,736 and \$6,015,801, 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Period Ended</u>	<u>Miscellaneous Plan Deferred Outflows/(Inflows) Resources</u>	<u>Safety Plan Deferred Outflows/(Inflows) Resources</u>
2023	\$ (2,970,795)	\$ (2,877,103)
2024	(3,014,199)	(2,728,559)
2025	(3,218,288)	(3,126,126)
2026	(3,590,585)	(3,950,010)
Total	<u>\$ (12,793,867)</u>	<u>\$ (12,681,798)</u>

Note 15 - 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 \$2,489,164 in the California Employers’ Retiree Benefit Trust (CERBT) at the end of the fiscal year ending June 30, 2022. 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.

Employees Covered – On June 30, 2021, the measurement date, the following number of participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	278
Inactive employees entitled to but not yet receiving benefits	2
Active employees	100
Total	380

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. The City contributed \$1,629,983 during the fiscal year.

B. Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions - The total OPEB liability at the June 30, 2021 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 2.16%, Bond Buyer 20
Inflation	2.50%
Expected Long-Term Investment Rate of Return	2.16% at June 30, 2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 Experience Study
Mortality Improvement Scale	Post-retirement mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2022, decreasing to an ultimate rate of 3.7% 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, 2021 measurement date were based on the results of an actuarial experience study for the period 2000 to 2019.

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%	4.56%
Fixed income	25%	0.78%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITS	8%	4.06%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16% 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, 2021.

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 (c) = (a) - (b)
Beginning balance	\$ 37,274,423	\$ 2,256,125	\$ 35,018,298
Change in the year:			
Service cost	608,895	-	608,895
Interest on the total OPEB liability	819,684	-	819,684
Changes in assumptions	(888,270)	-	(888,270)
Differences between expected and actual experience	(3,859,438)	-	(3,859,438)
Contribution - employer	-	1,587,163	(1,587,163)
Net Investment income	-	620,069	(620,069)
Benefit payments, including refunds	(1,587,163)	(1,587,163)	-
Administrative expenses	-	(854)	854
Net Changes	<u>(4,906,292)</u>	<u>619,215</u>	<u>(5,525,507)</u>
Ending at June 30, 2022 (measurement date June, 30, 2021)	<u>\$ 32,368,131</u>	<u>\$ 2,875,340</u>	<u>\$ 29,492,791</u>

Changes in assumptions – the City updated the discount rate to 2.16% from 2.21% reported in fiscal year ended 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:

	1% decrease (1.16%)	Current Discount Rate (2.16%)	1% increase (3.16%)
Net OPEB Liability	\$ 33,443,579	\$ 29,492,791	\$ 26,180,478

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:

	1% decrease	Current Trend	1% increase
Net OPEB Liability	\$ 28,303,604	\$ 29,492,791	\$ 30,852,630

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, 2022, the City recognized OPEB expense of \$802,852. On June 30, 2022, 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	\$ -	\$ (2,181,421)
Change in assumptions	1,151,085	(502,066)
Net differences between projected and actual earnings on OPEB plan investments	-	(331,294)
Employer contributions made subsequent to the measurement date	1,629,983	-
Total	\$ 2,781,068	\$ (3,014,781)

The \$1,629,983 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. 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	\$ (992,713)
2023	(697,843)
2024	(79,578)
2025	(93,562)
Total	\$ (1,863,696)

Note 16 - Commitments and Contingency Liabilities

As of June 30, 2022, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
Old Republic Title Co. of St. Louis	\$ 11,825,560
Rolfe Construction Inc.	4,224,246
CC915 Merced	3,852,300
Dokken Engineering	1,872,451
Rucstell CA Sales Inc.	1,535,804
Stantec Consluting Services Inc.	1,293,731
Tyler Technologies Inc.	1,199,046
Avison Construction Inc.	898,832
Sierra Saving Grace	675,860
Park Associates Inc.	643,453
Merced County Dept. of Public Works	625,230
Merced County Dept of Workforce Investment	550,000
Total	\$ 29,196,513

Note 17 - 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.

Note 18 - Adoption of New Accounting Standard and Correction of Error

As of July 1, 2021, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. The City also recognized an error in the recognition of a note receivable in the prior year. Beginning net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 and correct for the note receivable were as follows:

	Governmental Activities	Business-Type Activities	Wastewater Fund	Nonmajor Enterprise Fund (Airport System)	Internal Service Fund
Net Position as July 1, 2021, as previously reported	\$ 308,097,640	\$ 252,736,668	\$ 136,341,484	\$ 3,405,414	\$ 6,649,958
Correct notes receivables	(1,466,107)	-	-	-	-
Recognition of right to use leased asset	27,731	-	-	-	-
Recognition of lease receivables	1,097,430	161,156	138,037	23,119	281,221
Recognition of lease liability	(27,731)	-	-	-	-
Recognition of deferred inflows from leases	(1,097,430)	(161,156)	(138,037)	(23,119)	(281,221)
Net Position at July 1, 2021, as restated	<u>\$ 306,631,533</u>	<u>\$ 252,736,668</u>	<u>\$ 136,341,484</u>	<u>\$ 3,405,414</u>	<u>\$ 6,649,958</u>

	General Fund	Low and Moderate Income Housing	Nonmajor Governmental Funds
Fund Balance as July 1, 2021, as previously reported	\$ 34,396,062	\$ 12,548,010	\$ 33,458,499
Correct notes receivables	-	(1,466,107)	-
Recognition of lease receivables	98,054	-	718,155
Recognition of deferred inflows from leases	(98,054)	-	(718,155)
Fund Balance at July 1, 2021, as restated	<u>\$ 34,396,062</u>	<u>\$ 11,081,903</u>	<u>\$ 33,458,499</u>

City of Merced, California

Required Supplementary Information

June 30, 2022

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, 2022, proceeds of taxes did not exceed allowable appropriations.

The accompanying Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund and major special revenue funds present comparisons of the legally adopted budget with actual data on a basis consistent with GAAP.

Encumbrances

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

City of Merced, California
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 7,933,109	\$ 7,933,109	\$ 9,009,514	\$ 1,076,405
Unsecured	517,000	517,000	563,593	46,593
Supplemental roll:				
Prior year - unsecured	6,500	6,500	15,257	8,757
Prior year - supplemental roll	132,200	132,200	268,271	136,071
Housing Authority In Lieu	-	-	7,419	7,419
Sales and use	14,123,031	14,123,031	17,130,992	3,007,961
Transient occupancy tax	1,560,000	1,560,000	2,389,419	829,419
Franchise	1,678,304	1,678,304	1,866,040	187,736
Business license	1,250,000	1,250,000	1,469,585	219,585
Cost revenue impact study fee	723,450	723,450	904,166	180,716
Real property transfer	250,000	250,000	518,897	268,897
Vehicle in lieu backfill	7,200,000	7,200,000	7,722,286	522,286
Total taxes	35,373,594	35,373,594	41,865,439	6,491,845
Intergovernmental:				
Motor vehicle in lieu tax	58,000	58,000	105,095	47,095
Homeowners property tax relief	30,000	30,000	66,491	36,491
Police standards and training	50,000	50,000	96,066	46,066
Other state grants	84,560	1,141,178	307,369	(833,809)
Other federal grants	-	627,245	401,846	(225,399)
State mandated cost reimbursement	74,574	74,574	75,886	1,312
Total intergovernmental	297,134	1,980,997	1,052,753	(928,244)
Licenses and permits:				
Animal licenses	11,000	11,000	10,086	(914)
Bicycle licenses	35	35	-	(35)
Other licenses and permits	8,500	8,500	6,819	(1,681)
Total licenses and permits	19,535	19,535	16,905	(2,630)
Use of money and property				
Investment Earnings, net of investment	271,790	271,790	(1,262,898)	(1,534,688)
Leases, rents and concessions (other than recreation)	41,907	41,907	24,599	(17,308)
Total use of money and property	313,697	313,697	(1,238,299)	(1,551,996)

City of Merced, California
 Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
 General Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES, Continued:				
Service charges:				
Accident and police reports	\$ 9,400	\$ 9,400	\$ 10,467	\$ 1,067
Fire department special services	353,602	446,482	454,363	7,881
Fire prevention	236,403	236,403	281,130	44,727
Administrative citations	100,000	100,000	146,165	46,165
Administrative Fines	3,800	3,800	54,500	50,700
Cost recovery	99,200	99,200	289,785	190,585
Release fees class I	70,000	70,000	101,304	31,304
Administrative	4,476,601	4,476,601	4,476,601	-
Interdepartmental charges	2,196,915	2,196,915	2,167,235	(29,680)
Total service charges	<u>7,545,921</u>	<u>7,638,801</u>	<u>7,981,550</u>	<u>342,749</u>
Fines, forfeitures and penalties:				
Criminal fines	90,000	90,000	83,956	(6,044)
Parking fines	150,000	150,000	290,534	140,534
Total fines, forfeitures and penalties	<u>240,000</u>	<u>240,000</u>	<u>374,490</u>	<u>134,490</u>
Other:				
Animal control services	15,000	15,000	13,200	(1,800)
School police officer	694,221	694,221	621,081	(73,140)
Reimb Special Debt Expense	220,926	220,926	225,634	4,708
Cash overages (shortages)	100	100	(356)	(456)
Contributions	6,550	109,600	126,587	16,987
Miscellaneous	20,775	20,775	31,810	11,035
Total other	<u>957,572</u>	<u>1,060,622</u>	<u>1,017,956</u>	<u>(42,666)</u>
Total revenues	<u>44,747,453</u>	<u>46,627,246</u>	<u>51,070,794</u>	<u>4,443,548</u>

City of Merced, California
 Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
 General Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City council	\$ 356,257	\$ 364,735	\$ 279,323	\$ 85,412
Youth council	12,127	12,127	9,676	2,451
City manager	1,129,943	1,341,750	831,996	509,754
City clerk	553,432	477,353	403,797	73,556
City attorney	1,225,116	1,468,975	1,231,247	237,728
Finance	3,606,463	3,547,128	3,420,605	126,523
Purchasing	268,790	271,119	263,179	7,940
Economic development	567,374	598,655	469,390	129,265
Total general government	<u>7,719,502</u>	<u>8,081,842</u>	<u>6,909,213</u>	<u>1,172,629</u>
Public safety:				
Police protection	22,885,270	23,625,758	22,167,178	1,458,580
Fire protection and weed abatement	10,960,396	11,768,863	11,654,421	114,442
Total public safety	<u>33,845,666</u>	<u>35,394,621</u>	<u>33,821,599</u>	<u>1,573,022</u>
Public works	<u>2,121,931</u>	<u>2,205,664</u>	<u>1,985,718</u>	<u>219,946</u>
Total current operating	<u>43,687,099</u>	<u>45,682,127</u>	<u>42,716,530</u>	<u>2,965,597</u>
Capital outlay	99,080	842,500	306,747	535,753
Debt service:				
Principal	2,078,095	2,078,095	2,005,000	73,095
Interest	214,229	214,229	199,889	14,340
Total debt service	<u>2,292,324</u>	<u>2,292,324</u>	<u>2,204,889</u>	<u>87,435</u>
Total expenditures	<u>46,078,503</u>	<u>48,816,951</u>	<u>45,228,166</u>	<u>3,588,785</u>
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,331,050)</u>	<u>(2,189,705)</u>	<u>5,842,628</u>	<u>8,032,333</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	6,400	6,400	1,007	(5,393)
Transfers in	1,556,850	1,661,622	1,584,254	(77,368)
Transfers out	(5,447,312)	(7,918,478)	(7,900,268)	18,210
Total other financing sources (uses)	<u>(3,884,062)</u>	<u>(6,250,456)</u>	<u>(6,315,007)</u>	<u>(64,551)</u>
Net change in fund balance	<u>\$ (5,215,112)</u>	<u>\$ (8,440,161)</u>	(472,379)	<u>\$ 7,967,782</u>
FUND BALANCE:				
Beginning of year, restated			<u>14,151,020</u>	
End of year			<u>\$ 13,678,641</u>	

City of Merced, California
 Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
 General Fund
 Year Ended June 30, 2022

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	\$ 51,070,794	\$ -	\$ 321,279	\$ -	\$ (117,110)
Total expenditures	<u>45,228,166</u>	<u>-</u>	<u>1,602,248</u>	<u>-</u>	<u>167,911</u>
Excess (deficiency) of revenues over (under) expenditures	5,842,628	-	(1,280,969)	-	(285,021)
Total other financing sources (uses)	<u>(6,315,007)</u>	<u>802,460</u>	<u>1,452,095</u>	<u>(34,880)</u>	<u>945,098</u>
Net change in fund balance	(472,379)	802,460	171,126	(34,880)	660,077
Beginning of year, as restated	<u>14,151,020</u>	<u>13,171,623</u>	<u>54,417</u>	<u>34,880</u>	<u>2,502,058</u>
End of year	<u>\$ 13,678,641</u>	<u>\$ 13,974,083</u>	<u>\$ 225,543</u>	<u>\$ -</u>	<u>\$ 3,162,135</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	\$ 36,665	\$ -	\$ (528,348)	\$ 50,783,280
Total expenditures	<u>11,007</u>	<u>-</u>	<u>-</u>	<u>47,009,332</u>
Excess (deficiency) of revenues over (under) expenditures	25,658	-	(528,348)	3,773,948
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,755,000</u>	<u>(1,395,234)</u>
Net change in fund balance	25,658	-	1,226,652	2,378,714
Beginning of year, as restated	<u>173,384</u>	<u>-</u>	<u>4,308,680</u>	<u>34,396,062</u>
End of year	<u>\$ 199,042</u>	<u>\$ -</u>	<u>\$ 5,535,332</u>	<u>\$ 36,774,776</u>

City of Merced, California
 Budgetary Comparison Schedule – Housing Special Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 6,953,664	\$ 37,613,298	\$ 13,135,939	\$ (24,477,359)
Use of money and property	377,136	377,136	104,644	(272,492)
Service charges	1,254,304	1,444,543	656,929	(787,614)
Total revenues	<u>8,585,104</u>	<u>39,434,977</u>	<u>13,897,512</u>	<u>(25,537,465)</u>
EXPENDITURES:				
Current operating:				
General government	<u>10,451,874</u>	<u>42,553,253</u>	<u>13,307,060</u>	<u>29,246,193</u>
Total current operating	10,451,874	42,553,253	13,307,060	29,246,193
Capital outlay	<u>2,854,300</u>	<u>2,862,300</u>	<u>676,234</u>	<u>2,186,066</u>
Total expenditures	<u>13,306,174</u>	<u>45,415,553</u>	<u>13,983,294</u>	<u>31,432,259</u>
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(4,721,070)</u>	<u>(5,980,576)</u>	<u>(85,782)</u>	<u>5,894,794</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,538	1,538	-
Transfers out	<u>(18,998)</u>	<u>(18,998)</u>	<u>(18,998)</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,998)</u>	<u>(17,460)</u>	<u>(17,460)</u>	<u>-</u>
Net change in fund balances	<u>\$ (4,740,068)</u>	<u>\$ (5,998,036)</u>	(103,242)	<u>\$ 5,894,794</u>
FUND BALANCE:				
Beginning of Year			<u>28,582,168</u>	
End of Year			<u>\$ 28,478,926</u>	

City of Merced, California
 Budgetary Comparison Schedule – Measure C Special Revenue Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 7,354,121	\$ 7,354,121	\$ 9,229,225	\$ 1,875,104
Intergovernmental	-	26,633	23,626	(3,007)
Use of money and property	32,750	32,750	(193,177)	(225,927)
Service charges	92,145	232,322	250,486	18,164
Total revenues	7,479,016	7,645,826	9,310,160	1,664,334
EXPENDITURES:				
Current operating:				
Public safety	7,599,554	7,857,483	7,289,121	568,362
Public works	5,106	5,106	5,106	-
Total current operating	7,604,660	7,862,589	7,294,227	568,362
Capital outlay	1,000,000	1,000,000	51,821	948,179
Total expenditures	8,604,660	8,862,589	7,346,048	1,516,541
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,125,644)	(1,216,763)	1,964,112	3,180,875
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,673	3,783	110
Transfers out	(169,934)	(169,934)	(169,934)	-
Total other financing sources (uses)	(169,934)	(166,261)	(166,151)	110
Net change in fund balances	\$ (1,295,578)	\$ (1,383,024)	1,797,961	\$ 3,180,985
FUND BALANCE:				
Beginning of Year			4,839,921	
End of Year			<u>\$ 6,637,882</u>	

City of Merced, California
 Budgetary Comparison Schedule – Low and Moderate Income Housing
 Special Revenue Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 34,859	\$ 34,859	\$ (51,301)	\$ (86,160)
Total revenues	34,859	34,859	(51,301)	(86,160)
EXPENDITURES:				
Current operating:				
General government	2,128,658	2,128,658	186,354	1,942,304
Total current operating	2,128,658	2,128,658	186,354	1,942,304
Total expenditures	2,128,658	2,128,658	186,354	1,942,304
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,093,799)</u>	<u>(2,093,799)</u>	<u>(237,655)</u>	<u>1,856,144</u>
Net change in fund balances	<u>\$ (2,093,799)</u>	<u>\$ (2,093,799)</u>	(237,655)	<u>\$ 1,856,144</u>
FUND BALANCE:				
Beginning of Year			<u>11,081,903</u>	
End of Year			<u>\$ 10,844,248</u>	

City of Merced, California
 Budgetary Comparison Schedule – Public Facilities Impact
 Special Revenue Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 323,990	\$ 323,990	\$ (942,208)	\$ (1,266,198)
Charges for services	3,592,536	3,592,536	3,595,617	3,081
Total revenues	<u>3,916,526</u>	<u>3,916,526</u>	<u>2,653,409</u>	<u>(1,263,117)</u>
EXPENDITURES:				
Current operating:				
General government	47,260	47,260	47,260	-
Public works	<u>244,113</u>	<u>244,113</u>	<u>244,113</u>	<u>-</u>
Total current operating	<u>291,373</u>	<u>291,373</u>	<u>291,373</u>	<u>-</u>
Total expenditures	<u>291,373</u>	<u>291,373</u>	<u>291,373</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,625,153</u>	<u>3,625,153</u>	<u>2,362,036</u>	<u>(1,263,117)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	65,659	65,659
Transfers out	<u>(2,636,318)</u>	<u>(2,636,318)</u>	<u>-</u>	<u>2,636,318</u>
Total other financing sources (uses)	<u>(2,636,318)</u>	<u>(2,636,318)</u>	<u>65,659</u>	<u>2,701,977</u>
Net change in fund balances	<u>\$ 988,835</u>	<u>\$ 988,835</u>	2,427,695	<u>\$ 1,438,860</u>
FUND BALANCE:				
Beginning of Year			<u>24,305,738</u>	
End of Year			<u>\$ 26,733,433</u>	

City of Merced, California
 Budgetary Comparison Schedule – American Rescue Plan Act
 Special Revenue Fund
 Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 308,874	\$ 308,874
Use of money and property	-	-	(1,320,485)	(1,320,485)
Total revenues	-	-	(1,011,611)	(1,011,611)
EXPENDITURES:				
Current operating:				
General government	-	3,149,477	56,948	3,092,529
Culture and recreation	-	7,300,000	-	7,300,000
Total current operating	-	10,449,477	56,948	10,392,529
Capital outlay	-	2,350,000	183,496	2,166,504
Total expenditures	-	12,799,477	240,444	12,559,033
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(12,799,477)	(1,252,055)	11,547,422
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(109,093)	(97,767)	11,326
Total other financing sources (uses)	-	(109,093)	(97,767)	11,326
Net change in fund balances	\$ -	\$(12,908,570)	(1,349,822)	\$ 11,558,748
FUND BALANCE:				
Beginning of Year			2,545,661	
End of Year			\$ 1,195,839	

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

Measurement period	2020-21	2019-20	2018-19
Total pension liability			
Service cost	\$ 2,983,483	\$ 2,940,267	\$ 2,698,887
Interest on total pension liability	11,634,523	11,245,961	10,730,722
Changes of assumptions	-	-	-
Differences between expected and actual experience	(621,812)	1,266,165	1,287,405
Benefit payments, including refunds of employee contributions	(8,603,156)	(7,699,994)	(7,520,700)
Net change in total pension liability	5,393,038	7,752,399	7,196,314
Total pension liability - beginning	166,152,258	158,399,859	151,203,545
Total pension liability - ending (a)	\$ 171,545,296	\$ 166,152,258	\$ 158,399,859
Plan fiduciary net position			
Contributions - employer	\$ 4,989,325	\$ 4,535,059	\$ 3,955,103
Contributions - employee	1,355,200	1,509,866	1,405,084
Net investment income	26,112,420	5,445,041	6,916,928
Benefit payments, including refunds of employee contributions	(8,603,156)	(7,699,994)	(7,520,700)
Net plan to plan resource movement	-	-	-
Other miscellaneous income/(expense)	(115,394)	-	249
Net change in plan fiduciary net position - ending	23,738,395	3,789,972	4,756,664
Plan fiduciary net position - beginning	115,516,822	111,726,850	106,970,186
Plan fiduciary net position - ending (b)	139,255,217	115,516,822	111,726,850
Plan net pension liability - ending (a)-(b)	\$ 32,290,079	\$ 50,635,436	\$ 46,673,009
Plan fiduciary net position as a percentage of the total pension liability	81.18%	69.52%	70.53%
Covered payroll	\$ 19,474,429	\$ 18,920,634	\$ 17,061,048
Plan net pension liability / (asset) as percentage of covered payroll	165.81%	267.62%	273.56%

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

Notes to schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from plan changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. 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, California
Schedule of Changes in the Net Pension Liability and Related Ratios –
Miscellaneous Plan
Last 10 Years⁽¹⁾

	2017-18	2016-17	2015-16	2014-15	2013-14
\$	2,637,968	\$ 2,693,011	\$ 2,380,009	\$ 2,478,640	\$ 2,627,256
	10,244,849	9,858,159	9,435,717	9,059,272	8,695,697
	(1,271,983)	8,157,365	-	(2,210,035)	-
	1,040,612	673,366	(818,329)	(1,270,597)	-
	(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
	5,361,657	14,903,681	4,936,954	2,618,874	6,183,800
	145,841,888	130,938,207	126,001,253	123,382,379	117,198,579
\$	151,203,545	\$ 145,841,888	\$ 130,938,207	\$ 126,001,253	\$ 123,382,379
\$	3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
	1,325,496	1,224,690	1,235,668	1,311,171	1,253,749
	8,420,861	10,300,142	473,484	2,039,373	14,172,466
	(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
	(249)	-	-	-	-
	(300,293)	-	-	-	-
	5,492,102	8,036,224	(1,503,851)	497,547	12,534,506
	101,478,084	93,441,860	94,945,711	94,448,164	81,913,658
	106,970,186	101,478,084	93,441,860	94,945,711	94,448,164
\$	44,233,359	\$ 44,363,804	\$ 37,496,347	\$ 31,055,542	\$ 28,934,215
	70.75%	69.58%	71.36%	75.35%	76.55%
\$	16,559,749	\$ 16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
	267.11%	268.60%	234.79%	190.68%	175.66%

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

Measurement period	2020-21	2019-20	2018-19
<u>Total pension liability</u>			
Service cost	\$ 3,588,362	\$ 3,726,898	\$ 3,521,487
Interest on total pension liability	12,629,921	12,011,759	11,402,363
Changes of assumptions	-	-	-
Differences between expected and actual experience	1,327,276	1,259,662	1,031,970
Benefit payments, including refunds of employee contributions	<u>(8,679,502)</u>	<u>(8,022,558)</u>	<u>(7,503,871)</u>
Net change in total pension liability	8,866,057	8,975,761	8,451,949
Total pension liability - beginning	<u>177,860,542</u>	<u>168,884,781</u>	<u>160,432,832</u>
Total pension liability - ending (a)	<u>\$ 186,726,599</u>	<u>\$ 177,860,542</u>	<u>\$ 168,884,781</u>
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 5,426,591	\$ 5,077,238	\$ 4,487,096
Contributions - employee	1,382,442	1,417,644	1,348,870
Net investment income	29,662,188	6,167,292	7,801,644
Benefit payments, including refunds of employee contributions	(8,679,502)	(8,022,558)	(7,503,871)
Net plan to plan resource movement	-	-	-
Other miscellaneous income/(expense)	<u>(131,121)</u>	<u>-</u>	<u>280</u>
Net change in plan fiduciary net position - ending	27,660,598	4,639,616	6,134,019
Plan fiduciary net position - beginning	<u>131,259,828</u>	<u>126,620,212</u>	<u>120,486,193</u>
Plan fiduciary net position - ending (b)	<u>158,920,426</u>	<u>131,259,828</u>	<u>126,620,212</u>
Plan net pension liability - ending (a)-(b)	<u>\$ 27,806,173</u>	<u>\$ 46,600,714</u>	<u>\$ 42,264,569</u>
Plan fiduciary net position as a percentage of the total pension liability	85.11%	73.80%	74.97%
Covered payroll	\$ 13,748,512	\$ 14,095,681	\$ 13,061,894
Plan net pension liability / (asset) as percentage of covered payroll	202.25%	330.60%	323.57%

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

Notes to schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from plan changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. 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, California
Schedules of Changes in the Net Pension Liability and Related Ratios –
Safety Plan
Last 10 Years⁽¹⁾

2017-18	2016-17	2015-16	2014-15	2013-14
\$ 3,543,500	\$ 3,431,918	\$ 2,918,262	\$ 2,915,019	\$ 3,121,317
10,821,482	10,305,955	9,919,699	9,584,428	9,243,496
(689,001)	8,884,695	-	(2,398,329)	-
982,138	(1,074,802)	(2,152,774)	(2,052,784)	-
(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
7,638,516	14,814,140	4,549,320	2,252,908	6,619,144
152,794,316	137,980,176	133,430,856	131,177,948	124,558,804
<u>\$ 160,432,832</u>	<u>\$ 152,794,316</u>	<u>\$ 137,980,176</u>	<u>\$ 133,430,856</u>	<u>\$ 131,177,948</u>
\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
1,210,467	1,163,431	1,111,386	1,068,553	1,106,201
9,388,347	11,381,967	474,720	2,226,669	15,776,487
(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
(280)	-	-	-	-
(335,745)	-	-	-	-
7,027,912	9,310,604	(1,399,977)	406,951	13,752,998
113,458,281	104,147,677	105,547,654	105,140,703	91,387,705
120,486,193	113,458,281	104,147,677	105,547,654	105,140,703
<u>\$ 39,946,639</u>	<u>\$ 39,336,035</u>	<u>\$ 33,832,499</u>	<u>\$ 27,883,202</u>	<u>\$ 26,037,245</u>
75.10%	74.26%	75.48%	79.10%	80.15%
\$ 12,872,349	\$ 12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
310.33%	313.81%	285.09%	236.81%	215.88%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 5,541,736	\$ 4,989,325	\$ 4,535,059	\$ 3,955,103
Contributions in relation to the actuarially determined contributions	<u>(5,541,736)</u>	<u>(4,989,325)</u>	<u>(4,535,059)</u>	<u>(3,955,103)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 19,342,923	\$ 19,474,429	\$ 18,920,634	\$ 17,061,048
Contributions as a percentage of covered payroll	28.65%	25.62%	23.97%	23.18%

(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	2.5%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% 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, California
 Schedule of Pension Contributions –
 Miscellaneous Plan
 Last 10 Years⁽¹⁾

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
<u>(3,336,076)</u>	<u>(2,989,612)</u>	<u>(2,847,440)</u>	<u>(2,585,409)</u>	<u>(2,247,444)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$16,559,749	\$16,516,474	\$15,970,003	\$16,286,485	\$16,471,824
20.15%	18.10%	17.83%	15.87%	13.64%

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

	2022	2021	2020	2019
Actuarially determined contribution	\$ 6,015,801	\$ 5,426,591	\$ 5,077,238	\$ 4,487,096
Contributions in relation to the actuarially determined contributions	<u>(6,015,801)</u>	<u>(5,426,591)</u>	<u>(5,077,238)</u>	<u>(4,487,096)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 13,375,127	\$ 13,748,512	\$14,095,681	\$13,061,894
Contributions as a percentage of covered payroll	44.98%	39.47%	36.02%	34.35%

(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 2021-22 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	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% 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, California
 Schedule of Pension Contributions –
 Safety Plan
 Last 10 Years⁽¹⁾

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
<u>(3,784,726)</u>	<u>(3,498,832)</u>	<u>(3,149,784)</u>	<u>(2,907,155)</u>	<u>(2,615,979)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$12,872,349	\$12,534,855	\$11,867,192	\$11,774,523	\$12,061,197
29.40%	27.91%	26.54%	24.69%	21.69%

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

Measurement Period (1)	2021	2020
Total OPEB liability		
Service cost	\$ 608,895	\$ 456,726
Interest on total pension liability	819,684	1,118,660
Changes in assumptions	(888,270)	4,988,037
Differences between expected and actual experience	(3,859,438)	-
Benefit payments, including refunds of employee contributions	(1,587,163)	(1,588,000)
Net change in total OPEB liability	(4,906,292)	4,975,423
Total OPEB liability - beginning	37,274,423	32,299,000
Total OPEB liability - ending (a)	<u>\$ 32,368,131</u>	<u>\$ 37,274,423</u>
OPEB fiduciary net position		
Contributions - employer	\$ 1,587,163	\$ 1,588,000
Administrative expenses	(854)	-
Net investment income (2)	620,069	76,125
Benefit payments, including refunds of employee contributions	(1,587,163)	(1,588,000)
Net change in plan fiduciary net position	619,215	76,125
Plan fiduciary net position - beginning	2,256,125	2,180,000
Plan fiduciary net position - ending (b)	<u>2,875,340</u>	<u>2,256,125</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 29,492,791</u>	<u>\$ 35,018,298</u>
Plan fiduciary net position as a percentage of the total pension liability	8.88%	6.05%
Covered - employee payroll	\$ 10,517,865	\$ 10,836,000
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	280.41%	323.17%

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

(2) Net of administrative expenses.

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

2019	2018	2017
\$ 470,000	\$ 506,000	\$ 877,000
1,277,000	1,218,000	1,133,000
852,000	(1,100,000)	(2,937,000)
(2,015,000)	-	(2,947,000)
<u>(1,617,000)</u>	<u>(1,585,000)</u>	<u>(1,427,000)</u>
(1,033,000)	(961,000)	(5,301,000)
<u>33,332,000</u>	<u>34,293,000</u>	<u>39,594,000</u>
<u>\$ 32,299,000</u>	<u>\$ 33,332,000</u>	<u>\$ 34,293,000</u>
\$ 1,617,000	\$ 1,585,000	\$ 1,427,000
-	-	-
126,000	148,000	181,000
<u>(1,617,000)</u>	<u>(1,585,000)</u>	<u>(1,427,000)</u>
126,000	148,000	181,000
<u>2,054,000</u>	<u>1,906,000</u>	<u>1,725,000</u>
<u>2,180,000</u>	<u>2,054,000</u>	<u>1,906,000</u>
<u>\$ 30,119,000</u>	<u>\$ 31,278,000</u>	<u>\$ 32,387,000</u>
6.75%	6.16%	5.56%
\$ 11,970,000	\$ 11,909,000	\$ 12,558,000
251.62%	262.64%	257.90%

City of Merced, California
Schedule of Contributions - OPEB
Last 10 Years⁽¹⁾

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,723,000	\$ 2,751,000	\$ 2,380,000	\$ 2,431,000	\$ 2,370,000
Contributions in relation to the actuarially determined contribution	<u>(1,629,983)</u>	<u>(1,587,163)</u>	<u>(1,588,000)</u>	<u>(1,617,000)</u>	<u>(1,584,000)</u>
Contribution deficiency (excess)	<u>\$ 1,093,017</u>	<u>\$ 1,163,837</u>	<u>\$ 792,000</u>	<u>\$ 814,000</u>	<u>\$ 786,000</u>
Covered-employee payroll	\$ 9,516,164	\$10,517,865	\$10,836,000	\$11,970,000	\$11,909,000
Contributions as a percentage of covered-employee payroll	17.13%	15.09%	14.65%	13.51%	13.30%

(1) - 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 2022 were as of the June 30, 2019 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 6/30/21 UAAL over 17 years
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	3.50%
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

City of Merced, California

Supplementary Information

June 30, 2022

City of Merced, California
 General Fund
 Combining Balance Sheet
 June 30, 2022

	General Fund	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund
ASSETS				
Cash, cash equivalents and investments	\$ 6,432,212	\$ 13,974,083	\$ 267,545	\$ -
Restricted cash held by fiscal agents	20,867	-	-	-
Receivables:				
Accounts	1,781,342	-	870	-
Due from other governments	3,758,887	-	28,960	-
Interest	67,608	-	-	-
Due from other funds	6,806,502	-	-	-
Prepaid items	-	-	-	-
Inventory	73,467	-	-	-
Lease receivables	84,514	-	-	-
Notes receivables	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 19,025,399</u>	<u>\$ 13,974,083</u>	<u>\$ 297,375</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 426,467	\$ -	\$ 20,067	\$ -
Payroll liabilities	1,329,429	-	51,765	-
Unearned revenues	1,350,206	-	-	-
Advance from other funds	2,138,919	-	-	-
Deposits and other liabilities	18,039	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,263,060</u>	<u>-</u>	<u>71,832</u>	<u>-</u>
Deferred inflows of resources:				
Leases	83,698	-	-	-
Fund balances:				
Nonspendable	73,467	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	7,056,520	-	151,086	-
Unassigned	6,548,654	13,974,083	74,457	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>13,678,641</u>	<u>13,974,083</u>	<u>225,543</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,025,399</u>	<u>\$ 13,974,083</u>	<u>\$ 297,375</u>	<u>\$ -</u>

City of Merced, California
 General Fund
 Combining Balance Sheet
 June 30, 2022

Economic Development Opportunity Fund	Substandard Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust Fund	General Fund Combined
\$ 3,152,990	\$ 139,750	\$ 597,050	\$ -	\$ 24,563,630
-	-	-	5,535,332	5,556,199
-	64,041	457,556	-	2,303,809
-	-	375,038	-	4,162,885
9,145	-	-	-	76,753
-	-	-	-	6,806,502
-	-	27,094	-	27,094
-	-	-	-	73,467
-	-	-	-	84,514
-	-	84,676	-	84,676
<u>\$ 3,162,135</u>	<u>\$ 203,791</u>	<u>\$ 1,541,414</u>	<u>\$ 5,535,332</u>	<u>\$ 43,739,529</u>
\$ -	\$ 4,749	\$ 13,871	\$ -	\$ 465,154
-	-	457,556	-	1,838,750
-	-	-	-	1,350,206
-	-	-	-	2,138,919
-	-	1,069,987	-	1,088,026
-	4,749	1,541,414	-	6,881,055
-	-	-	-	83,698
-	-	-	-	73,467
-	-	-	5,535,332	5,535,332
-	192,570	-	-	192,570
60,666	6,472	-	-	7,274,744
3,101,469	-	-	-	23,698,663
<u>3,162,135</u>	<u>199,042</u>	<u>-</u>	<u>5,535,332</u>	<u>36,774,776</u>
<u>\$ 3,162,135</u>	<u>\$ 203,791</u>	<u>\$ 1,541,414</u>	<u>\$ 5,535,332</u>	<u>\$ 43,739,529</u>

City of Merced, California
General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

	General Fund	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund
REVENUES:				
Taxes	\$ 41,865,439	\$ -	\$ -	\$ -
Intergovernmental	1,052,753	-	28,960	-
Licenses and permits	16,905	-	-	-
Use of money and property	(1,238,299)	-	(2,544)	-
Service charges	7,981,550	-	223,770	-
Fines, forfeitures and penalties	374,490	-	-	-
Other	1,017,956	-	71,093	-
Total revenues	<u>51,070,794</u>	<u>-</u>	<u>321,279</u>	<u>-</u>
EXPENDITURES:				
Current operating:				
General government	6,909,213	-	-	-
Public safety	33,821,599	-	-	-
Public works	1,985,718	-	-	-
Culture and recreation	-	-	1,602,248	-
Total current operating	<u>42,716,530</u>	<u>-</u>	<u>1,602,248</u>	<u>-</u>
Capital outlay	306,747	-	-	-
Debt Service:				
Principal	2,005,000	-	-	-
Interest	199,889	-	-	-
Total expenditures	<u>45,228,166</u>	<u>-</u>	<u>1,602,248</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,842,628</u>	<u>-</u>	<u>(1,280,969)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of asset	1,007	-	-	-
Transfers in	1,584,254	-	127,819	-
Transfers out	(3,062,208)	-	(11,324)	(34,880)
Intrafund transfers	(4,838,060)	802,460	1,335,600	-
Total other financing sources (uses)	<u>(6,315,007)</u>	<u>802,460</u>	<u>1,452,095</u>	<u>(34,880)</u>
NET CHANGE IN FUND BALANCES	<u>(472,379)</u>	<u>802,460</u>	<u>171,126</u>	<u>(34,880)</u>
FUND BALANCES:				
Beginning of year, as restated	<u>14,151,020</u>	<u>13,171,623</u>	<u>54,417</u>	<u>34,880</u>
End of year	<u>\$ 13,678,641</u>	<u>\$ 13,974,083</u>	<u>\$ 225,543</u>	<u>\$ -</u>

City of Merced, California
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

Economic Development Opportunity Fund	Substandard Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust Fund	General Fund Combined
\$ -	\$ -	\$ -	\$ -	\$ 41,865,439
-	-	-	-	1,081,713
-	-	-	-	16,905
(117,110)	(5,177)	-	(528,348)	(1,891,478)
-	41,842	-	-	8,247,162
-	-	-	-	374,490
-	-	-	-	1,089,049
<u>(117,110)</u>	<u>36,665</u>	<u>-</u>	<u>(528,348)</u>	<u>50,783,280</u>
152,311	-	-	-	7,061,524
-	11,007	-	-	33,832,606
-	-	-	-	1,985,718
-	-	-	-	1,602,248
<u>152,311</u>	<u>11,007</u>	<u>-</u>	<u>-</u>	<u>44,482,096</u>
15,600	-	-	-	322,347
-	-	-	-	2,005,000
-	-	-	-	199,889
<u>167,911</u>	<u>11,007</u>	<u>-</u>	<u>-</u>	<u>47,009,332</u>
<u>(285,021)</u>	<u>25,658</u>	<u>-</u>	<u>(528,348)</u>	<u>3,773,948</u>
-	-	-	-	1,007
98	-	-	-	1,712,171
-	-	-	-	(3,108,412)
<u>945,000</u>	<u>-</u>	<u>-</u>	<u>1,755,000</u>	<u>-</u>
<u>945,098</u>	<u>-</u>	<u>-</u>	<u>1,755,000</u>	<u>(1,395,234)</u>
660,077	25,658	-	1,226,652	2,378,714
<u>2,502,058</u>	<u>173,384</u>	<u>-</u>	<u>4,308,680</u>	<u>34,396,062</u>
<u>\$ 3,162,135</u>	<u>\$ 199,042</u>	<u>\$ -</u>	<u>\$ 5,535,332</u>	<u>\$ 36,774,776</u>

City of Merced, California
 University Capital Fund
 Combining Balance Sheet
 June 30, 2022

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
ASSETS			
Intergovernmental receivable	\$ 5,219,434	\$ 2,661,911	\$ 2,557,523
Total assets	<u>\$ 5,219,434</u>	<u>\$ 2,661,911</u>	<u>\$ 2,557,523</u>
LIABILITIES AND FUND BALANCES			
Accrued interest payable	\$ 67,225	\$ 34,285	\$ 32,940
Bonds payable current	325,000	165,750	159,250
Bonds payable noncurrent	<u>4,827,209</u>	<u>2,461,876</u>	<u>2,365,333</u>
Total liabilities	<u>5,219,434</u>	<u>2,661,911</u>	<u>2,557,523</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,219,434</u>	<u>\$ 2,661,911</u>	<u>\$ 2,557,523</u>

City of Merced, California
 University Capital Fund
 Combining Statement of Revenues, Expenses and Changes in Fund Balance
 Year Ended June 30, 2022

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
OPERATING REVENUES:			
Sewer facility fee	\$ 180,667	\$ 92,140	\$ 88,527
Total operating revenues	180,667	92,140	88,527
NONOPERATING REVENUE (EXPENSES):			
Interest and fiscal agent fees	180,667	92,140	88,527
Total nonoperating (expenses)	180,667	92,140	88,527
Net Income (Loss)	-	-	-
FUND BALANCES:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -