



City of Merced, California
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

The Redevelopment Agency of the City of Merced commissioned local muralist, Anne Whitehurst, to create this mural to reflect Merced's support of music and musicians. The mural depicts the legends of the jazz and blues genre. The piece is a composition of national and local musical talents presented to give the spectator a vivid stage-lit view of the musicians. The mural can be seen on the building at the southeast corner of Main and K Streets.



-COVER PHOTO BY DANIEL AINSLIE

City of Merced

Merced, California

Comprehensive Annual Financial Report

For the year ended June 30, 2004

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2004

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September 17, 2004

Honorable Mayor,
Members of the City Council, and
City Manager of the City of Merced

The Comprehensive Annual Financial Report (CAFR) of the City of Merced for the fiscal year ending June 30, 2004 is hereby submitted in accordance with the City Charter. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section is intended to acquaint the reader with the organizational structure of the City, the nature and scope of the services it provides, and the specifics of its legal operating environment. The introductory section includes this transmittal letter, the City's organizational chart, a list of the City of Merced's elected and administrative officials and the Certificate of Achievement for Excellence in Financial Reporting. The financial section is prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34) requirements by including the Independent Auditors Report, the Management Discussion and Analysis and the basic financial statements. The required supplementary information includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

REPORTING ENTITY AND ITS SERVICES

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City of Merced is located in the Central Valley of California. The City is located approximately 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles. The City has a population of approximately 69,805 and serves as the county seat. Merced is located on Highway 99, the dominant north-south freeway in California, and is served also by Highways 140 and 59. Two railroads, Union Pacific and Burlington Northern Santa Fe, have main lines that pass through the City.

Merced serves as the region's trade center. The economy has been based upon traditional industries such as food processing and manufacturing but with increasing, diversification and expansion in commercial services. A new plaza, Merced Marketplace, opened late in 2003 anchored by Lowe's, Best Buy, Pier 1, and Barnes and Noble. During 2004, Linens N Things, Panda Express and Applebee's opened in the Merced Marketplace. The City of Merced's per capita taxable retail sales continues to increase, outpacing retail growth in neighboring communities. Successful public-private partnerships have resulted in the resurgence and revitalization of downtown Merced. In May 2004, the University of California Merced opened its administrative offices in downtown Merced. With the opening of the University of California Merced campus, slated for September 2005, real estate vacancies have declined and property values have increased.

Industrial expansion has been strong in the past two years. The community's available inventory of existing industrial buildings is nearly 100% absorbed. Merced's industrial base includes printing, fiberglass boat building, warehousing and distribution, and plastic and packaging industries. An increase in corporate capital investment occurred, led by Safeway Food Processing, Scholle Corporation and Quebecor. Expansions of local firms have been prominent, with a few new companies entering the area.

Downtown revitalization continues, with nearly \$30 million in private investment completed and new projects under construction in the City Center pedestrian area. National retailers continue investing in the recently completed Mainplace Merced. Construction began on Main Street's first new multi-family

unit, the Merced Lofts, consisting of commercial space and 14 residential lofts. Restoration of the Mondo Building, formerly Bank of Italy, was underway at year-end with UC Merced Administration occupying office space and plans for County Bank to lease a portion of the building. Efforts were underway to restore the former Merced Theatre back to its original 1931 condition.

In May 1995, Merced was selected as the location of the next University of California campus, a research university for the 21st Century. Local planning is proceeding to accommodate campus development. Federal and State funds have been committed to the University of California campus for transportation improvements and planning costs. Three buildings, the library, the student housing, and the Engineering and Science building, are under construction. The City of Merced is extending water and sewer services to the University campus. University planners expect 2005 to be the opening date and at full buildout the University will accommodate about 25,000 students.

The University already offers classes and services in Merced from the temporary headquarters at Castle Aviation and Development Center and the Merced Tri-College Center campus; and University employment continues to grow. Partnerships have been opened between the University and Merced College. The University has created its first research arm, the Sierra Nevada Research Institute.

Economic indicators such as the number of building permits issued, record home sales, and the increasing land values clearly point out the City of Merced is headed for further long-term economic development and community prosperity.

CURRENT EVENTS

Key events for the 2003-04 fiscal year are highlighted as follows:

General Government

The City Council set priorities for the fiscal year budget as the general plan update, water, wastewater & storm drainage, UC Merced, annexations, infrastructure and revenue protection and enhancement.

An Ad Hoc Citizens Committee, the State Budget Impact-Citizen Response Committee, was formed to review the City's financing alternatives for capital projects and service delivery for the 2004-05 budget year and future years.

The City provided citizens an online inquiry and bill pay option for their municipal utility accounts.

A "How to do Business" booklet was published that will assist the general business community/vendors in doing business with the City.

Support Services

Training sessions through Central San Joaquin Valley Risk Management Authority were provided to offer safety classes to all City employees.

A new Director of Information Systems position was created and filled.

An Information Systems Help Desk was implemented to provide technical support.

Various departments collaborated to utilize and update the citywide geographic information system (GIS) program.

The GIS Coordinator provided training for specific skills and use of ArcView GIS programs.

Recreation and Parks

A mobile recreation program was created that offers bounce houses and other recreational activities to the community.

Public Safety

A new fire training tower was built at the Central Fire Station on East 16th Street.

Plans for a new fire station in northeast Merced at Carpenter Park were completed.

Plans were completed for reconfiguration of the Police Department's local area network to include the dispatch center and the dispatch software was ordered.

Public Works

The new recycling program was successful with over 11,300 tons of waste diverted from the County landfill. A Recycling Coordinator worked with the citizen and community organizations to educate the community on the recycling program.

Phase III of Wastewater Treatment Plant Improvement project was completed. The project restored the capacity of the City's wastewater treatment plant to 10 million gallons of sewage each day. The total cost was over \$13 million.

The City's traffic signal timing project was underway. When completed the project will reduce the time automobiles spend idling at traffic lights on key corridors in Merced.

Transportation and Housing

The City received over \$1.5 million in community Development Block Grant funds; \$700,000 in Federal HOME funds, and over \$225,000 in airport grants from the Federal Aviation Administration.

Community Development

Home construction continued at an unprecedented pace in Merced with approximately 1,000 single-family homes being permitted. This is triple the number of permits in 2002.

Linen N Things, Panda Express and Applebee's opened in the new Merced Marketplace shopping center during 2003-04.

The City worked with UC Merced to obtain loans to fund a \$9 million extension of sewer and water lines three miles to the UC Merced campus. The loans were secured without cost to the City's other ratepayers.

The South Merced Strategic Plan was completed. This Plan sets an action plan and funding strategy to address the needs of South and Southeast Merced such as land use, public improvements, housing and commercial services.

The Parks and Open Space Master Plan was completed.

The Public Facilities Financing Program fees for improvements and infrastructure on new construction were revised.

A Community Facilities District was created to fund essential services needed due to growth.

Davenport Park was completed and Hansen Park was approximately 75% complete at year-end.

Redevelopment Agency

The Redevelopment Agency was required by the State of California to transfer \$260,151 to the State Education Revenue Augmentation Fund (ERAF).

The Mondo Building project was partially completed. In May 2004, UC Merced administrators moved into the newly renovated downtown space to occupy the second and third floors of the building. Completion of the first floor and basement are expected to be in the fall.

Construction on the Merced Lofts project was underway. This downtown project consists of ground floor retail, 14 residential lofts on the upper floor with some private parking. The project is expected to be completed by the end of 2004.

Construction was underway on the Grove Apartments, which is a 204 unit multi-family project. The total Agency's and City's assistance package is approximately \$6.2 million. Project completion is planned for 2005.

The Merced Center site preparation was near completion at year-end. The Merced Center development includes a business class hotel, 75,000 square feet of office buildings, and a parking structure in downtown Merced.

The Martin Luther King Jr. Way Entrance Project was in the conceptual plan phase.

The final piece of the Redevelopment Agency public art commission, originating in 2001, was complete with the installation of Anne Whitehurst's mural depicting the legends of the jazz and blues genre.

The Merced Theater received Historic designation. Plans for Phase I construction and selective demolition was in progress.

A development agreement with the Merced County Housing Authority to develop 4.9 acres with a new complex was approved in May. The new complex will include a 40,000 square foot office building with an additional 10,000 square feet of maintenance space.

FINANCIAL INFORMATION

Internal Controls

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

Single Audit

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

Budgetary Controls

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

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

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

Cash Management

Cash temporarily idle during the year was invested in Certificate of Deposits, Government Obligations, Mutual Funds, and the State Treasurer's Investment Pool. The maturities of the investments generally range from 1 month to 24 months, with the average maturity being 26 days. The average yield on investments was 2.07 percent.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all of the investments held by the government at June 30, 2004 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management

During fiscal year 1978, the City established two risk management funds, the Workers' Compensation Insurance Fund and the Liability Insurance Fund (both internal service funds) to account for and finance its uninsured risks of loss, with the exception of the Property and Airport insurance which is fully insured and accounted for in the Liability Insurance Fund. Under this program, the Workers' Compensation Insurance Fund provides coverage for up to a maximum of \$250,000 for each workers' compensation claim. The City purchases commercial insurance for claims in excess of the coverage provided in the fund. The City is a member of the Central San Joaquin Valley Risk Management Authority, with self-insured retention for each claim of \$100,000 for general liability and error and omissions, and \$500,000 for vehicle liability. Settled claims have not exceeded this commercial coverage in any of the past fiscal years. All funds of the City participate in the program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Independent Audit

The City Charter, Federal Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, require an annual audit of the financial records of the City by independent auditors. The annual audit was completed by the independent auditor's Caporicci & Larson, Certified Public Accountants. The independent auditors' report on basic financial statements and supplemental information is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merced for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2003. This was the eighth consecutive year the City has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

ACKNOWLEDGMENTS

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

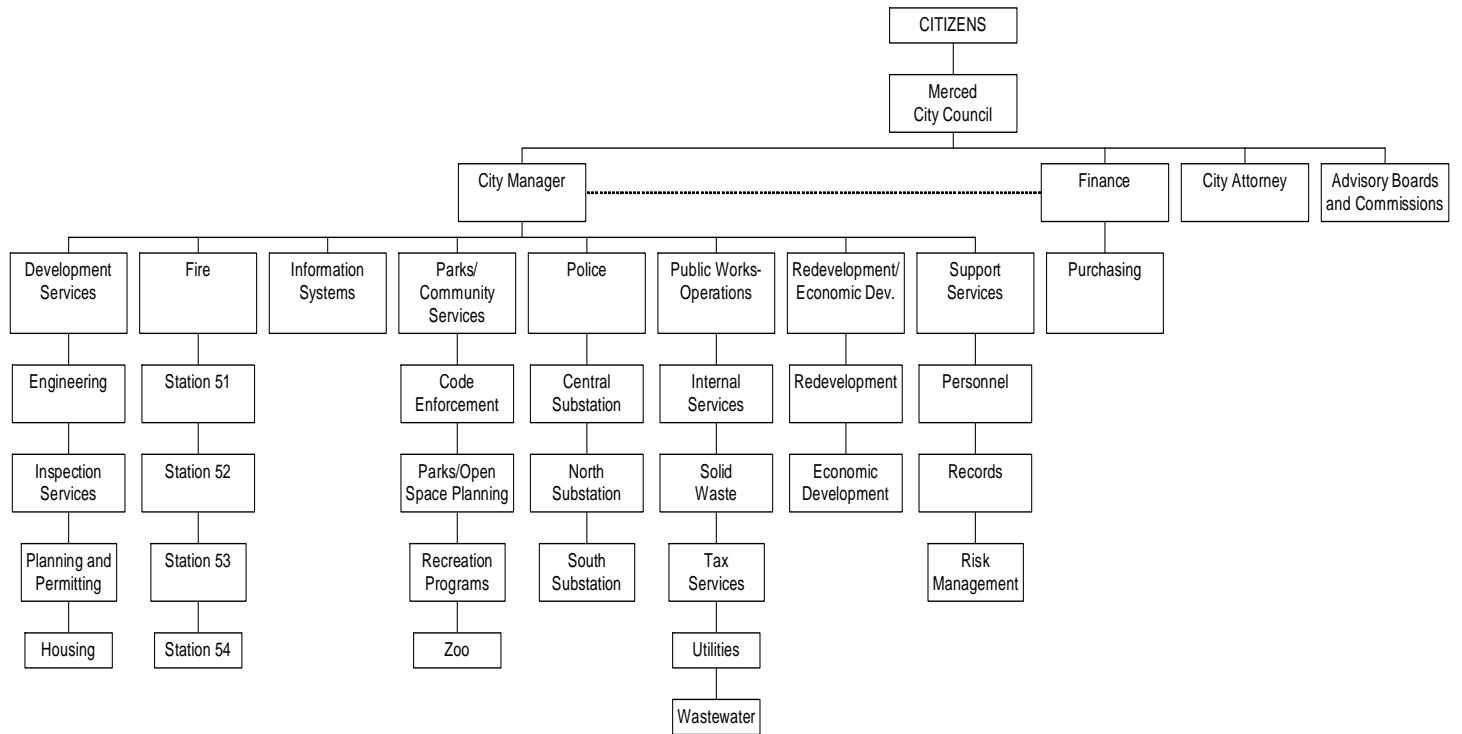
I would like to acknowledge the City Council and City Manager for their continuous support in planning and conducting the financial operations of the City of Merced in a responsible and progressive manner.

Respectfully submitted,

Bradley R. Grant
Finance Officer

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City of Merced Organizational Chart June 30, 2004



City of Merced
Responsible Officials
June 30, 2004

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

Hubert Walsh, Jr.
Ellie Wooten
Joseph Cortez
Michele Gabriault-Acosta
Rick Osoio
James Sanders
William Spriggs

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

James G. Marshall
William Cahill
Gregory Diaz
Bradley R. Grant
Mark A. Dossetti
Kenneth W. Mitten
John Raggio
Dorothy Penner
Alexander Hall
Jack Lesch

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Merced,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Zjelle

President

Jeffrey R. Emswiler

Executive Director

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of 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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Oakland, California
September 17, 2004

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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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found in the introductory section of this report, and the City's Financial Statements, which follows this discussion.

FINANCIAL HIGHLIGHTS

- The City's net assets as shown on the Statement of Activities increased by \$29.3 million. The governmental net assets increased by \$8.4 million and the business-type net assets increased by \$20.9 million.
- As shown on the Statement of Net Assets, the assets of the City exceeded its liabilities at the close of the fiscal year by \$409.6 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$11 million, or 64% percent of the General Fund fund balance.
- The net increase to governmental activity long-term debt was \$5.7 million. New debt issued during the year was \$7.4 million in Pension Obligation bonds to fund the CalPERS Public Safety plan unfunded accrued actuarial liability.
- The net increase to the business-type activity long-term debt was \$32.1 million. New debt issued during the year was \$29.7 million in CSCDA Water and Wastewater Revenue Bonds for public capital improvements and a \$4.8 million loan payable to County Bank for water and sewer improvements to the UC Merced.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fund Financial Statements -A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a governments' financial position. In the case of the City, assets exceeded liabilities by \$409.6 million at the close of the most recent fiscal year.

	Summary of Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2004	2003*	2004	2003*	2004	2003*
Current and other assets	\$ 105,698,647	\$ 88,588,389	\$ 72,079,080	\$ 36,262,356	\$ 177,777,727	\$ 124,850,745
Capital assets	273,999,600	270,690,232	55,366,567	38,322,075	329,366,167	309,012,307
Total assets	379,698,247	359,278,621	127,445,647	74,584,431	507,143,894	433,863,052
Current liabilities	4,469,050	3,635,362	4,600,385	5,642,120	9,069,435	5,642,120
Noncurrent liabilities	50,018,111	38,839,061	38,417,904	5,452,542	88,436,015	9,087,904
Total liabilities	54,487,161	42,474,423	43,018,289	11,094,662	97,505,450	53,569,085
Net assets:						
Invested in capital assets,						
net of debt	236,399,619	235,052,801	17,104,566	32,503,366	253,504,185	267,556,167
Restricted	10,091,205	35,314,733	7,662,242	409,189	17,753,447	35,723,922
Unrestricted	78,720,262	46,436,664	59,660,550	30,577,213	138,380,812	77,013,877
Total net assets	\$ 325,211,086	\$ 316,804,198	\$ 84,427,358	\$ 63,489,768	\$ 409,638,444	\$ 380,293,966

* Restated

The largest portion of the City's net assets (62%) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and structures, machinery and equipment and improvements other than buildings, structures and land improvements), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Four percent of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$138.3 million is the unrestricted net assets. The Governmental Activities unrestricted net assets of \$78.7 million includes \$10.5 million of fund balance reserves, \$8.3 million of fund balance designations, \$15.5 million earmarked as special revenue which is legally restricted to expenditures for specified purposes and \$11.8 million earmarked for capital projects. The Business-Type Activities unrestricted net assets of \$59.6 includes \$7.5 million of fund balance reserves and \$46.5 million earmarked for capital projects.

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

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

	Statement of Activities					
	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	\$ 21,641,505	\$ 15,537,206	\$ 30,748,285	\$ 23,277,800	52,389,790	\$ 38,815,006
Operating grants and contributions	8,626,722	7,533,162			8,626,722	7,533,162
Capital grants and contributions	744,933	191,735			744,933	191,735
General revenues and transfers:						
Property taxes	9,509,782	8,834,315			9,509,782	8,834,315
Sales taxes	10,409,903	9,799,975			10,409,903	9,799,975
Other taxes	5,076,323	3,739,270			5,076,323	3,739,270
Transfers	(216,371)	(553,224)	216,371	531,449		(21,775)
Other	13,695,345	7,257,342	10,620,686	3,172,483	24,316,031	10,429,825
Total revenues	69,488,142	52,339,781	41,585,342	26,981,732	111,073,484	79,321,513
Expenses						
Governmental activities:						
General government	14,901,894	15,221,012			14,901,894	15,221,012
Public Safety	27,661,654	17,863,142			27,661,654	17,863,142
Public Works	11,839,346	3,752,106			11,839,346	3,752,106
Parks	3,861,545	3,407,203			3,861,545	3,407,203
Other	2,816,815	14,060,614			2,816,815	14,060,614
Business-type activities:						
Wastewater system			6,400,525	7,375,599	6,400,525	7,375,599
Water system			6,410,058	5,742,221	6,410,058	5,742,221
Refuse collection			7,321,227	7,650,496	7,321,227	7,650,496
Other proprietary funds			515,942	559,054	515,942	559,054
Total expenses	61,081,254	54,304,077	20,647,752	21,327,370	81,729,006	75,631,447
Increase (decrease) in net assets	\$ 8,406,888	\$ (1,964,296)	\$ 20,937,590	\$ 5,654,362	\$ 29,344,478	\$ 3,690,066

Governmental Activities - Governmental Activities increased the City's net assets by \$8.4 million. Taxes provided 36% of the revenue and charges for services provided 31% of the revenue received during the year.

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

Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2004		
	Total Cost of Services	Net Cost of Services
General Government	\$ 14,901,894	\$ (5,545,625)
Public Safety	27,661,654	25,633,792
Public Works	11,839,346	9,797,527
Parks	3,861,545	2,063,958
Other	2,816,815	(1,881,558)
Total	<u>\$ 61,081,254</u>	<u>\$ 30,068,094</u>

The costs for all governmental activities during the year were \$61 million, which is 75% of total expenses. The City's taxpayers paid for \$30 million of these costs. Fees, grants and contributions funded the balance of the cost.

Business-type Activities -Business-type activities increased the City's net assets by \$20.9 million. This increase consists of fees collected for future capital projects and developer contribution of capital assets. The total revenues and transfers from the business-type activities total \$41.5 million. Program revenues of the City's business-type activities totaled \$30.7 million. Expenses of business-type activities were \$20.6 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The City's governmental funds reported a combined fund balance at June 30, 2004 of \$65 million, an increase of \$9.9 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$17.1 million and the unreserved, undesignated fund balance was \$11 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unreserved fund balance represents 34% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$2 million during the fiscal year. The increase in the General Fund is attributable to growth related revenue such as property taxes, sales tax and CRIS fees and the City's unspent appropriations.

Other changes in fund balances include the following:

Redevelopment Agency Special Revenue Fund

- This major fund increased by \$1.3 million. The increase is due to a transfer in of over \$1 million of fixed assets held for resale from the Redevelopment Agency Capital Projects fund.

Redevelopment Agency Debt Service Fund

- This major fund increased by \$619,288. The increase is due to tax increment revenue received. This revenue will be used in future years to make the debt service payments.

Redevelopment Agency Capital Projects Fund

- This major fund decreased by \$1.4 million. Prior year unspent debt proceeds received from a tax allocation bond were used to Fund Redevelopment projects this year.

Public Facilities Impact Fees Special Revenue Fund

- This fund is used to account for the facilities fees collected for the project categories of roadways, bridges and railroad crossings, traffic signals, fire, police, and parks, recreation and bikeways. This non-major fund increased by \$5.4 million and will be used for future public facilities.

Development Services Special Revenue Fund

- This fund is used to account for revenues and expenses associated with future planning, engineering, one-stop application processing, and inspection services. This non-major fund increased by \$2.2 million due to growth related revenues.

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

The unrestricted net assets of the Governmental Activities Internal Service Funds were \$10.6 million. The unrestricted net assets of all the other proprietary funds were \$59.6 million. The total change in net assets for the Governmental Activities Internal Service Funds and all the other proprietary funds was \$66,859 and \$20.9 million, respectively. Other factors concerning the finances of the Proprietary funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between the General Fund original budget and the final budget was an increase of \$8.6 million. Over 80% of this increase is attributable to employer contribution to CalPERS to fund the unfunded accrued actuarial liability (UAAL). In addition, the increase includes interfund transactions, professional services, utilities and personnel related expenditures. Also, the following revenue sources were higher than anticipated; property tax, sales tax and other taxes; and a Pension Obligation bond was issued to fund the UAAL.

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, 2004, amounted to \$329.3 million. This investment in capital assets includes land and improvements, construction in progress, buildings and structures, machinery and equipment, improvements other than buildings, structures, and land improvement. Additional information on the City of Merced's capital assets can be found in the footnotes of this report.

	Capital Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003*	2004	2003*	2004	2003*
Non-depreciable Assets:						
Land and improvements	\$ 61,214,602	\$ 60,806,061	\$ 258,681	\$ 56,914	\$ 61,473,283	\$ 60,862,975
Construction in progress	13,469,161	10,437,258	29,615,419	14,833,971	43,084,580	25,271,229
Total non-depreciable assets	<u>74,683,763</u>	<u>71,243,319</u>	<u>29,874,100</u>	<u>14,890,885</u>	<u>104,557,863</u>	<u>86,134,204</u>
Depreciable Assets:						
Building and structures	5,053,412	4,969,412	2,444,434	2,444,434	7,497,846	7,413,846
Machinery and equipment	24,584,965	24,036,835	4,135,717	3,866,243	28,720,682	27,903,078
Improvements other than buildings, structures and land improvements	46,465,606	45,768,489	33,676,139	33,676,139	80,141,745	79,444,628
Infrastructure	307,828,902	298,239,752	9,519,931	5,707,410	317,348,833	303,947,162
Accumulated depreciation	(184,617,048)	(173,567,575)	(24,283,754)	(22,263,036)	(208,900,802)	(195,830,611)
Total depreciable assets, net	<u>199,315,837</u>	<u>199,446,913</u>	<u>25,492,467</u>	<u>23,431,190</u>	<u>224,808,304</u>	<u>222,878,103</u>
Total capital assets	<u>\$ 273,999,600</u>	<u>\$ 270,690,232</u>	<u>\$ 55,366,567</u>	<u>\$ 38,322,075</u>	<u>\$ 329,366,167</u>	<u>\$ 309,012,307</u>

*Restated

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

- Phase III of the Wastewater Treatment Plant renovation project with over \$5.4 million in construction costs.
- The construction of the UC Merced Well Site for approximately \$968,000.
- The development of Parsons Ave at Rahilly Park with costs of \$584,000.
- The construction of UC Merced Sewer and Water lines for \$5.5 million.
- The planning phase of the Merced Center for \$616,000.

Long-term debt -At the end of the current fiscal year, the City had \$82.7 million in outstanding debt consisting of tax allocation bonds, pension obligation bonds, revenue bonds, improvement bonds, participation and development agreements, loans payable and loan guarantees payable. All of the debt was secured by specific revenue sources. Additional information on the City of Merced's debt can be found in the Notes to the Basic Financial Statements of this report.

	Outstanding Debt					
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Tax allocation bonds payable	\$ 30,352,825	\$ 31,612,825	\$	\$	\$ 30,352,825	\$ 31,612,825
Pension obligation bonds	7,355,000				7,355,000	
Participation and development agreements	575,000	725,000			575,000	725,000
Loan payable	5,596,705	5,753,298			5,596,705	5,753,298
Loan guarantee	607,480	668,228			607,480	668,228
Revenue bonds payable			30,518,504	2,410,000	30,518,504	2,410,000
County Bank loan			4,863,497		4,863,497	
Improvement bonds payable			2,880,000	3,125,000	2,880,000	3,125,000
Total	<u>\$ 44,487,010</u>	<u>\$ 38,759,351</u>	<u>\$ 38,262,001</u>	<u>\$ 5,535,000</u>	<u>\$ 82,749,011</u>	<u>\$ 44,294,351</u>

The City's total debt increased by \$38.4 million or 87% during the current fiscal year. The increase was due to the issuance of \$7.4 million in Pension Obligation bonds for the CalPERS Public Safety plan unfunded accrued actuarial liability, \$29.7 water and wastewater bonds for identified capital

projects for the near future and a \$4.8 million loan for water and sewer lines to the University of California Merced.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The fiscal year 2004-05 budget development was one of the most difficult. The difficulty arises from the uncertainty surrounding the State budget, and its impact on the City of Merced's General Fund.
- Mid year 2004 estimates for some revenue categories were projected to be stronger than originally anticipated. These categories included sales and use tax, secured property tax, CRIS tax and other revenues for a total of \$1.8 million. Also, there was expenditure savings due to personnel, operations and maintenance, and capital outlay freezes of \$1.5 million. The impact of the expenditure savings and the revenue estimates will help the City extend its ability to provide services to the citizens of Merced by about one year regardless of actions taken by the state.
- The General Fund cash flows assumed all positions would be filled for the entire year.
- Community Facilities District funds would begin to develop in 2004-05 but no significant revenue would be generated during the fiscal year.
- The Public Facilities Financing Plan fees were increased in 2004 to recognize the increase cost of projects. Additional staff has been authorized to meet the timeframes for projects production. Staffing increased for engineering and design were addressed by increased utility connection fees.
- Airport operations were reviewed to maximize revenue potential. Rents and rates were adjusted in 2004, coincidental with the adoption of revised rules and regulations governing airport usage.
- Enterprise rates were adjusted in 2003 with annual increase to reflect the ongoing cost of municipal services.
- Economic Development prospects and impacts from University of California create positive impacts for the future. The past history shows continued growth in retail sales and job production both of which add positively to the city's outlook.
- During fiscal year 2003-04, State actions caused an ERAF shift from Redevelopment Agencies throughout California. The proposed 2004-05 budget calls for another shift of \$490,000.
- The Redevelopment Agencies bond proceeds on hand will allow the Agency to proceed with the Merced Center Project.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Merced
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 63,803,315	\$ 40,380,466	\$ 104,183,781
Restricted cash held by fiscal agent	3,426,251	23,081,836	26,508,087
Receivables	2,741,553	3,726,723	6,468,276
Due from other governments	4,621,972	5,061,947	9,683,919
Interfund balances, current portion	69,248	(69,248)	
Prepaid items	24,863		24,863
Inventory	71,959	112,267	184,226
Total current assets	74,759,161	72,293,991	147,053,152
Noncurrent assets:			
Land held for resale	1,997,969		1,997,969
Notes receivable	27,858,096	66,942	27,925,038
Interfund balances, noncurrent portion	1,083,421	(1,083,421)	
Deferred charges		801,568	801,568
Subtotal noncurrent assets	30,939,486	(214,911)	30,724,575
Capital assets:			
Nondepreciable	74,683,763	29,874,100	104,557,863
Depreciable, net of accumulated depreciation	199,315,837	25,492,467	224,808,304
Total capital assets, net	273,999,600	55,366,567	329,366,167
Total noncurrent assets	304,939,086	55,151,656	360,090,742
Total assets	379,698,247	127,445,647	507,143,894
LIABILITIES			
Current liabilities:			
Accounts payable	1,232,154	818,958	2,051,112
Payroll liabilities	744,967	45,510	790,477
Deposits	21,000	508,838	529,838
Unearned revenue	280,999	1,746,135	2,027,134
Accrued interest payable	245,986	174,715	420,701
Other liabilities	35,765	978,286	1,014,051
Long-term debt, due within one year	1,908,179	327,943	2,236,122
Total current liabilities	4,469,050	4,600,385	9,069,435
Noncurrent liabilities:			
Compensated absences	2,427,470	483,846	2,911,316
Claims payable	5,011,810		5,011,810
Long-term debt, due in more than one year	42,578,831	37,934,058	80,512,889
Total noncurrent liabilities	50,018,111	38,417,904	88,436,015
Total liabilities	54,487,161	43,018,289	97,505,450
NET ASSETS			
Invested in capital assets, net of related debt	236,399,619	17,104,566	253,504,185
Restricted for:			
Special projects and programs	2,121,937	7,259,804	9,381,741
Debt service	3,191,820	402,438	3,594,258
Capital projects	4,777,448		4,777,448
Total restricted	10,091,205	7,662,242	17,753,447
Unrestricted	78,720,262	59,660,550	138,380,812
Total net assets	\$ 325,211,086	\$ 84,427,358	\$ 409,638,444

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 14,901,894	\$ 12,067,433	\$ 7,741,124	\$ 638,962	\$ 20,447,519
Public safety	27,661,654	1,794,046	175,803	58,013	2,027,862
Public works	11,839,346	1,976,859	17,002	47,958	2,041,819
Parks	3,861,545	1,104,794	692,793		1,797,587
Administrative shared expenditures	1,293,874	4,698,373			4,698,373
Interest on long-term debt	1,522,941				
Total governmental activities	61,081,254	21,641,505	8,626,722	744,933	31,013,160
Business-type activities:					
Wastewater system	6,400,525	10,274,278			10,274,278
Water system	6,410,058	11,487,131			11,487,131
Refuse collection system	7,321,227	8,566,514			8,566,514
Merced municipal airport	515,942	420,362			420,362
Total business-type activities	20,647,752	30,748,285			30,748,285
Total government	\$ 81,729,006	\$ 52,389,790	\$ 8,626,722	\$ 744,933	\$ 61,761,445

General revenues and transfers:

Taxes:

Property

Sales

Other

Total taxes

Interest and investment earnings

Miscellaneous

Developer contributions of capital assets

Transfers

Total general revenues and transfers

Changes in net assets

Net Assets:

Beginning of year, as restated (Note 16)

End of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 5,545,625	\$	\$ 5,545,625
(25,633,792)		(25,633,792)
(9,797,527)		(9,797,527)
(2,063,958)		(2,063,958)
3,404,499		3,404,499
(1,522,941)		(1,522,941)
(30,068,094)		(30,068,094)
	3,873,753	3,873,753
	5,077,073	5,077,073
	1,245,287	1,245,287
	(95,580)	(95,580)
	10,100,533	10,100,533
(30,068,094)	10,100,533	(19,967,561)
9,509,782		9,509,782
10,409,903		10,409,903
5,076,323		5,076,323
24,996,008		24,996,008
466,163	608,035	1,074,198
4,996,952	1,207,245	6,204,197
8,232,230	8,805,407	17,037,637
(216,371)	216,370	(1)
38,474,982	10,837,057	49,312,039
8,406,888	20,937,590	29,344,478
316,804,198	63,489,768	380,293,966
\$ 325,211,086	\$ 84,427,358	\$ 409,638,444

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

City of Merced
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects
ASSETS					
Cash, cash equivalents and investments	\$ 14,648,221	\$ 893,398	\$ 1,161,949	\$ 469,947	\$ 13,481,059
Cash held by fiscal agent				2,481,402	
Receivables	608,707	8,266	8,080	2,406	39,422
Due from other governments	1,937,112		494,129	828,244	129,546
Due from other funds	69,948	165,649			
Inventory	16,571				
Land held for resale		1,591,267			
Notes receivable	76,260	10,035,696	12,679,123	4,990,000	52,347
Advances to other funds	776,360				
Total assets	\$ 18,133,179	\$ 12,694,276	\$ 14,343,281	\$ 8,771,999	\$ 13,702,374
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 152,573	\$ 7,096	\$ 134,613	\$ 465,980	\$ 163,277
Payroll liabilities	540,670		5,159		
Deposits		21,000			
Deferred revenue	254,069	4,937,145	12,534,712	4,990,000	
Due to other funds				165,649	
Advances from other funds			121,086	1,316,263	
Other liabilities	1,815		28,109		
Total liabilities	949,127	4,965,241	12,823,679	6,937,892	163,277
Fund Balances:					
Reserved	1,231,989	6,691,103	1,268,656	2,528,121	2,974,470
Unreserved, designated , reported in:					
Major funds	4,889,437				
Special revenue non-major funds					
Total Unreserved, designated	4,889,437				
Unreserved, undesignated reported in funds:					
Major funds	11,062,626	1,037,932	250,946	(694,014)	10,564,627
Special revenue non-major funds					
Capital project non-major funds					
Total Unreserved, undesignated	11,062,626	1,037,932	250,946	(694,014)	10,564,627
Total fund balances	17,184,052	7,729,035	1,519,602	1,834,107	13,539,097
Total liabilities and fund balances	\$ 18,133,179	\$ 12,694,276	\$ 14,343,281	\$ 8,771,999	\$ 13,702,374

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental	
Funds	Total
\$ 18,965,529	\$ 49,620,103
944,849	3,426,251
1,945,084	2,611,965
1,232,941	4,621,972
	235,597
	16,571
406,702	1,997,969
24,670	27,858,096
10,553	786,913
<u>\$ 23,530,328</u>	<u>\$ 91,175,437</u>

\$ 122,220	\$ 1,045,759
141,496	687,325
	21,000
26,930	22,742,856
700	166,349
	1,437,349
100	30,024
<u>291,446</u>	<u>26,130,662</u>

<u>4,271,740</u>	<u>18,966,079</u>
	4,889,437
3,438,279	3,438,279
<u>3,438,279</u>	<u>8,327,716</u>

	22,222,117
14,288,173	14,288,173
1,240,690	1,240,690
<u>15,528,863</u>	<u>37,750,980</u>
<u>23,238,882</u>	<u>65,044,775</u>
<u>\$ 23,530,328</u>	<u>\$ 91,175,437</u>

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City of Merced
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds \$ 65,044,775

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in Governmental Funds Balance Sheet.

Non-depreciable, net of Internal Service Fund assets of \$197,122	74,486,641	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$3,751,460	195,564,377	270,051,018

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

Long-term debt due within one year	(1,908,179)	
Long-term debt due in more than one year	(42,578,831)	
Compensated absences, net of Internal Service Fund liability of \$261,895	(2,165,575)	(46,652,585)

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

22,461,857

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(245,986)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds that are reported with governmental activities.

14,552,007

Net Assets of Governmental Activities **\$ 325,211,086**

City of Merced
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects
REVENUES:					
Taxes	\$ 19,719,386	\$	\$	\$ 5,177,309	\$
Licenses and permits	39,474				
Intergovernmental	3,739,784		4,841,522		638,962
Service charges	4,169,858			573,539	
Fines, forfeitures and penalties	83,703				
Other	855,049	1,229,705	25,549	105,746	218,768
Total revenues	28,607,254	1,229,705	4,867,071	5,856,594	857,730
EXPENDITURES:					
Current operating:					
General government	3,560,863	1,306,138	2,974,285	915,732	12,205
Public safety	26,896,452				
Public works					
Parks	1,598,565				
Administrative shared expenditures		403,956	73,481		
Total current operating	32,055,880	1,710,094	3,047,766	915,732	12,205
Capital outlay	308,232				2,424,560
Debt service:					
Principal				1,470,748	11,593
Interest				1,359,452	7,914
Total expenditures	32,364,112	1,710,094	3,047,766	3,745,932	2,456,272
REVENUES OVER (UNDER) EXPENDITURES	(3,756,858)	(480,389)	1,819,305	2,110,662	(1,598,542)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of debt	7,355,000				
Proceeds from sale of capital assets					
Transfers in	1,039,630	2,646,035		99,068	2,942,112
Transfers out	(2,615,810)	(809,930)	(1,519,871)	(1,590,442)	(2,790,693)
Total other financing sources (uses)	5,778,820	1,836,105	(1,519,871)	(1,491,374)	151,419
Net change in fund balances	2,021,962	1,355,716	299,434	619,288	(1,447,123)
FUND BALANCES:					
Beginning of year, as previously reported	14,816,933	3,345,370	1,220,168	1,214,819	17,112,220
Prior period adjustment (Note 16)	345,157	3,027,949			(2,126,000)
Beginning of year, as restated	15,162,090	6,373,319	1,220,168	1,214,819	14,986,220
End of year	\$ 17,184,052	\$ 7,729,035	\$ 1,519,602	\$ 1,834,107	\$ 13,539,097

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental	
Funds	Total
\$ 99,313	\$ 24,996,008
	39,474
3,873,615	13,093,883
12,293,509	17,036,906
458,648	542,351
2,217,775	4,652,592
<u>18,942,860</u>	<u>60,361,214</u>
4,039,850	12,809,073
156,342	27,052,794
4,173,888	4,173,888
1,934,002	3,532,567
816,437	1,293,874
<u>11,120,519</u>	<u>48,862,196</u>
3,450,539	6,183,331
145,000	1,627,341
64,943	1,432,309
<u>14,781,001</u>	<u>58,105,177</u>
4,161,859	2,256,037
	7,355,000
510,548	510,548
6,229,590	12,956,435
(3,809,285)	(13,136,031)
<u>2,930,853</u>	<u>7,685,952</u>
7,092,712	9,941,989
15,689,571	53,399,081
456,599	1,703,705
<u>16,146,170</u>	<u>55,102,786</u>
<u>\$ 23,238,882</u>	<u>\$ 65,044,775</u>

City of Merced

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 9,941,989

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

Governmental funds report 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. 6,183,331

Developer contributions that were made during the year in the form of capital asset donations did not constitute revenues that were available to meet current liabilities and were not recorded in the Fund Financial Statements. They were recorded In the Government-Wide Financial Statements as general revenues. 8,232,230

Governmental funds record proceeds of sale of capital assets as other financing sources. In the Government-wide financial statements retirement of assets reduce capital assets and any gain or loss is recorded in the statement of activities.

Proceeds from sale of assets (510,548)

Gain (loss) on sale of capital assets, net of a gain on sale of capital assets reported in Internal Service Funds of \$43,289. 104,072

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. This amount is net of internal service fund depreciation expense of \$1,490,260. (10,475,447)

Revenues that did not meet the criteria for accrual were recorded as deferred revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, these amounts were recorded as revenues. 858,120

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Long-term debt proceeds	\$ (7,355,000)	
Principal payment	1,627,341	(5,727,659)

The liquidation of compensated absences does not require the use of current resources. As a result , these expenses were not recorded in the Fund Financial Statements. This amount represents the current year's expenses which were recorded in the Statement of Activities and Changes in Net Assets. (175,427)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. (90,632)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities. 66,859

Change in Net Assets of Governmental Activities **\$ 8,406,888**

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

City of Merced
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 12,939,819	\$ 22,675,019	\$ 4,583,565	\$ 182,063	\$ 40,380,466	\$ 14,183,212
Cash held by fiscal agent	14,369,836	8,712,000			23,081,836	
Receivables	1,556,548	1,627,613	537,593	4,969	3,726,723	129,588
Due from other governments	2,494,389	2,463,732		103,826	5,061,947	
Prepaid items						24,863
Inventory	2,568	109,699			112,267	55,388
Total current assets	31,363,160	35,588,063	5,121,158	290,858	72,363,239	14,393,051
Noncurrent assets:						
Notes receivable-private parties	34,029	30,355	2,558		66,942	
Advances to other funds	79,897	350,117			430,014	1,733,857
Deferred charges	589,421	212,147			801,568	
Capital assets:						
Nondepreciable	21,300,183	7,408,409	371,368	794,140	29,874,100	197,122
Depreciable, net of accumulated depreciation	7,469,425	11,413,117	6,033,569	576,356	25,492,467	3,751,460
Total capital assets	28,769,608	18,821,526	6,404,937	1,370,496	55,366,567	3,948,582
Total noncurrent assets	29,472,955	19,414,145	6,407,495	1,370,496	56,665,091	5,682,439
Total assets	60,836,115	55,002,208	11,528,653	1,661,354	129,028,330	20,075,490
LIABILITIES						
Current liabilities:						
Accounts payable	349,135	270,301	199,522		818,958	186,395
Payroll payable			42,174	3,336	45,510	57,642
Deposits	32,009	415,282	47,351	14,196	508,838	
Unearned revenue	609,018	692,397	444,720		1,746,135	
Due to other funds				69,248	69,248	
Accrued interest payable	131,287		43,428		174,715	
Long-term debt, due within one year	297,132	30,811			327,943	
Total current liabilities	1,418,581	1,408,791	777,195	86,780	3,691,347	244,037
Noncurrent liabilities:						
Advances from other funds	31,826		1,481,609		1,513,435	
Other liabilities	941,134	28,146		9,006	978,286	5,741
Insurance claims						5,011,810
Compensated absences payable	244,108	93,751	138,589	7,398	483,846	261,895
Long-term debt, due in more than one year	26,422,845	11,511,213			37,934,058	
Total noncurrent liabilities	27,639,913	11,633,110	1,620,198	16,404	40,909,625	5,279,446
Total liabilities	29,058,494	13,041,901	2,397,393	103,184	44,600,972	5,523,483
NET ASSETS						
Invested in capital assets, net of related debt	2,049,631	7,279,502	6,404,937	1,370,496	17,104,566	3,948,582
Restricted						
Special projects and programs	2,685,823	4,059,973	499,604	14,404	7,259,804	
Debt service	402,438				402,438	
Capital projects						
Unrestricted	26,639,729	30,620,832	2,226,719	173,270	59,660,550	10,603,425
Total net assets	\$ 31,777,621	\$ 41,960,307	\$ 9,131,260	\$ 1,558,170	\$ 84,427,358	\$ 14,552,007

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2004

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 10,274,278	\$ 11,487,131	\$ 8,566,514	\$ 420,362	\$ 30,748,285	\$ 15,820,977
Other						59,454
Total operating revenues	10,274,278	11,487,131	8,566,514	420,362	30,748,285	15,880,431
OPERATING EXPENSES:						
Personnel services	1,792,494	1,256,122	1,946,330	182,845	5,177,791	2,302,062
Materials, supplies and other services	2,639,902	3,272,458	4,185,893	214,907	10,313,160	3,640,345
Depreciation	592,327	951,088	411,543	89,282	2,044,240	1,490,260
Administrative shared expenses	470,442	399,819	416,785	28,637	1,315,683	480,600
Costs applied-labor, materials, supplies and services	531,446	497,019	317,097		1,345,562	8,159,768
Total operating expenses	6,026,611	6,376,506	7,277,648	515,671	20,196,436	16,073,035
OPERATING INCOME (LOSS)	4,247,667	5,110,625	1,288,866	(95,309)	10,551,849	(192,604)
NONOPERATING REVENUES (EXPENSES):						
Interest and investment earnings	213,068	343,910	51,057		608,035	252,949
Interest and related expenses	(373,914)	(33,552)	(43,579)	(271)	(451,316)	
Developer contributions	3,625,563	4,055,700	1,124,144		8,805,407	
Gain (loss) on sale of equipment						43,289
Other	1,177,316	13,297	16,632		1,207,245	
Total nonoperating revenues (expenses)	4,642,033	4,379,355	1,148,254	(271)	10,169,371	296,238
INCOME (LOSS) BEFORE OPERATING TRANSFERS	8,889,700	9,489,980	2,437,120	(95,580)	20,721,220	103,634
OPERATING TRANSFERS:						
Transfers in		92,500		366,545	459,045	218,887
Transfers out	(82,500)	(2,370)	(2,333)	(155,472)	(242,675)	(255,662)
Total operating transfers	(82,500)	90,130	(2,333)	211,073	216,370	(36,775)
Change in net assets	8,807,200	9,580,110	2,434,787	115,493	20,937,590	66,859
NET ASSETS:						
Beginning of year, as restated	22,970,421	32,380,197	6,696,473	1,442,677	63,489,768	14,485,148
End of year	\$ 31,777,621	\$ 41,960,307	\$ 9,131,260	\$ 1,558,170	\$ 84,427,358	\$ 14,552,007

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers, including cash deposits	\$ 9,714,656	\$ 11,069,900	\$ 8,536,448	\$ 415,393	\$ 29,736,397	\$ 15,818,991
Cash paid to suppliers	(7,465,881)	(6,168,579)	(4,889,839)	(355,418)	(18,879,717)	(10,275,702)
Cash paid to employees	(1,845,843)	(1,676,604)	(1,920,112)	(195,699)	(5,638,258)	(2,276,873)
Cash receipts (payments) other						66,600
Net cash provided (used) by operating activities	402,932	3,224,717	1,726,497	(135,724)	5,218,422	3,333,016
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Due from other funds						3,567
Due to other funds	(1,900,000)			69,248	(1,830,752)	
Advances from other funds	(2,464,860)		(352,391)	(69,248)	(2,886,499)	
Advances to other funds	32,469	4,038,081	765		4,071,315	407,598
Transfers from other funds	6,582,485	175,000		366,545	7,124,030	218,887
Transfers to other funds	(6,664,985)	(84,870)	(2,333)	(155,472)	(6,907,660)	(255,662)
Other	5,744,012	4,097,143	1,140,776	9,006	10,990,937	
Net cash provided (used) by noncapital financing activities	1,329,121	8,225,354	786,817	220,079	10,561,371	374,390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of fixed assets	(10,956,994)	(6,203,813)	(1,484,471)	(276,842)	(18,922,120)	(1,265,988)
Payment of long-term debt	(4,415,813)	(16,728)			(4,432,541)	
Proceed of long-term debt	25,192,553	11,388,516			36,581,069	
Premium on bonds	408,228	170,237			578,465	
Interest payments	(1,244,562)	(245,699)	(37,055)	(271)	(1,527,587)	
Gain (loss) on sale of equipment						43,289
Net cash provided (used) by capital and related financing activities	8,983,412	5,092,513	(1,521,526)	(277,113)	12,277,286	(1,222,699)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment earnings	247,645	487,654	53,222	1,798	790,319	255,949
Notes to private parties	13,957	7,828	659		22,444	
Net cash provided (used) by investing activities	261,602	495,482	53,881	1,798	812,763	255,949
Net increase (decrease) in cash and cash equivalents	10,977,067	17,038,066	1,045,669	(190,960)	28,869,842	2,740,656
Cash and cash equivalents at beginning of year	16,332,587	14,348,953	3,537,896	373,023	34,592,459	11,442,556
Cash and cash equivalents at end of year	\$ 27,309,654	\$ 31,387,019	\$ 4,583,565	\$ 182,063	\$ 63,462,301	\$ 14,183,212

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2004

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
RECONCILIATION OF OPERATING						
INCOME (LOSS) TO NET CASH PROVIDED						
(USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 4,247,667	\$ 5,110,625	\$ 1,288,866	\$ (95,309)	\$ 10,551,849	\$ (192,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	592,327	951,088	411,543	89,282	2,044,240	1,490,260
Accounts receivable						(1,986)
Service charges receivable	(540,108)	(608,100)	(98,414)	(4,969)	(1,251,591)	
Prepaid items						57,404
Inventories	43	(12,069)			(12,026)	14,213
Due from other governments	(2,423,648)	(2,463,732)		120,072	(4,767,308)	
Accounts payable	(1,395,082)	76,699	29,936	(231,931)	(1,520,378)	37,922
Other liabilities						3,651
Payroll liabilities	(75,923)	(22,366)	10,166	(8,829)	(96,952)	21,092
Deposits	15,684	85,584	18,846	(15)	120,099	
Deferred revenue	(40,602)	105,285	49,502		114,185	
Insurance claim payable						1,877,875
Compensated absence payable	22,574	1,703	16,052	(4,025)	36,304	25,189
Total adjustments	(3,844,735)	(1,885,908)	437,631	(40,415)	(5,333,427)	3,525,620
Net cash provided (used) by operating activities	\$ 402,932	\$ 3,224,717	\$ 1,726,497	\$ (135,724)	\$ 5,218,422	\$ 3,333,016

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Merced
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 458,060	\$ 5,155,568
Receivables	1,361	9,813
Deposits		246,023
Due from other governments		25,536
Other assets		3,326
Total assets	459,421	\$ 5,440,266
LIABILITIES		
Payroll liabilities		\$ 1,109
Deposits		3,088,084
Other liabilities		212,258
Due to bond holders		2,138,815
Total liabilities		\$ 5,440,266
NET ASSETS		
Held in trust for other purposes	459,421	
Total net assets	\$ 459,421	

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2004

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings	\$ 5,337
Miscellaneous	95,386
Total additions	<u>100,723</u>
DEDUCTIONS:	
General government	30,468
Total deductions	<u>30,468</u>
Net change in fund balances	70,255
NET ASSETS:	
Beginning of year	<u>389,166</u>
End of year	<u><u>\$ 459,421</u></u>

See accompanying Notes to Basic Financial Statements.

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City of Merced
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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

B. Government-Wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Major funds are funds whose revenues, expenditures or expenses, assets, or liabilities are at least ten percent of the corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always a major fund and any other government or enterprise fund may be reported as a major fund if the government believes that fund is particularly important to financial statement users.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The government reports the following major proprietary funds:

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

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

The Refuse Collection System Fund is used to collect and dispose of municipal solid waste for industrial, commercial and residential customers.

The Municipal Airport Fund was established to maintain and operate the airport in accordance with Federal regulations.

Additionally, the government reports the following fund types:

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

The Private Purpose Trust Funds are used to account for resources legally held in trust for the Task Force Trust, Transit Benefit Trust, Youth Programs Endowment, McComb's Trust, Wahnetta Hall Trust and Missing Children Trust.

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

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

D. Use of Restricted and Unrestricted Net Assets

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

E. Cash, Cash Equivalents, and Investments

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

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

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

F. Receivables

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Balances/Internal Balances

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

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

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

H. Inventory

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

I. Land Held for Resale

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

J. Capital Assets

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

General capital assets	\$	500
Infrastructure capital assets		500

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Capital Assets, Continued

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure in the current basic financial statements.

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

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

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 is not available. The accumulated depreciation was calculated from the date of construction/acquisition to the current date on a straight line basis. The book value can be computed by deducting the accumulated depreciation from the original cost.

K. Compensated Absences

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

L. Deferred Revenue/Unearned Revenue

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

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Deferred Revenue/Unearned Revenue, Continued

revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are for revenues received but not yet earned and loans receivable.

M. Long-Term Liabilities

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

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

N. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Use of Estimates

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

2. CASH AND INVESTMENTS

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

A. Cash Deposits

At June 30, 2004, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account of \$334,707, petty cash of \$2,350 and certificates of deposit of \$15,000,000. Bank balances in the City's general checking accounts were \$1,696,670 and were fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

B. Investments

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have a maximum maturity not to exceed five years; (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, investments are stated at fair value.

C. Risk Categories

In accordance with GASB Statement No. 3, cash deposits and investments are categorized separately to give an indication of the level of risk assumed by the City. Cash deposits and investments not subject to such categorization under GASB Statement No. 3 are identified as "uncategorized." The City's cash deposits and investments are categorized in the following manner:

Deposits

Category 1 - Deposits which are insured by the FDIC or collateralized with securities and held by the City or its agent in the City's name.

Category 2 - Deposits which are collateralized and held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Deposits which are uninsured or uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

Investments

Category 1 - Investments which are insured, registered, held by the City or its agent in the City's name.

Category 2 - Investments which are uninsured or unregistered, but are held in the financial institution's trust department and are recorded in the City's name.

Category 3 - Investments which are uninsured or unregistered, and are held in the financial institution's trust department and are not recorded in the City's name.

Uncategorized - Certain cash deposits and investments are not subject to categorization under GASB Statement No. 3.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

D. Summary of Cash and Investments

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and Investments	\$ 63,803,315	\$ 40,380,466	\$ 104,183,781	\$ 5,613,628	\$ 109,797,409
Restricted Cash and Investments	\$ 3,426,251	\$ 23,081,836	\$ 26,508,087	\$	\$ 26,508,087

Pooled cash and investments, including cash with fiscal agents, were classified by risk categories as follows at June 30, 2004:

	Category 1	Category 2	Uncategorized	Carrying Amount
City Treasury:				
Cash and cash equivalents:				
Petty cash	\$	\$	\$ 2,350	\$ 2,350
Cash deposits		334,707		334,707
Certificate of deposits		15,000,000		15,000,000
Total cash and cash equivalents		15,334,707	2,350	15,337,057
Investments:				
U.S. Government Mutual Fund		2,746,040		2,746,040
U.S. Treasury Notes		14,918,800		14,918,800
U.S. Government Agency Discount Notes		9,827,000		9,827,000
Local Agency Investment Funds			66,968,512	66,968,512
Total investments		27,491,840	66,968,512	94,460,352
Total City Treasury		42,826,547	66,970,862	109,797,409
Fiscal Agents:				
Securities of U.S. Government Agencies		26,508,087		26,508,087
Total fiscal agents		26,508,087		26,508,087
Total cash and investments	\$ 42,826,547	\$ 26,508,087	\$ 66,970,862	\$ 136,305,496

At June 30, 2004, the City's pooled cash and investments had no risk category 3 classification.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2004, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that 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 CMO's) or credit card receivables.

As of June 30, 2004, the City had \$66,698,512 invested in LAIF, which had invested 1.603% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998384177 was used to calculate the fair value of the investments in LAIF.

F. Cash and Investments with Fiscal Agents

The funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated "A" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2004, cash and investments with fiscal agents totaling \$26,508,087 were recorded at fair value.

3. RECEIVABLES

A. Government Wide Financial Statements

At June 30, 2004, the government-wide financial statements show the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Accounts receivable	\$ 2,491,056	\$ 3,596,946	\$	\$ 6,088,002
Interest receivable	250,497	129,777	11,174	391,448
Total	\$ 2,741,553	\$ 3,726,723	\$ 11,174	\$ 6,479,450

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Fund Financial Statements

At June 30, 2004, the fund financial statements show the following receivables:

Accounts Receivable

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2004, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 561,742
Redevelopment Agency Special Revenue Fund	6,240
Nonmajor Funds	<u>1,882,721</u>
Total governmental funds	<u>2,450,703</u>
<i>Enterprise Funds:</i>	
Wastewater System	1,514,355
Water System	1,554,757
Refuse Collection System	522,865
Merced Municipal Airport	<u>4,969</u>
Total enterprise funds	<u>3,596,946</u>
<i>Internal Service Funds</i>	<u>40,353</u>
Total	<u><u>\$ 6,088,002</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Interest Receivable

Interest receivable consists of interest from investments pooled by the City, which is distributed among the funds according to their ending cash balances at the end of the accounting period. The interest receivable as of June 30, 2004, was as follows:

	<u>City Pooled</u> <u>Investments</u>	<u>Fiscal Agent</u> <u>Investments</u>	<u>Total</u>
<i>Governmental Funds:</i>			
General Fund	\$ 46,965	\$	\$ 46,965
Redevelopment Agency Special Revenue Fund	2,026		2,026
Housing Special Revenue Fund	8,080		8,080
Redevelopment Agency Debt Service Fund	2,406		2,406
Redevelopment Agency Capital Projects Fund	5,575	33,847	39,422
Nonmajor Governmental Funds	62,363		62,363
Total governmental funds	<u>127,415</u>	<u>33,847</u>	<u>161,262</u>
<i>Enterprise Funds:</i>			
Wastewater System	42,193		42,193
Water System	72,856		72,856
Refuse Collection System	14,728		14,728
Total enterprise funds	<u>129,777</u>		<u>129,777</u>
<i>Internal Service Funds</i>	<u>89,235</u>		<u>89,235</u>
Total	<u>346,427</u>	<u>33,847</u>	<u>380,274</u>
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	1,361		1,361
Agency Funds	3,128	6,685	9,813
Total fiduciary funds	<u>4,489</u>	<u>6,685</u>	<u>11,174</u>
Total interest receivable	<u>\$ 350,916</u>	<u>\$ 40,532</u>	<u>\$ 391,448</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

4. DEFERRED REVENUE/UNEARNED REVENUE

A. Government Wide Financial Statements

Unearned revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2004, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 270,446	\$	\$ 270,446
Service charges received in advance		1,681,503	1,681,503
Land application fees		64,632	64,632
Other prepayments	10,553		10,553
	<u>\$ 280,999</u>	<u>\$ 1,746,135</u>	<u>\$ 2,027,134</u>

B. Fund Financial Statements

At June 30, 2004, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Redevelopment Agency Special Revenue	Housing Special Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 254,069	\$	\$	\$	\$ 16,377	\$ 270,446
Other prepayments						
Long-term loans receivable		4,937,145	12,534,712	4,990,000	10,553	22,472,410
Total	<u>\$ 254,069</u>	<u>\$ 4,937,145</u>	<u>\$ 12,534,712</u>	<u>\$ 4,990,000</u>	<u>\$ 26,930</u>	<u>\$ 22,742,856</u>

Proprietary Funds:

	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 544,386	\$ 692,397	\$ 444,720	\$ 1,681,503
Land application fees	64,632			64,632
Total	<u>\$ 609,018</u>	<u>\$ 692,397</u>	<u>\$ 444,720</u>	<u>\$ 1,746,135</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS

Fund Financial Statements

Due To, Due From

At June 30, 2004, the City had the following short-term interfund receivables and payables:

	Due From		
	Governmental Activities		
	General	Redevelopment Agency Special Revenue	Total
Due To			
<i>Governmental Activities:</i>			
Redevelopment Agency Debt Service	\$	\$ 165,649	\$ 165,649
Non-major funds	700		700
<i>Business-type Activities:</i>			
Merced Municipal Airport	69,248		69,248
Total	\$ 69,948	\$ 165,649	\$ 235,597

Long-Term Advances

At June 30, 2004, the City had the following interfund long-term advances:

	Advances to Other Funds					
	Governmental Activities		Business-type Activities			Total
	General	Nonmajor	Wastewater System	Water System	Internal Service	
			Advances from Other Funds			
<i>Governmental Activities:</i>						
Housing Special Revenue Fund	\$ 45,678	\$ 10,553	\$ 48,071	\$ 16,784	\$	\$ 121,086
Redevelopment Agency Debt Service	730,682			333,333	252,248	1,316,263
<i>Business-type Activities:</i>						
Wastewater System			31,826			31,826
Refuse collection					1,481,609	1,481,609
Total	\$ 776,360	\$ 10,553	\$ 79,897	\$ 350,117	\$ 1,733,857	\$ 2,950,784

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

At June 30, 2004, the City had the following operating transfers:

Transfers

		Transfers In								
		Governmental Activities					Merced			
		Redevelopment	Redevelopment	Redevelopment	Nonmajor	Water	Municipal	Internal		
		Agency	Agency	Agency	Funds	System	Airport	Service Funds	Total	
		General	Special Revenue	Debt Service	Capital Projects					
Transfers Out	<i>Governmental Activities:</i>									
	General	\$		\$		\$		\$	\$ 2,615,810	
	RDA Special Revenue		85,000		711,694	13,236			809,930	
	Housing Special Revenue									
	Fund	277,350		99,068	600,000	543,453			1,519,871	
	RDA Debt Service			1,237,784		352,658			1,590,442	
	RDA Capital Projects				1,323,251	1,205,917			2,790,693	
	Nonmajor Funds	762,280			71,843	2,952,162			3,809,285	
	<i>Business-type Activities:</i>									
	Wastewater System						82,500		82,500	
	Water System					2,370			2,370	
	System					2,333			2,333	
	Airport					155,472			155,472	
	<i>Internal Service Funds</i>					49,775	10,000		195,887	
	Total	\$	\$ 1,039,630	\$ 2,646,035	\$ 99,068	\$ 2,942,112	\$ 6,229,591	\$ 92,500	\$ 366,545	\$ 218,887

6. LAND HELD FOR RESALE

At June 30, 2004, the City's land held for resale consisted of the following:

Southern Pacific Land	\$ 554,718
515 W. Main Street	110,412
519 W. Main Street	139,325
521 W. Main Street	79,476
606 W. 19th Street	688,286
Airport Industrial Park	406,702
1823 I Street	19,050
Total governmental funds	\$ 1,997,969

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2004, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 61,214,602	\$ 258,681	\$ 61,473,283
Construction in process	13,469,161	29,615,419	43,084,580
Total nondepreciable assets	<u>74,683,763</u>	<u>29,874,100</u>	<u>104,557,863</u>
<i>Depreciable Assets:</i>			
Buildings and structures	5,053,412	2,444,434	7,497,846
Machinery and equipment	24,584,965	4,135,717	28,720,682
Improvements other than buildings, structures, and land improvements	46,465,606	33,676,139	80,141,745
Infrastructure	<u>307,828,902</u>	<u>9,519,931</u>	<u>317,348,833</u>
	383,932,885	49,776,221	433,709,106
Less accumulated depreciation	<u>(184,617,048)</u>	<u>(24,283,754)</u>	<u>(208,900,802)</u>
Total depreciable assets, net	<u>199,315,837</u>	<u>25,492,467</u>	<u>224,808,304</u>
Total capital assets	<u><u>\$ 273,999,600</u></u>	<u><u>\$ 55,366,567</u></u>	<u><u>\$ 329,366,167</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2003	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2004
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 60,806,061	\$	\$	\$ 408,541	\$ 61,214,602
Construction in progress	10,437,258	4,602,415		(1,570,512)	13,469,161
Total nondepreciable assets	<u>71,243,319</u>	<u>4,602,415</u>		<u>(1,161,971)</u>	<u>74,683,763</u>
<i>Depreciable Assets:</i>					
Buildings and structures	4,969,412			84,000	5,053,412
Machinery and equipment	24,036,835	1,505,805	(1,023,932)	66,257	24,584,965
Improvements other buildings, than buildings, structures, and land improvements	45,768,489			697,117	46,465,606
Infrastructure	298,239,752	9,589,150			307,828,902
Total depreciable assets	<u>373,014,488</u>	<u>11,094,955</u>	<u>(1,023,932)</u>	<u>847,374</u>	<u>383,932,885</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,797,789)	(251,982)			(3,049,771)
Machinery and equipment	(19,267,231)	(1,851,346)	923,788	(7,556)	(20,202,345)
Improvements other buildings, than buildings, structures, and land improvements	(23,249,815)	(2,279,235)			(25,529,050)
Infrastructure	(128,252,738)	(7,583,144)			(135,835,882)
Total accumulated depreciation	<u>(173,567,573)</u>	<u>(11,965,707)</u>	<u>923,788</u>	<u>(7,556)</u>	<u>(184,617,048)</u>
Total depreciable assets, net	<u>199,446,915</u>	<u>(870,752)</u>	<u>(100,144)</u>	<u>839,818</u>	<u>199,315,837</u>
Total governmental activities, net	<u>\$ 270,690,234</u>	<u>\$ 3,731,663</u>	<u>\$ (100,144)</u>	<u>\$ (322,153)</u>	<u>\$ 273,999,600</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2004 are as follows:

General Government	\$ 3,648,346
Public Safety	273,389
Public Works	7,729,290
Parks	314,682
Total depreciation expense	<u>\$ 11,965,707</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2003	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2004
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 56,914	\$ 201,767	\$	\$	\$ 258,681
Construction in progress	17,761,172	14,781,448		(2,927,201)	29,615,419
Total nondepreciable assets	<u>17,818,086</u>	<u>14,983,215</u>		<u>(2,927,201)</u>	<u>29,874,100</u>
<i>Depreciable Assets:</i>					
Buildings and structures	2,444,434				2,444,434
Machinery and equipment	3,851,933	294,354	(24,880)	14,310	4,135,717
Improvements other buildings, than buildings, structures, and land improvements	36,186,949			(2,510,810)	33,676,139
Infrastructure		3,812,521		5,707,410	9,519,931
Total depreciable assets	<u>42,483,316</u>	<u>4,106,875</u>	<u>(24,880)</u>	<u>3,210,910</u>	<u>49,776,221</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(1,718,704)	(165,449)			(1,884,153)
Machinery and equipment	(2,874,853)	(332,639)	23,522		(3,183,970)
Improvements other buildings, than buildings, structures, and land improvements	(15,690,417)	(1,347,044)			(17,037,461)
Infrastructure	(1,979,062)	(199,108)			(2,178,170)
Total accumulated depreciation	<u>(22,263,036)</u>	<u>(2,044,240)</u>	<u>23,522</u>		<u>(24,283,754)</u>
Total depreciable assets, net	<u>20,220,280</u>	<u>2,062,635</u>	<u>(1,358)</u>	<u>3,210,910</u>	<u>25,492,467</u>
Total business-type activities	<u>\$ 38,038,366</u>	<u>\$ 17,045,850</u>	<u>\$ (1,358)</u>	<u>\$ 283,709</u>	<u>\$ 55,366,567</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2004, were as follows:

Wastewater System Fund	\$ 592,327
Water System Fund	951,088
Refuse Collection System	411,543
Merced Municipal Airport	89,282
Total depreciation expense	<u>\$ 2,044,240</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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

8. DEFERRED CHARGES

At June 30, 2004, the City had the following deferred charges:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
CSCDA Wastewater Revenue Bond	\$	\$ 469,031	\$ (11,894)	\$ 457,137
CSCDA Water Revenue Bond		217,666	(5,519)	212,147
Improvement Bonds Payable	160,215		(27,931)	132,284
Total	\$ 160,215	\$ 686,697	\$ (45,344)	\$ 801,568

These deferred charges represent bond issuance costs, which are being amortized over the life of the related bonds using the straight line method. Amortization expense for the year ended June 30, 2004 was \$45,344.

9. LONG-TERM DEBT

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Due in more than one year	Due within one year
Tax Allocation Bonds	\$ 31,612,825	\$	\$ (1,260,000)	\$ 30,352,825	\$ 29,047,825	\$ 1,305,000
Pension Obligation Bonds		7,355,000		7,355,000	7,305,000	50,000
Participation and Development Agreements	725,000		(150,000)	575,000	425,000	150,000
Loan Payable	5,753,298		(156,593)	5,596,705	5,254,274	342,431
Loan Guarantee	668,228		(60,748)	607,480	546,732	60,748
Total	\$ 38,759,351	\$ 7,355,000	\$ (1,627,341)	\$ 44,487,010	\$ 42,578,831	\$ 1,908,179

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements

Tax Allocation Bonds Payable

Tax allocation bonds payable at June 30, 2004, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 18,985,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,360,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	<u>9,007,825</u>
Total	<u><u>\$ 30,352,825</u></u>

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

1999 \$25,000,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$1,100,000 to \$1,975,000 principal payable annually, interest at 3.50% to 4.75%, payable semi-annually, matures 2015, secured by tax revenues.

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 1,265,000	\$ 783,754	\$ 2,048,754
2006	1,310,000	735,936	2,045,936
2007	1,360,000	684,526	2,044,526
2008	1,410,000	629,806	2,039,806
2009	1,470,000	572,206	2,042,206
2010-2014	8,305,000	1,857,786	10,162,786
2015-2016	<u>3,865,000</u>	<u>184,425</u>	<u>4,049,425</u>
Total	<u><u>\$ 18,985,000</u></u>	<u><u>\$ 5,448,439</u></u>	<u><u>\$ 24,433,439</u></u>

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

2001 \$2,400,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$40,000 to \$80,000 of principal payable annually, interest at 5.00 to 5.60%, payable semi-annually, matures 2031, secured by tax revenues.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 40,000	\$ 130,098	\$ 170,098
2006	40,000	128,098	168,098
2007	45,000	125,973	170,973
2008	45,000	125,723	170,723
2009	45,000	121,473	166,473
2010-2014	255,000	570,976	825,976
2015-2019	350,000	492,400	842,400
2020-2024	450,000	709,787	1,159,787
2025-2029	620,000	228,448	848,448
2030-2032	470,000	41,689	511,689
Total	\$ 2,360,000	\$ 2,674,665	\$ 5,034,665

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

2003 \$9,007,825 Tax Allocation Bonds, Series A, Redevelopment Agency, consisting of \$1,485,000 Current Interest Bonds and \$7,522,825 Capital Appreciation Bonds, \$130,000 to \$1,156,807 of principal payable annually, interest payable annually, matures 2023, secured by tax revenues. The interest rate on the Current Interest Bonds is 2.0% to 3.625%. The yield to maturity on the Capital Appreciation Bonds is 4.5% to 5.15%.

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

For the Years Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		
	Principal	Interest	Initial Amount	Accreted Interest	Value at Maturity
2005	\$	\$ 42,896	\$	\$	\$
2006		42,896			
2007	130,000	41,596			
2008	135,000	38,946			
2009	135,000	36,077			
2010-2014	755,000	119,782			
2015-2019	330,000	11,963	3,274,382	3,055,618	6,330,000
2020-2024			4,248,443	6,301,557	10,550,000
Total	\$ 1,485,000	\$ 334,156	\$ 7,522,825	\$ 9,357,175	\$ 16,880,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Pension Obligation Bonds

California Statewide Communities Development Authority Taxable Pension Obligation Bonds

On June 1, 2004, the California Statewide Communities Development Authority (Authority) issued bonds pursuant to the terms of a Trust Agreement dated June 1, 2004 by and between the Authority and Wells Fargo Bank (Trustee) as trustee for the purpose of purchasing taxable pension obligation bonds of participating counties and cities (Local Agencies). The obligations of each Local Agency are imposed by law. The total amount of the bonds issued was \$197,084,195. The City's obligation amounted to \$7,355,000.

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 50,000	\$ 384,362	\$ 434,362
2006	40,000	415,453	455,453
2007	65,000	414,193	479,193
2008	85,000	411,769	496,769
2009	115,000	408,250	523,250
2010-2014	1,045,000	1,928,425	2,973,425
2015-2019	2,145,000	1,530,569	3,675,569
2020-2024	3,810,000	720,490	4,530,490
Total	\$ 7,355,000	\$ 6,213,511	\$ 13,568,511

Participation and Development Agreements

Participation and Development Agreements at June 30, 2004, consisted of the following:

1997 \$300,000 Disposition and Development Agreement	\$ 100,000
1997 \$800,000 Participation Agreement	475,000
Total	\$ 575,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Participation and Development Agreements, Continued

1997 \$300,000 Disposition and Development Agreement

1997 \$300,000 Disposition and Development Agreement between the City of Merced Redevelopment Agency and a developer. The Agency agreed to pay an amount not to exceed \$50,000 annually of the property tax increment for six years.

The annual debt service requirements for the 1997 \$300,000 Disposition and Development Agreement are as follows:

For the Years Ending June 30,		
2005	\$	50,000
2006		50,000
Total	\$	100,000

1997 \$800,000 Participation Agreement

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

The annual debt service requirements for the 1997 \$800,000 Participation Agreement are as follows:

For the Years Ending June 30,		
2005	\$	100,000
2006		100,000
2007		100,000
2008		100,000
2009		75,000
Total	\$	475,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable

Loans payable at June 30, 2004, consisted of the following:

2003 \$1,620,000 Loans Payable	\$ 1,490,000
2003 \$4,000,000 Loans Payable	4,000,000
2003 \$129,109 Real Estate Loan Payable	<u>106,705</u>
Total	<u><u>\$ 5,596,705</u></u>

1998 \$1,390,000 Loan

1998 \$1,390,000 Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The City agreed to pay for advances under this program. Principal payments are \$130,000 annually. Interest is 0.2% above the London Interbank Offered Rates (LIBOR). The loan was fully paid off at June 30, 2004.

2003 \$1,620,000 Loan

2003 \$1,620,000 loan for loan guarantees assistance under Section 108 of the Housing and Community Development Act of 1974. Principal payments are \$130,000 annually. Interest is 2.0% to 6.5% payable quarterly.

The annual debt service requirements for the 2003 \$1,620,000 loans payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 130,000	\$ 62,148	\$ 192,148
2006	130,000	58,671	188,671
2007	130,000	54,485	184,485
2008	130,000	49,772	179,772
2009	130,000	44,598	174,598
2010-2014	650,000	133,377	783,377
2015-2016	190,000	8,534	198,534
Total	<u><u>\$ 1,490,000</u></u>	<u><u>\$ 411,585</u></u>	<u><u>\$ 1,901,585</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable, Continued

2003 \$4,000,000 Loans Payable

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

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 200,000	\$ 173,810	\$ 373,810
2006	200,000	170,860	370,860
2007	200,000	166,710	366,710
2008	200,000	161,330	361,330
2009	200,000	154,850	354,850
2010-2014	1,000,000	652,260	1,652,260
2015-2019	1,000,000	410,640	1,410,640
2020-2024	1,000,000	140,690	1,140,690
Total	\$ 4,000,000	\$ 2,031,150	\$ 6,031,150

2003 \$129,109 Real Estate Purchase Agreement

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

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 12,431	\$ 7,914	\$ 20,345
2006	13,329	7,076	20,405
2007	14,293	5,213	19,506
2008	15,326	4,180	19,506
2009	16,434	3,072	19,506
2010-2011	34,892	2,494	37,386
Total	\$ 106,705	\$ 29,949	\$ 136,654

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Guarantee

2001 \$789,724 Debt Service Funding Agreement

2001 \$789,724 Debt Service Funding Agreement with Developer. Developer agrees to make the monthly payments to the City of Merced Redevelopment Agency for the repayment of its loan with a financial lender. The Redevelopment Agency guarantees the monthly payments to the lender. The Redevelopment Agency has a deposit of \$60,748 to be used as a reserve. Payments are \$5,062 for 156 months.

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

For the Years	
<u>Ending June 30,</u>	
2005	\$ 60,748
2006	60,748
2007	60,748
2008	60,748
2009	60,748
2010-2014	<u>303,740</u>
Total	\$ 607,480

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2004:

	Balance		Retirements	Bond		Balance		Due in	
	<u>July 1, 2003</u>	<u>Additions</u>		<u>Amortization</u>	<u>June 30, 2004</u>	<u>more than</u>	<u>Due within</u>		
						<u>one year</u>	<u>one year</u>		
Revenue Bonds payable	\$ 2,410,000	\$ 31,717,580	\$ (4,187,541)	\$ 578,465	\$ 30,518,504	\$ 30,455,561	\$ 62,943		
Loan payable		4,863,497			4,863,497	4,863,497			
Improvement Bonds payable	3,125,000		(245,000)		2,880,000	2,615,000	265,000		
Total	\$ 5,535,000	\$ 36,581,077	\$ (4,432,541)	\$ 578,465	\$ 38,262,001	\$ 37,934,058	\$ 327,943		

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable

Revenue bonds payable at June 30, 2004, consisted of the following:

Water Well Development Agreement	\$ 185,039
CSCDA Water Revenue Bonds Payable	8,925,237
CSCDA Sewer Revenue Bonds Payable	<u>21,408,228</u>
Total	<u><u>\$ 30,518,504</u></u>

1994 \$4,520,000 Sewer Revenue Bonds

1994 \$4,520,000 Sewer Revenue Bonds, Wastewater System Fund, \$85,000 to \$370,000 principal payable annually, interest at 3.25% to 4.75%, payable semi-annually, matures 2013, secured by wastewater revenues. The outstanding bonds payable were fully refunded as of June 30, 2004 with the issuance of the 2003 Local Agency Revenue Refunding Bond.

2003 Local Agency Revenue Refunding Bond

On September 10, 2003, the City entered into an agreement with WestAmerica Bank (Bank) for the purchase and sale of the 2003 Local Agency Revenue Refunding Bond in the amount of \$1,760,813. The bonds were secured by the wastewater revenues. The principal amounts ranging from \$313,000 to \$47,813 were due on September 10 through 2009. Interest payments of 3.35% were due on March 10 and September 10 of each year.

The bond proceeds were used to refund the 1994 Sewer Revenue Bonds. Upon the issuance of the CSCDA Water and Wastewater Revenue Bonds, the City defeased the full amount of the 2003 Local Agency Revenue Refunding Bonds to facilitate the issuance of the CSCDA bonds. The liability has been removed from the Long-Term Debt.

The balance of the defeased bonds outstanding as of June 30, 2004, was \$1,760,813.

Water Well Development Agreement

During fiscal year 2004, the City entered into a Development Agreement with Zelman Retail Partners, Inc. (Developer) which contained a provision for the construction of a water well site. The City determined that the fair value of the well site to be \$250,000 which the City agreed to pay to developer in ten equal annual installments. The accreted interest was calculated at a rate of 4.1% resulting in a principal amount of \$201,767.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

The annual debt service requirements for the Water Well Development Agreement Bonds Payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 17,413	\$ 7,587	\$ 25,000
2006	18,127	6,873	25,000
2007	18,871	6,129	25,000
2008	19,644	5,356	25,000
2009	20,450	4,550	25,000
2010-2013	90,534	9,466	100,000
Total	\$ 185,039	\$ 39,961	\$ 225,000

CSCDA Water and Wastewater Revenue Bonds Series 2004A

On June 1, 2004, the California Statewide Communities Development Authority (CSCDA) issued Water and Wastewater Revenue Bonds (Pooled Financing Program) in the amount of \$56,880,000 pursuant to an Indenture by and between the CSCDA and Union Bank of California (Trustee) as trustee. The pooled financing program is available to California cities and special district that operate water and wastewater enterprises. The bonds were authorized by law and were used to finance and refinance certain public capital improvements of the four project participants. The City's obligation was \$8,755,000 for its Water Enterprise Fund and \$21,000,000 for its Wastewater Enterprise Fund.

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$	\$ 351,750	\$ 351,750
2006	285,000	419,237	704,237
2007	290,000	410,612	700,612
2008	300,000	400,262	700,262
2009	315,000	387,962	702,962
2010-2014	1,765,000	1,727,637	3,492,637
2015-2019	2,240,000	1,235,430	3,475,430
2020-2024	2,890,000	570,678	3,460,678
2025	670,000	17,588	687,588
	<u>8,755,000</u>	<u>5,521,156</u>	<u>14,276,156</u>
Add Unamortization Premium	170,237		170,237
Total	<u>\$ 8,925,237</u>	<u>\$ 5,521,156</u>	<u>\$ 14,446,393</u>

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$	\$ 843,674	\$ 843,674
2006	680,000	1,005,592	1,685,592
2007	700,000	984,892	1,684,892
2008	720,000	959,992	1,679,992
2009	750,000	930,592	1,680,592
2010-2014	4,240,000	4,143,450	8,383,450
2015-2019	5,375,000	2,961,736	8,336,736
2020-2024	6,925,000	1,368,809	8,293,809
2025	1,610,000	42,263	1,652,263
	<u>21,000,000</u>	<u>13,241,000</u>	<u>34,241,000</u>
Add Unamortization Premium	408,228		408,228
Total	<u>\$ 21,408,228</u>	<u>\$ 13,241,000</u>	<u>\$ 34,649,228</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable

On October 27, 2003, the City entered into a promissory note with County Bank (Bank) for construction financing for water and sewer improvements for the University of California Merced Campus. The principal and interest on the Loan are payable solely from revenues of the Water and Sewer Systems constituting the capital financing fees and secured by the Collaterals as specified in the Construction Loan Agreement. The promissory note is not to exceed \$9 million and bears interest of 4.15%. This note is temporary financing and is expected to be replaced by permanent financing upon completion of the project, in fiscal year 2004-2005. The total amount outstanding at June 30, 2004 was \$4,863,497; accrued interest was \$50,459.

Improvement Bonds Payable

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

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

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 265,000	\$ 145,940	\$ 410,940
2006	275,000	132,573	407,573
2007	285,000	118,430	403,430
2008	305,000	103,232	408,232
2009	320,000	86,822	406,822
2010-2013	1,430,000	163,049	1,593,049
Total	\$ 2,880,000	\$ 750,046	\$ 3,630,046

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government Capital Assets. These are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. LONG-TERM DEBT, Continued

C. Debt with No City Commitment

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

	Outstanding June 30, 2004
1998 Liberty Park Refunding Assessment District	\$ 546,000
16th Street Refunding Assessment District	451,000
Fahrens Park Refunding Assessment District	5,705,000

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 and charges for compensated absences expense is charged to the various program activities.

Summary of changes in compensated absences for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Governmental Activities	\$ 2,226,854	\$ 765,260	\$ (564,644)	\$ 2,427,470
Business-type Activities	447,542	77,977	(41,673)	483,846
Total	\$ 2,674,396	\$ 843,237	\$ (606,317)	\$ 2,911,316

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

11. CLASSIFICATION OF FUND BALANCE

In governmental funds, designations are presented as a component of fund balance as follows:

	General Fund	Redevelopment Agency Special Revenue	Housing Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
<i>Reserved:</i>							
Encumbrances	\$ 384,999	\$ 1,276	\$ 1,268,656	\$	\$ 2,922,123	\$ 2,043,712	\$ 6,620,766
Petty cash	2,775						2,775
Notes receivable	27,714	5,098,560			52,347	24,670	5,203,291
Inventory	16,571						16,571
Due from other funds	69,248						69,248
Land held for resale		1,591,267				406,702	1,997,969
Advances to other funds	730,682					10,553	741,235
Child development						52,992	52,992
Park planning zones						824,509	824,509
Debt service				2,528,121		908,602	3,436,723
Total reserved	1,231,989	6,691,103	1,268,656	2,528,121	2,974,470	4,271,740	18,966,079
<i>Unreserved, Designated:</i>							
Contingencies	4,000,000						4,000,000
Future years	889,437						889,437
<i>Reported in Special Revenue Funds:</i>							
Pump replacements						217,378	217,378
Facilities development						3,220,901	3,220,901
Total unreserved, designated	4,889,437					3,438,279	8,327,716
<i>Unreserved, Undesignated</i>							
<i>Reported in:</i>							
General Fund	11,062,626						11,062,626
Special Revenue Funds		1,037,932	250,946			14,288,173	15,577,051
Capital Project Funds				(694,014)	10,564,627	1,240,690	11,111,303
Total unreserved, undesignated	11,062,626	1,037,932	250,946	(694,014)	10,564,627	15,528,863	37,750,980
Total	\$ 17,184,052	\$ 7,729,035	\$ 1,519,602	\$ 1,834,107	\$ 13,539,097	\$ 23,238,882	\$ 65,044,775

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. RISK MANAGEMENT

The City maintains internal service funds to account for the City's general liability insurance and workers' compensation insurance. All unpaid claims that were probable liabilities that occurred prior to the year-end and that were estimated based on actuarial studies or historical data were recorded in accordance with GASB No. 10. As of June 30, 2004, claims for general liability were \$472,379, and workers' compensation were \$4,539,431.

The Liability Insurance Fund is used to account for all general liability claims against the City, except for Property and Airport. The City is a member of the Central San Joaquin Valley Risk Management Authority, with a self-insured retention of \$100,000 for general liability, errors and omissions, and \$500,000 for vehicle liability. Settled claims have not exceeded the commercial claims in any fiscal year. The changes in the general claims liability were as follows:

Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2002	\$ 529,643	\$ 613,745	\$ (554,169)	\$ 589,219
2003	589,219	263,136	(609,067)	243,288
2004	243,288	1,284,272	(1,055,181)	472,379

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

Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2002	\$ 2,066,486	\$ 682,333	\$ (532,393)	\$ 2,216,426
2003	2,216,426	1,364,028	(689,807)	2,890,647
2004	2,890,647	2,451,900	(803,116)	4,539,431

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

13. RETIREMENT PLANS

Pension Plan

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

Funding Policy - Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The required employee contribution was paid by the City. This amounted to \$1,456,637 for the year ended June 30, 2004. The City employer was required to contribute for fiscal year 2003-2004 at an actuarially determined rate of 0.000% and 15.208% of annual covered payroll for miscellaneous and safety employees, respectively. See the Required Supplementary Information for the Schedule of Funding Progress.

Annual Pension Cost - For fiscal year 2003-2004, the City's annual pension cost was \$1,070,223. The City's required and actual contributions were \$1,070,223. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that range from 3.75% to 14.2% for miscellaneous and 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2001, was 22 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 84,699	100%	\$0
6/30/2003	756,595	100%	0
6/30/2004	1,070,223	100%	0

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

14. POST-RETIREMENT HEALTH CARE BENEFITS

The City paid health care insurance for 159 retirees at an annual cost of \$496,586. There are approximately 420 full time employees that current Memorandums of Understanding call for the City to provide health care insurance upon retirement. Employees hired after December 31, 2002 in the Public Safety Bargaining Unit and December 31, 2003 in the AFSCME Bargaining Unit are not eligible for retirement health benefits.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

As of June 30, 2004, the City was a party to various personal injury and other lawsuits which have been denied by the City Council. The outcome and eventual liability to the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

16. PRIOR PERIOD ADJUSTMENTS

The City implemented GASB Statement No. 34 in the prior year. However, deferred revenue recorded in the fund financial statements was not recorded as revenue in the government-wide financial statements. In addition, certain accounting restatements were made during the fiscal year. Accordingly, the City's equity as of July 1, 2003 has been restated as follows:

	Equity as previously Reported	GASB 34 <u>Implementation</u> Deferred Revenue	Accounting Restatements	Net Assets as Restated
Governmental Activities	\$ 293,496,754	\$ 21,603,739	\$ 1,703,705	\$ 316,804,198
Business-Type Activities	63,039,455		450,313	63,489,768
Total	<u>\$ 356,536,209</u>	<u>\$ 21,603,739</u>	<u>\$ 2,154,018</u>	<u>\$ 380,293,966</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

16. PRIOR PERIOD ADJUSTMENTS, Continued

During the fiscal year the City identified certain accounting restatements in the fund financial statements. Accordingly, the City's fund balances as of July 1, 2003 have been restated as follows:

	Fund Balance as previously Reported	Accounting Restatements	Fund Balance as Restated
<i>Governmental Funds:</i>			
General Fund	\$ 14,816,933	\$ 345,157	\$ 15,162,090
Redevelopment Agency Special Revenue Fund	3,345,370	3,027,949	6,373,319
Redevelopment Agency Capital Projects Fund	17,112,220	(2,126,000)	14,986,220
Non-major Governmental Funds	15,689,571	456,599	16,146,170
Total governmental funds	<u>\$ 50,964,094</u>	<u>\$ 1,703,705</u>	<u>\$ 52,667,799</u>
<i>Proprietary Funds:</i>			
Wastewater System Enterprise Fund	\$ 22,748,115	\$ 222,306	\$ 22,970,421
Water System Enterprise Fund	32,152,190	228,007	32,380,197
Total proprietary funds	<u>\$ 54,900,305</u>	<u>\$ 450,313</u>	<u>\$ 55,350,618</u>

REQUIRED SUPPLEMENTARY INFORMATION

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City of Merced
Required Supplementary Information
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING

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

1. The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted by the City Council in June of each year for all funds. The resolution sets a combined appropriation of the funds for the operation of the City.
2. The City Manager is authorized to transfer budgeted amounts between departments and line items to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds and transfers between funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds.
4. Budgets for the governmental fund types are adopted and recorded on the modified basis of accounting on a basis consistent with generally accepted accounting principles (GAAP). Budget appropriations lapse at the end of the fiscal year. Supplemental appropriations were adopted by the City Council and have been included in the statements of revenues, expenditures, and changes in fund balance - budget to actual. Total supplemental appropriations for the year were \$43,648,872. Budgets are also prepared for proprietary fund types, which include debt service principal payments, capital outlay, but does not include depreciation.

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

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

Encumbrances

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

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 3,406,000	\$ 3,406,000	\$ 3,575,754	\$ 169,754
Unsecured	250,000	250,000	247,907	(2,093)
Supplemental roll:				
Prior year - unsecured	4,000	4,000	6,578	2,578
Prior year - supplemental roll	90,000	90,000	221,749	131,749
Housing authority in lieu	14,000	14,000		(14,000)
Sales and use	9,800,000	9,800,000	10,409,903	609,903
Transient occupancy tax	705,000	705,000	716,819	11,819
Franchise	1,009,000	1,009,000	1,107,172	98,172
Business license	998,000	998,000	1,089,317	91,317
CRIS fee	1,000,000	1,000,000	2,050,047	1,050,047
Real property transfer	160,000	160,000	294,023	134,023
Miscellaneous	16,000	16,000	117	(15,883)
Total taxes	<u>17,452,000</u>	<u>17,452,000</u>	<u>19,719,386</u>	<u>2,267,386</u>
Licenses and permits:				
Animal licenses	30,000	30,000	31,187	1,187
Bicycle licenses	700	700	1,040	340
Other licenses and permits	6,000	6,000	7,247	1,247
Total licenses and permits	<u>36,700</u>	<u>36,700</u>	<u>39,474</u>	<u>2,774</u>
Intergovernmental:				
Motor vehicle in lieu tax	4,009,000	4,009,000	3,128,854	(880,146)
Homeowners property tax relief	75,000	75,000	75,106	106
Off highway tax	1,800	1,800	3,444	1,644
Police standards and training			51,219	51,219
Other state grant	176,144	372,960	199,160	(173,800)
9-1-1 equipment reimbursement	262	262	10,637	10,375
Other Federal grants	182,000	212,020	28,052	(183,968)
AB 1662 reimbursement booking fees	237,555	237,555	237,555	
Office BJA - bullet proof vest grant	6,266	6,266	5,757	(509)
Total intergovernmental	<u>4,688,027</u>	<u>4,914,863</u>	<u>3,739,784</u>	<u>(1,175,079)</u>

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING, Continued

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

	Budget		Actual	Variance
	Original	Final		
REVENUES, Continued:				
Service charges:				
Incident recovery fees	\$ 41,500	\$ 41,500	\$ 9,835	\$ (31,665)
Fire department special services	82,398	82,398	87,430	5,032
Fire prevention	39,000	39,000	62,778	23,778
Accident reports	32,000	32,000	31,010	(990)
Weed and lot cleaning	15,000	15,000	28,199	13,199
PERS - ES share 3% at 50	338,025	338,025	335,816	(2,209)
Administrative	2,521,571	2,521,741	2,522,144	403
Cost applied	882,590	882,590	882,590	
Other current service charges	192,600	192,600	210,056	17,456
Total service charges	4,144,684	4,144,854	4,169,858	25,004
Fines, forfeitures and penalties:				
Criminal fines	43,000	43,000	83,703	40,703
Total fines, forfeitures and penalties	43,000	43,000	83,703	40,703
Other:				
Investment earnings	256,500	256,500	140,914	(115,586)
Rent and concessions (other than recreation)	124,332	124,332	129,332	5,000
Interest on loans	565,561	565,561	(968)	(566,529)
Unclassified revenue	17,000	17,000	34,236	17,236
Miscellaneous	300	300	887	587
Animal control services	15,000	15,000	12,119	(2,881)
School police officer	54,000	54,000	64,442	10,442
Housing Authority police officer	3,500	3,500	252	(3,248)
Valley High School police officer	77,156	77,156	77,974	818
School crossing guard grant		57,040	21,949	(35,091)
Anti-drug abuse grant			8,131	8,131
Cash overages (shortages)	100	100	(1,116)	(1,216)
Donations/contributions	5,000	6,300	7,800	1,500
S.M.I.P. fees	400	400	50	(350)
Repayment on loan	2,488,227	2,488,227	89,878	(2,398,349)
Property sales	132	132	269,169	269,037
Total other	3,607,208	3,665,548	855,049	(2,810,499)
Total revenues	29,971,619	30,256,965	28,607,254	(1,649,711)

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING, Continued

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

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City Council	\$ 400,773	\$ 400,519	\$ 344,460	\$ 56,059
City Manager	629,676	630,519	533,373	97,146
City Attorney	599,514	605,320	576,328	28,992
Finance	1,514,445	1,912,832	1,705,196	207,636
Purchasing	231,114	232,971	228,407	4,564
Economic development	166,673	225,088	173,099	51,989
Total general government	<u>3,542,195</u>	<u>4,007,249</u>	<u>3,560,863</u>	<u>446,386</u>
Public safety:				
Police protection	13,665,019	18,581,496	17,995,815	585,681
Fire protection and weed abatement	6,436,324	9,286,585	8,900,637	385,948
Total public safety	<u>20,101,343</u>	<u>27,868,081</u>	<u>26,896,452</u>	<u>971,629</u>
Parks				
Total current operating	<u>25,306,208</u>	<u>33,542,863</u>	<u>32,055,880</u>	<u>1,486,983</u>
Capital outlay:				
Purchase of machinery and equipment	524,539	606,022	291,030	314,992
Capital improvements	307,825	338,463	17,202	321,261
Total capital outlay	<u>832,364</u>	<u>944,485</u>	<u>308,232</u>	<u>636,253</u>
Total expenditures	<u>26,138,572</u>	<u>34,487,348</u>	<u>32,364,112</u>	<u>2,123,236</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,833,047</u>	<u>(4,230,383)</u>	<u>(3,756,858)</u>	<u>473,525</u>
OTHER FINANCING SOURCES (USES):				
Proceed from debt		7,355,000	7,355,000	
Transfers in	963,259	990,717	1,039,630	48,913
Transfers out	(3,249,069)	(3,565,784)	(2,615,810)	949,974
Total other financing sources (uses)	<u>(2,285,810)</u>	<u>4,779,933</u>	<u>5,778,820</u>	<u>998,887</u>
Net change in fund balances	<u>\$ 1,547,237</u>	<u>\$ 549,550</u>	<u>2,021,962</u>	<u>\$ 1,472,412</u>
FUND BALANCES:				
Beginning of year			<u>15,162,090</u>	
End of year			<u>\$ 17,184,052</u>	

(Concluded)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING, Continued

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$	\$ 44	\$ 44	\$
Other:				
Rental income	55,000	55,000	62,140	7,140
Investment earnings	16,000	16,000	8,622	(7,378)
Loan interest	104,990	104,990	148,631	43,641
Repayment of note	81,873	81,873	93,161	11,288
Housing set-aside loans	23,946	23,946	609,532	585,586
Miscellaneous	582,852	582,852	307,575	(275,277)
Total revenues	864,661	864,705	1,229,705	365,000
EXPENDITURES:				
Current operating:				
General government	1,380,591	1,390,931	1,306,138	84,793
Administrative shared expenditures	403,956	403,956	403,956	
Total current operating	1,784,547	1,794,887	1,710,094	84,793
Capital outlay	500	500		500
Total expenditures	1,785,047	1,795,387	1,710,094	85,293
REVENUES OVER (UNDER) EXPENDITURES				
	(920,386)	(930,682)	(480,389)	450,293
OTHER FINANCING SOURCES (USES):				
Transfers in	1,250,222	1,250,222	2,646,035	1,395,813
Transfers out	(809,930)	(809,930)	(809,930)	
Total other financing sources (uses)	440,292	440,292	1,836,105	1,395,813
Net change in fund balances	\$ (480,094)	\$ (490,390)	1,355,716	\$ 1,846,106
FUND BALANCES:				
Beginning of year			6,373,319	
End of year			\$ 7,729,035	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY CONTROL AND ACCOUNTING, Continued

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
CDBG Program	\$ 3,126,000	\$ 4,520,593	\$ 2,841,013	\$ (1,679,580)
Home Grant Program	1,775,348	2,362,073	1,832,209	(529,864)
BEGIN Program	34,000	34,000	89,405	55,405
State Rental Rehabilitation Program	39,000	39,000	78,895	39,895
Other:				
Investment earnings	10,000	10,000	20,549	10,549
Miscellaneous			5,000	5,000
Total revenues	<u>4,984,348</u>	<u>6,965,666</u>	<u>4,867,071</u>	<u>(2,098,595)</u>
EXPENDITURES:				
Current operating:				
General government	3,665,585	5,642,063	2,974,285	2,667,778
Administrative shared expenditures	73,481	73,481	73,481	
Total current operating	<u>3,739,066</u>	<u>5,715,544</u>	<u>3,047,766</u>	<u>2,667,778</u>
Capital outlay		1,120		1,120
Total expenditures	<u>3,739,066</u>	<u>5,716,664</u>	<u>3,047,766</u>	<u>2,668,898</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>1,245,282</u>	<u>1,249,002</u>	<u>1,819,305</u>	<u>570,303</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(2,166,227)	(2,166,074)	(1,519,871)	646,203
Total other financing sources (uses)	<u>(2,166,227)</u>	<u>(2,166,074)</u>	<u>(1,519,871)</u>	<u>646,203</u>
Net change in fund balances	<u>\$ (920,945)</u>	<u>\$ (917,072)</u>	299,434	<u>\$ 1,216,506</u>
FUND BALANCES:				
Beginning of year			1,220,168	
End of year			<u>\$ 1,519,602</u>	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2004

2. PUBLIC EMPLOYEE RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Assets Over Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Assets Over Liability as Percentage of Covered Payroll
6/30/2000	\$ 53,722,277	\$ 36,451,373	\$ 17,270,904	147.4%	\$ 9,378,990	184.1%
6/30/2001	54,860,849	38,945,076	15,915,773	140.9%	9,992,395	159.3%
6/30/2002	51,199,984	42,454,152	8,745,832	120.6%	10,746,157	81.4%

Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Assets Over Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Assets Over Liability as Percentage of Covered Payroll
6/30/2000	\$ 50,657,284	\$ 48,021,923	\$ 2,635,361	105.5%	\$ 6,507,646	40.5%
6/30/2001	52,161,682	50,992,103	1,169,579	102.3%	6,839,689	17.1%
6/30/2002	48,694,355	54,441,620	(5,747,265)	89.4%	7,002,991	-82.1%

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

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

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

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

Local Transportation Fund - This fund accounts for revenues derived from 1/4 cent of the 7 1/4 cents retail sales tax collected statewide. Local Transportation Fund money must first be used for all reasonable unmet transit needs and then may be used for street and road costs.

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS, Continued

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

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

Public Works Administration Fund - This fund's budget reflects administrative costs for all Public Works Operations, Safety Specialist and all Public Works clerical support are included in this fund.

Federal COPS Funding Fund - This fund tracks the U. S. Department of Justice's Office of Community Oriented Policing Services funds earmarked for Crime Prevention Activities.

Traffic Safety Targeted Impoundment Fund - The vehicle impound program focuses on impounding vehicles that are being driven by drivers who are operating vehicles with revoked or suspended licenses, or who have not been issued licenses. The main goal of the program is to reduce the alcohol involved in hit and run collisions. An additional component of the program will be the establishment of a DUI check point program.

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

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

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

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS, Continued

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

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

Local Law Enforcement Block Grant Fund - This fund tracks the U. S. Department of Justice's Office of Community Oriented Policing Services funds earmarked for purchase of eligible equipment

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

Local Law Enforcement Block Grant Fund - This fund tracks the U. S. Department of Justice's Office of Community Oriented Policing Services funds earmarked for purchase of Mobile Digital Terminals.

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

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Airport Industrial Park Fund - This fund is the debt service fund for the Airport Industrial Park Section 108 loan from HUD.

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

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

CAPITAL PROJECTS FUNDS

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

Park Reserve Fund - All in-lieu fees collected are deposited into this fund and may only be used for the purpose of acquiring necessary land and developing new or rehabilitating existing park or recreational facilities reasonably related to serving the subdivision.

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

Streets and Signals Fund - This fund is used to account for projects which are funded by State and Federal sources. The State and Federal funds are accounted for in special revenue funds and then transferred to the Street and Signals CIP fund when project expenditures have been incurred.

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

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

McComb's Youth Center Fund - This fund is used for the collection and disbursement of money related to the design and construction of a 18,500 sq. ft. facility for youth activities.

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

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

City of Merced
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Traffic Congestion Relief
ASSETS						
Cash, cash equivalents and investments	\$ 28,303	\$ 23,082	\$ 1,778	\$ 9,284	\$	\$
Cash held by fiscal agent						
Receivables	91	75	6	33		
Land held for resale						
Due from other governments				117,807	30,266	
Notes receivable						
Advances to other funds						
Total assets	\$ 28,394	\$ 23,157	\$ 1,784	\$ 127,124	\$ 30,266	\$
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$	\$
Payroll liabilities						
Deferred revenue		16,377				
Due to other funds						
Other liabilities						
Total liabilities		16,377				
Fund Balances:						
Reserved	5,005	3,275				
Unreserved, designated, reported in Special revenue funds						
Unreserved, undesignated reported in:						
Special revenue funds	23,389	3,505	1,784	127,124	30,266	
Capital project funds						
Total unreserved, undesignated	23,389	3,505	1,784	127,124	30,266	
Total fund balances	28,394	6,780	1,784	127,124	30,266	
Total liabilities and fund balances	\$ 28,394	\$ 23,157	\$ 1,784	\$ 127,124	\$ 30,266	\$

Special Revenue

Street Trees	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	Federal COPS Funding	Traffic Safety Targeted Impoundment	Supplemental Law Enforcement Services
\$ 3,959	\$ 121,870	\$ 144,579	\$ 1,289,234	\$ 43,103	\$ 244,396	\$ 9,600	\$ 31,788	\$
13	567	2,059	4,094	139	789		103	
16,712		40,653	548,362					
<u>\$ 20,684</u>	<u>\$ 122,437</u>	<u>\$ 187,291</u>	<u>\$ 1,841,690</u>	<u>\$ 43,242</u>	<u>\$ 245,185</u>	<u>\$ 9,600</u>	<u>\$ 31,891</u>	<u>\$</u>
\$ 1,163	\$ 15,699	\$ 6,177	\$	\$	\$ 2,411	\$	\$	\$
9,457	19,880	23,891			15,324			
		100						
10,620	35,579	30,168			17,735			
10,064	86,858	157,123			5,217	9,600		
			1,841,690	43,242	222,233		31,891	
			1,841,690	43,242	222,233		31,891	
10,064	86,858	157,123	1,841,690	43,242	227,450	9,600	31,891	
<u>\$ 20,684</u>	<u>\$ 122,437</u>	<u>\$ 187,291</u>	<u>\$ 1,841,690</u>	<u>\$ 43,242</u>	<u>\$ 245,185</u>	<u>\$ 9,600</u>	<u>\$ 31,891</u>	<u>\$</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2004

	Special Revenue					
	Development Services	Parking Enforcement	TEA Exchange	Child Development	Public Facilities Impact	Local Law Enforcement Block Grant
ASSETS						
Cash, cash equivalents and investments	\$ 3,902,501	\$ 43,638	\$ 84,582	\$ 53,669	\$ 8,978,760	\$ 96,284
Cash held by fiscal agent						
Receivables	89,227	664,007	273	173	1,047,757	291
Land held for resale						
Due from other governments		732		70,036		
Notes receivable	19,767					
Advances to other funds						
Total assets	\$ 4,011,495	\$ 708,377	\$ 84,855	\$ 123,878	\$ 10,026,517	\$ 96,575
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 32,500	\$	\$	\$ 2,109	\$	\$ 40,587
Other payables	66,524	4,143				
Deferred revenue						
Due to other funds				700		
Other liabilities						
Total liabilities	99,024	4,143		2,809		40,587
Fund Balances:						
Reserved	442,180	1,502		121,041		25,077
Unreserved, designated, reported in						
Special revenue funds					3,220,901	
Unreserved, undesignated reported in:						
Special revenue funds	3,470,291	702,732	84,855	28	6,805,616	30,911
Capital project funds						
Total unreserved, undesignated	3,470,291	702,732	84,855	28	6,805,616	30,911
Total fund balances	3,912,471	704,234	84,855	121,069	10,026,517	55,988
Total liabilities and fund balances	\$ 4,011,495	\$ 708,377	\$ 84,855	\$ 123,878	\$ 10,026,517	\$ 96,575

Special Revenue	Debt Service			Capital Projects				
	Maintenance Districts	Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers
\$ 1,077,626	\$	\$ 6,142	\$ 756,410	\$ 285,608	\$ 402,390	\$ 21,646	\$ 196,011	\$ 2,006
	944,849							
3,806		20	124,993	923	1,429		633	7
	406,702							
66,716			250,827		90,830			
			4,903					
			10,553					
<u>\$ 1,148,148</u>	<u>\$ 1,351,551</u>	<u>\$ 6,162</u>	<u>\$ 1,147,686</u>	<u>\$ 286,531</u>	<u>\$ 494,649</u>	<u>\$ 21,646</u>	<u>\$ 196,644</u>	<u>\$ 2,013</u>
\$ 1,250	\$	\$	\$ 7,630		\$ 9,780	\$	\$ 990	
2,277								
			10,553					
3,527			18,183		9,780		990	
58,627	1,351,551	6,162	1,055,400	401,314	487,763		12,108	800
217,378								
868,616								
			74,103	(114,783)	(2,894)	21,646	183,546	1,213
868,616			74,103	(114,783)	(2,894)	21,646	183,546	1,213
1,144,621	1,351,551	6,162	1,129,503	286,531	484,869	21,646	195,654	2,013
<u>\$ 1,148,148</u>	<u>\$ 1,351,551</u>	<u>\$ 6,162</u>	<u>\$ 1,147,686</u>	<u>\$ 286,531</u>	<u>\$ 494,649</u>	<u>\$ 21,646</u>	<u>\$ 196,644</u>	<u>\$ 2,013</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2004

	Capital Projects		
	PCE	Fire	Total
	Remediation	Station #55	
ASSETS			
Cash, cash equivalents and investments	\$ 13,845	\$ 1,093,435	\$ 18,965,529
Cash held by fiscal agent			944,849
Receivables	45	3,531	1,945,084
Land held for resale			406,702
Due from other governments			1,232,941
Notes receivable			24,670
Advances to other funds			10,553
Total assets	\$ 13,890	\$ 1,096,966	\$ 23,530,328
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,924		\$ 122,220
Other payables			141,496
Deferred revenue			26,930
Due to other funds			700
Other liabilities			100
Total liabilities	1,924		291,446
Fund Balances:			
Reserved	6,216	24,857	4,271,740
Unreserved, designated, reported in			
Special revenue funds			3,438,279
Unreserved, undesignated reported in:			
Special revenue funds			14,288,173
Capital project funds	5,750	1,072,109	1,240,690
Total unreserved, undesignated	5,750	1,072,109	15,528,863
Total fund balances	11,966	1,096,966	23,238,882
Total liabilities and fund balances	\$ 13,890	\$ 1,096,966	\$ 23,530,328

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City of Merced
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2004

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Traffic Congestion Relief
REVENUES:						
Taxes	\$	\$ 99,313	\$	\$	\$	\$
Intergovernmental			887,918	1,207,899		45,873
Service charges						
Fines, forfeitures and penalties					188,477	
Other	58,069	2,410	1,625	2,279	173	78
Total revenues	58,069	101,723	889,543	1,210,178	188,650	45,951
EXPENDITURES:						
Current operating:						
General government	578	86,974			183,693	
Public safety						
Public works						
Parks						
Administrative shared expenditures	498	22,202				
Total current operating	1,076	109,176			183,693	
Capital outlay						
Debt service:						
Principal						
Interest						
Total expenditures	1,076	109,176			183,693	
REVENUES OVER (UNDER)						
EXPENDITURES	56,993	(7,453)	889,543	1,210,178	4,957	45,951
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of debt						
Proceeds from sale of capital assets						
Transfers in						
Transfers out	(44,053)		(890,634)	(1,205,830)		(49,732)
Total other financing sources (uses)	(44,053)		(890,634)	(1,205,830)		(49,732)
Net change in fund balances	12,940	(7,453)	(1,091)	4,348	4,957	(3,781)
FUND BALANCES:						
Beginning of year	15,454	14,233	2,875	122,776	25,309	3,781
Prior period adjustment						
Beginning of year, as restated	15,454	14,233	2,875	122,776	25,309	3,781
End of year	\$ 28,394	\$ 6,780	\$ 1,784	\$ 127,124	\$ 30,266	\$

Special Revenue

Street Trees	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	Federal COPS Funding	Traffic Safety Targeted Impoundments	Supplemental Law Enforcement Services
\$	\$	\$	\$	\$	\$	\$	\$	\$
17,002	28,132	231,587	548,362	250,007				100,716
717	448,236				781,345			
308	1,321	359,687	23,373		4,855		(138)	672
18,027	477,689	591,274	571,735	250,007	786,200		(138)	101,388
					764,986			
769,724	2,538,831							
		1,760,165						
60,286	159,324	112,137						
830,010	2,698,155	1,872,302			764,986			
	208,293	352,959			21,342			
830,010	2,906,448	2,225,261			786,328			
(811,983)	(2,428,759)	(1,633,987)	571,735	250,007	(128)		(138)	101,388
820,956	2,395,836	1,338,616	156,516					
			(658,707)	(225,000)			(131,602)	(104,436)
820,956	2,395,836	1,338,616	(502,191)	(225,000)			(131,602)	(104,436)
8,973	(32,923)	(295,371)	69,544	25,007	(128)		(131,740)	(3,048)
1,091	119,781	452,494	1,772,146	18,235	227,578	9,600	163,631	3,048
1,091	119,781	452,494	1,772,146	18,235	227,578	9,600	163,631	3,048
\$	\$	\$	\$	\$	\$	\$	\$	\$
10,064	86,858	157,123	1,841,690	43,242	227,450	9,600	31,891	

(Continued)

City of Merced

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Non-Major Governmental Funds

For the year ended June 30, 2004

	Special Revenue					
	Development	Parking	TEA	Child	Public	Local Law
	Services	Enforcement	Exchange	Development	Facilities Impact	Enforcement Block Grant
REVENUES:						
Taxes	\$	\$	\$	\$	\$	\$
Intergovernmental				217,300		75,087
Service charges	5,646,961				5,416,250	
Fines, forfeitures and penalties		270,171				
Other	147,030	542	1,476	624	94,900	1,903
Total revenues	5,793,991	270,713	1,476	217,924	5,511,150	76,990
EXPENDITURES:						
Current operating:						
General government	2,468,042					
Public safety		156,342				
Public works	865,333					
Parks				173,837		
Administrative shared expenditures	254,474	142,007		2,530	29,683	
Total current operating	3,587,849	298,349		176,367	29,683	
Capital outlay	76,586					108,254
Debt service						
Principal						
Interest						
Total expenditures	3,664,435	298,349		176,367	29,683	108,254
REVENUES OVER (UNDER)						
EXPENDITURES	2,129,556	(27,636)	1,476	41,557	5,481,467	(31,264)
OTHER FINANCING SOURCES (USES):						
Proceeds from debt						
Proceeds from sale of capital assets						
Transfers in	129,551					
Transfers out	(51,550)		(25,055)		(78,150)	(97,523)
Total other financing sources (uses)	78,001		(25,055)		(78,150)	(97,523)
Net change in fund balances	2,207,557	(27,636)	(23,579)	41,557	5,403,317	(128,787)
FUND BALANCES:						
Beginning of year	1,704,914	731,870	108,434	79,512	4,623,200	184,775
Prior period adjustment						
Beginning of year, as restated	1,704,914	731,870	108,434	79,512	4,623,200	184,775
End of year	\$ 3,912,471	\$ 704,234	\$ 84,855	\$ 121,069	\$ 10,026,517	\$ 55,988

Special Revenue	Debt Service		Capital Projects					
Maintenance Districts	Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers	McComb's Youth Center
\$	\$	\$	\$	\$	\$	\$	\$	\$
			243,906		19,826			
713,233	8,356	125	770,637	994	4,093	1,082	3,582	311
713,233	8,356	125	1,014,543	994	23,919	1,082	3,582	311
509,456	22,190	3,931						
33,296								
542,752	22,190	3,931	679,612	148,149	1,509,114	286,928	24,111	
	145,000							
	64,943							
542,752	232,133	3,931	679,612	148,149	1,509,114	286,928	24,111	
170,481	(223,777)	(3,806)	334,931	(147,155)	(1,485,195)	(285,846)	(20,529)	311
	510,548							
71,111				355,472	884,833	76,699		
(25,000)			(2,958)		(15,793)		(156,419)	(46,843)
46,111	510,548		(2,958)	355,472	869,040	76,699	(156,419)	(46,843)
216,592	286,771	(3,806)	331,973	208,317	(616,155)	(209,147)	(176,948)	(46,532)
928,029	608,181	9,968	797,530	78,214	1,101,024	230,793	372,602	48,545
	456,599							
928,029	1,064,780	9,968	797,530	78,214	1,101,024	230,793	372,602	48,545
\$ 1,144,621	\$ 1,351,551	\$ 6,162	\$ 1,129,503	\$ 286,531	\$ 484,869	\$ 21,646	\$ 195,654	\$ 2,013

(Continued)

City of Merced

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Non-Major Governmental Funds

For the year ended June 30, 2004

	Capital Projects		
	PCE Remediation	Fire Station #55	Total
REVENUES:			
Taxes	\$	\$	\$ 99,313
Intergovernmental			3,873,615
Service charges			12,293,509
Fines, forfeitures and penalties			458,648
Other	272	13,903	2,217,775
Total revenues	<u>272</u>	<u>13,903</u>	<u>18,942,860</u>
EXPENDITURES:			
Current operating:			
General government			4,039,850
Public safety			156,342
Public works			4,173,888
Parks			1,934,002
Administrative shared expenditures			816,437
Total current operating			<u>11,120,519</u>
Capital outlay	30,747	4,444	3,450,539
Debt service			
Principal			145,000
Interest			64,943
Total expenditures	<u>30,747</u>	<u>4,444</u>	<u>14,781,001</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(30,475)</u>	<u>9,459</u>	<u>4,161,859</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt			
Proceeds from sale of capital assets			510,548
Transfers in			6,229,590
Transfers out			(3,809,285)
Total other financing sources (uses)			<u>2,930,853</u>
Net change in fund balances	<u>(30,475)</u>	<u>9,459</u>	<u>7,092,712</u>
FUND BALANCES:			
Beginning of year	42,441	1,087,507	15,689,571
Prior period adjustment			456,599
Beginning of year, as restated	<u>42,441</u>	<u>1,087,507</u>	<u>16,146,170</u>
End of year	<u>\$ 11,966</u>	<u>\$ 1,096,966</u>	<u>\$ 23,238,882</u>

(Concluded)

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency Debt Service Fund - Major Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Tax increment	\$ 4,814,500	\$ 4,814,500	\$ 5,177,309	\$ 362,809
Service charges:				
Interdepartmental charges	573,539	573,539	573,539	
Other:				
Repayment of note	1,240,000	1,240,000		(1,240,000)
Investment earnings	13,000	13,000	25,293	12,293
Miscellaneous	154,978	154,978	80,453	(74,525)
Total revenues	<u>6,796,017</u>	<u>6,796,017</u>	<u>5,856,594</u>	<u>(939,423)</u>
EXPENDITURES:				
Current operating:				
General government	638,472	1,082,670	1,065,732	16,938
Total current operating	<u>638,472</u>	<u>1,082,670</u>	<u>1,065,732</u>	<u>16,938</u>
Debt service:				
Principal	3,949,535	3,848,192	1,320,748	2,527,444
Interest	1,217,255	1,415,194	1,359,452	55,742
Total debt service	<u>5,166,790</u>	<u>5,263,386</u>	<u>2,680,200</u>	<u>2,583,186</u>
Total expenditures	<u>5,805,262</u>	<u>6,346,056</u>	<u>3,745,932</u>	<u>2,600,124</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>990,755</u>	<u>449,961</u>	<u>2,110,662</u>	<u>1,660,701</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from debt				
Transfers in	370,000	370,000	99,068	(270,932)
Transfers out	(1,600,501)	(1,673,064)	(1,590,442)	82,622
Total other financing sources (uses)	<u>(1,230,501)</u>	<u>(1,303,064)</u>	<u>(1,491,374)</u>	<u>(188,310)</u>
Net change in fund balances	<u>\$ (239,746)</u>	<u>\$ (853,103)</u>	619,288	<u>\$ 1,472,391</u>
FUND BALANCES:				
Beginning of year			1,214,819	
End of year			<u>\$ 1,834,107</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency Capital Projects Fund - Major Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other state grants	\$ 400,000	\$ 400,000	\$ 400,000	\$
State clean-up funds	285,032	285,032	238,962	(46,070)
Other:				
Investment earnings	60,000	60,000	218,767	158,767
Total revenues	<u>745,032</u>	<u>745,032</u>	<u>857,729</u>	<u>112,697</u>
EXPENDITURES:				
Current operating:				
General government		34,968	12,204	22,764
Capital outlay	12,220,089	14,832,867	2,424,560	
Total current operating	<u>12,220,089</u>	<u>14,867,835</u>	<u>2,436,764</u>	<u>22,764</u>
Debt service:				
Principal		11,593	11,593	
Interest		7,914	7,914	
Total expenditures	<u>12,220,089</u>	<u>14,887,342</u>	<u>2,456,271</u>	<u>22,764</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(11,475,057)</u>	<u>(14,142,310)</u>	<u>(1,598,542)</u>	<u>135,461</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	360,000	360,000		(360,000)
Transfers in	2,724,733	3,024,733	2,942,112	(82,621)
Transfers out	240,567	(1,490,433)	(2,790,693)	(1,300,260)
Total other financing sources (uses)	<u>3,325,300</u>	<u>1,894,300</u>	<u>151,419</u>	<u>(1,742,881)</u>
Net change in fund balances	<u>\$ (8,149,757)</u>	<u>\$ (12,248,010)</u>	<u>(1,447,123)</u>	<u>\$ (1,607,420)</u>
FUND BALANCES:				
Beginning of year			17,112,220	
Prior period adjustment			(2,126,000)	
Beginning of year, restated			<u>14,986,220</u>	
End of year			<u>\$ 13,539,097</u>	

City of Merced

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

Downtown Parking Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
In-lieu parking	\$ 53,305	\$ 53,305	\$ 54,475	\$ 1,170
Leased parking spaces	2,330	2,330	3,260	930
Investment earnings	1,000	1,000	334	(666)
Total revenues	<u>56,635</u>	<u>56,635</u>	<u>58,069</u>	<u>1,434</u>
EXPENDITURES:				
Current operating:				
General government	34,821	27,525	578	26,947
Administrative shared expenditures	498	498	498	
Total expenditures	<u>35,319</u>	<u>28,023</u>	<u>1,076</u>	<u>26,947</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>21,316</u>	<u>28,612</u>	<u>56,993</u>	<u>28,381</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(44,053)	(44,053)	(44,053)	
Total other financing sources (uses)	<u>(44,053)</u>	<u>(44,053)</u>	<u>(44,053)</u>	
Net change in fund balances	<u>\$ (22,737)</u>	<u>\$ (15,441)</u>	12,940	<u>\$ 28,381</u>
FUND BALANCES:				
Beginning of year			15,454	
End of year			<u>\$ 28,394</u>	

City of Merced

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

Downtown Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Business improvement area	\$ 86,300	\$ 86,300	\$ 99,313	\$ 13,013
Other:				
Investment earnings	1,000	1,000	410	(590)
Miscellaneous		2,000	2,000	
Total revenues	<u>87,300</u>	<u>89,300</u>	<u>101,723</u>	<u>12,423</u>
EXPENDITURES:				
Current operating:				
General government	66,894	106,047	86,974	19,073
Administrative shared expenditures	22,202	22,202	22,202	
Total expenditures	<u>89,096</u>	<u>128,249</u>	<u>109,176</u>	<u>19,073</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,796)</u>	<u>(38,949)</u>	<u>(7,453)</u>	<u>31,496</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out				
Total other financing sources (uses)				
Net change in fund balances	<u>\$ (1,796)</u>	<u>\$ (38,949)</u>	<u>(7,453)</u>	<u>\$ 31,496</u>
FUND BALANCES:				
Beginning of year			<u>14,233</u>	
End of year			<u>\$ 6,780</u>	

City of Merced

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

Local Transportation Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State and local transportation	\$ 887,918	\$ 887,918	\$ 887,918	\$
Other:				
Investment earnings			1,625	1,625
Total revenues	<u>887,918</u>	<u>887,918</u>	<u>889,543</u>	<u>1,625</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(890,634)</u>	<u>(890,634)</u>	<u>(890,634)</u>	
Total other financing sources (uses)	<u>(890,634)</u>	<u>(890,634)</u>	<u>(890,634)</u>	
Net change in fund balances	<u>\$ (2,716)</u>	<u>\$ (2,716)</u>	<u>(1,091)</u>	<u>\$ 1,625</u>
FUND BALANCES:				
Beginning of year			<u>2,875</u>	
End of year			<u>\$ 1,784</u>	

City of Merced

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State gas tax	\$ 1,208,500	\$ 1,208,500	\$ 1,207,899	\$ (601)
Other:				
Investment earnings			2,279	2,279
Total revenues	<u>1,208,500</u>	<u>1,208,500</u>	<u>1,210,178</u>	<u>1,678</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,212,655)</u>	<u>(1,212,655)</u>	<u>(1,205,830)</u>	<u>6,825</u>
Total other financing sources (uses)	<u>(1,212,655)</u>	<u>(1,212,655)</u>	<u>(1,205,830)</u>	<u>6,825</u>
Net change in fund balances	<u>\$ (4,155)</u>	<u>\$ (4,155)</u>	4,348	<u>\$ 8,503</u>
FUND BALANCES:				
Beginning of year			<u>122,776</u>	
End of year			<u>\$ 127,124</u>	

City of Merced

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

Traffic Safety Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 219,000	\$ 219,000	\$ 188,477	\$ (30,523)
Other:				
Investment earnings			173	173
Total revenues	<u>219,000</u>	<u>219,000</u>	<u>188,650</u>	<u>(30,350)</u>
EXPENDITURES:				
Current operating:				
General government	<u>255,705</u>	<u>244,301</u>	<u>183,693</u>	<u>60,608</u>
Total expenditures	<u>255,705</u>	<u>244,301</u>	<u>183,693</u>	<u>60,608</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u><u>\$ (36,705)</u></u>	<u><u>\$ (25,301)</u></u>	4,957	<u><u>\$ 30,258</u></u>
FUND BALANCES:				
Beginning of year			<u>25,309</u>	
End of year			<u><u>\$ 30,266</u></u>	

City of Merced

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

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 136,654	\$ 136,654	\$ 45,873	\$ (90,781)
Other:				
Investment earnings			78	78
Total revenues	<u>136,654</u>	<u>136,654</u>	<u>45,951</u>	<u>(90,703)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(140,566)</u>	<u>(140,432)</u>	<u>(49,732)</u>	<u>90,700</u>
Total other financing sources (uses)	<u>(140,566)</u>	<u>(140,432)</u>	<u>(49,732)</u>	<u>90,700</u>
Net change in fund balances	<u>\$ (3,912)</u>	<u>\$ (3,778)</u>	<u>(3,781)</u>	<u>\$ (3)</u>
FUND BALANCES:				
Beginning of year			<u>3,781</u>	
End of year			<u>\$</u>	

City of Merced

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

Street Trees Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Urban Forestry Grant	\$	\$ 20,212	\$ 17,002	\$ (3,210)
Service charges	717	717	717	
Other:				
Miscellaneous			308	308
Total revenues	<u>717</u>	<u>20,929</u>	<u>18,027</u>	<u>(2,902)</u>
EXPENDITURES:				
Current operating:				
Public works	756,487	778,231	769,724	8,507
Administrative shared expenditures	60,286	60,286	60,286	
Total current operating	<u>816,773</u>	<u>838,517</u>	<u>830,010</u>	<u>8,507</u>
Capital outlay	4,900	4,439		
Total expenditures	<u>821,673</u>	<u>842,956</u>	<u>830,010</u>	<u>8,507</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(820,956)</u>	<u>(822,027)</u>	<u>(811,983)</u>	<u>(10,044)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	820,956	820,956	820,956	
Total other financing sources (uses)	<u>820,956</u>	<u>820,956</u>	<u>820,956</u>	
Net change in fund balances	<u>\$</u>	<u>\$ (1,071)</u>	8,973	<u>\$ 10,044</u>
FUND BALANCES:				
Beginning of year			1,091	
End of year			<u>\$ 10,064</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Streets and Street Lights Maintenance Special Revenue Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Office of emergency services	\$	\$ 28,132	\$ 28,132	\$
Service charges	126,977	126,977	448,236	321,259
Other:				
Miscellaneous	100	100	1,314	1,214
Investment earnings			7	7
Total revenues	<u>127,077</u>	<u>155,209</u>	<u>477,689</u>	<u>322,480</u>
EXPENDITURES:				
Current operating:				
Public works	2,651,528	2,683,776	2,538,831	144,945
Administrative shared expenditures	159,324	159,324	159,324	
Total current operating	2,810,852	2,843,100	2,698,155	144,945
Capital outlay	428,182	521,709	208,293	313,416
Total expenditures	<u>3,239,034</u>	<u>3,364,809</u>	<u>2,906,448</u>	<u>458,361</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,111,957)</u>	<u>(3,209,600)</u>	<u>(2,428,759)</u>	<u>780,841</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,111,955	3,158,214	2,395,836	(762,378)
Total other financing sources (uses)	<u>3,111,955</u>	<u>3,158,214</u>	<u>2,395,836</u>	<u>(762,378)</u>
Net change in fund balances	<u>\$ (2)</u>	<u>\$ (51,386)</u>	<u>(32,923)</u>	<u>\$ 18,463</u>
FUND BALANCES:				
Beginning of year			119,781	
End of year			<u>\$ 86,858</u>	

City of Merced

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

Recreation and Parks Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grant	\$ 577,732	\$ 577,858	\$ 217,591	\$ (360,267)
County grant	17,215	17,215	13,996	(3,219)
Other:				
Fees for services	319,845	319,845	218,426	(101,419)
Investment earnings			2,094	2,094
Donations	123,154	118,131	139,124	20,993
Miscellaneous	8,430	8,430	43	(8,387)
Total revenues	1,046,376	1,041,479	591,274	(450,205)
EXPENDITURES:				
Current operating:				
Parks	1,841,393	1,926,199	1,760,165	166,034
Administrative shared expenditures	112,137	112,137	112,137	
Total current operating	1,953,530	2,038,336	1,872,302	166,034
Capital outlay	822,274	1,142,417	352,959	789,458
Total expenditures	2,775,804	3,180,753	2,225,261	955,492
REVENUES OVER (UNDER)				
EXPENDITURES	(1,729,428)	(2,139,274)	(1,633,987)	505,287
OTHER FINANCING SOURCES (USES):				
Transfers in	1,724,198	1,730,113	1,338,616	(391,497)
Total other financing sources (uses)	1,724,198	1,730,113	1,338,616	(391,497)
Net change in fund balances	\$ (5,230)	\$ (409,161)	(295,371)	\$ 113,790
FUND BALANCES:				
Beginning of year			452,494	
End of year			\$ 157,123	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Surface Transportation Program Special Revenue Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 518,719	\$ 518,719	\$ 548,362	\$ 29,643
Other:				
Investment earnings	40,000	40,000	23,373	(16,627)
Total revenues	<u>558,719</u>	<u>558,719</u>	<u>571,735</u>	<u>13,016</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	156,516	156,516	156,516	
Transfers out	(2,904,427)	(2,904,427)	(658,707)	2,245,720
Total other financing sources (uses)	<u>(2,747,911)</u>	<u>(2,747,911)</u>	<u>(502,191)</u>	<u>2,245,720</u>
Net change in fund balances	<u>\$ (2,189,192)</u>	<u>\$ (2,189,192)</u>	69,544	<u>\$ 2,258,736</u>
FUND BALANCES:				
Beginning of year			<u>1,772,146</u>	
End of year			<u>\$ 1,841,690</u>	

City of Merced

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

Proposition 172 Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Public safety funding	\$ 225,000	\$ 225,000	\$ 250,007	\$ 25,007
Total revenues	<u>225,000</u>	<u>225,000</u>	<u>250,007</u>	<u>25,007</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	
Net change in fund balances	<u>\$</u>	<u>\$</u>	25,007	<u>\$ 25,007</u>
FUND BALANCES:				
Beginning of year			<u>18,235</u>	
End of year			<u>\$ 43,242</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Works Administration Special Revenue Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 790,699	\$ 781,345	\$ 781,345	\$
Other:				
Investment earnings	6,000	6,000	3,467	(2,533)
Miscellaneous	80	361	1,388	1,027
Total revenues	<u>796,779</u>	<u>787,706</u>	<u>786,200</u>	<u>(1,506)</u>
EXPENDITURES:				
Current operating:				
General government	791,230	804,323	764,986	39,337
Total current operating	<u>791,230</u>	<u>804,323</u>	<u>764,986</u>	<u>39,337</u>
Capital outlay	<u>11,300</u>	<u>23,833</u>	<u>21,342</u>	<u>2,491</u>
Total expenditures	<u>802,530</u>	<u>828,156</u>	<u>786,328</u>	<u>41,828</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (5,751)</u>	<u>\$ (40,450)</u>	(128)	<u>\$ 40,322</u>
FUND BALANCES:				
Beginning of year			<u>227,578</u>	
End of year			<u>\$ 227,450</u>	

City of Merced

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

Federal COPS Funding Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
Public safety	\$	\$ 9,600	\$	\$ 9,600
Total current operating		9,600		9,600
Capital outlay				
Total expenditures	\$	\$ 9,600		\$ 9,600
FUND BALANCES:				
Beginning of year			9,600	
End of year			<u>\$ 9,600</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Traffic Safety Targeted Impoundments Special Revenue Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$	\$	\$	\$
Other:				
Investment earnings			(138)	(138)
Total revenues			(138)	(138)
OTHER FINANCING SOURCES (USES):				
Transfer out	(131,602)	(131,602)	(131,602)	
Total other financing sources (uses)	(131,602)	(131,602)	(131,602)	
REVENUES OVER (UNDER) EXPENDITURES				
	<u>\$ (131,602)</u>	<u>\$ (131,602)</u>	(131,740)	<u>\$ (138)</u>
FUND BALANCES:				
Beginning of year			163,631	
End of year			<u>\$ 31,891</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2004

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
AB3229 COPS funding	\$ 130,000	\$ 130,000	\$ 100,716	\$ (29,284)
Other:				
Investment earnings			672	672
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>101,388</u>	<u>(28,612)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(133,088)</u>	<u>(133,046)</u>	<u>(104,436)</u>	<u>28,610</u>
Total other financing sources (uses)	<u>(133,088)</u>	<u>(133,046)</u>	<u>(104,436)</u>	<u>28,610</u>
Net change in fund balances	<u>\$ (3,088)</u>	<u>\$ (3,046)</u>	<u>(3,048)</u>	<u>\$ (2)</u>
FUND BALANCES:				
Beginning of year			<u>3,048</u>	
End of year			<u>\$</u>	

City of Merced

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

Development Services Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Services charges	\$ 2,737,987	\$ 2,913,293	\$ 5,646,961	\$ 2,733,668
Other:				
Investment earnings	1,088	1,088	45,105	44,017
Miscellaneous	900	180,900	101,925	(78,975)
Total revenues	<u>2,739,975</u>	<u>3,095,281</u>	<u>5,793,991</u>	<u>2,698,710</u>
EXPENDITURES:				
Current operating:				
General government	2,386,643	3,062,838	2,468,042	594,796
Public works	802,528	907,768	865,333	42,435
Administrative shared expenditures	254,474	254,474	254,474	
Total current operating	<u>3,443,645</u>	<u>4,225,080</u>	<u>3,587,849</u>	<u>637,231</u>
Capital outlay	60,217	108,004	76,586	31,418
Total expenditures	<u>3,503,862</u>	<u>4,333,084</u>	<u>3,664,435</u>	<u>668,649</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(763,887)</u>	<u>(1,237,803)</u>	<u>2,129,556</u>	<u>3,367,359</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	122,551	129,551	129,551	
Transfer out	(37,800)	(51,550)	(51,550)	
Total other financing sources (uses)	<u>84,751</u>	<u>78,001</u>	<u>78,001</u>	
Net change in fund balances	<u>\$ (679,136)</u>	<u>\$ (1,159,802)</u>	<u>2,207,557</u>	<u>\$ 3,367,359</u>
FUND BALANCES:				
Beginning of year			1,704,914	
End of year			<u>\$ 3,912,471</u>	

City of Merced

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

Parking Enforcement Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Parking fines	\$ 237,000	\$ 237,000	\$ 270,171	\$ 33,171
Other:				
Investment earnings	2,000	2,000	542	(1,458)
Total revenues	<u>239,000</u>	<u>239,000</u>	<u>270,713</u>	<u>31,713</u>
EXPENDITURES:				
Current operating:				
Public safety	168,238	169,698	156,342	13,356
Administrative shared expenditures	142,007	142,007	142,007	
Total expenditures	<u>310,245</u>	<u>311,705</u>	<u>298,349</u>	<u>13,356</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(71,245)</u>	<u>(72,705)</u>	<u>(27,636)</u>	<u>45,069</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000		(25,000)
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>		<u>(25,000)</u>
Net change in fund balances	<u>\$ (46,245)</u>	<u>\$ (47,705)</u>	<u>(27,636)</u>	<u>\$ 20,069</u>
FUND BALANCES:				
Beginning of year			<u>731,870</u>	
End of year			<u>\$ 704,234</u>	

City of Merced

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

TEA Exchange Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
TEA exchange funds	\$ 125,000	\$ 125,000	\$	\$ (125,000)
Other:				
Investment earnings			1,476	1,476
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>1,476</u>	<u>(123,524)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(125,178)</u>	<u>(125,178)</u>	<u>(25,055)</u>	<u>100,123</u>
Total other financing sources (uses)	<u>(125,178)</u>	<u>(125,178)</u>	<u>(25,055)</u>	<u>100,123</u>
Net change in fund balances	<u>\$ (178)</u>	<u>\$ (178)</u>	<u>(23,579)</u>	<u>\$ (23,401)</u>
FUND BALANCES:				
Beginning of year			<u>108,434</u>	
End of year			<u>\$ 84,855</u>	

City of Merced

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

Child Development Special Revenue Fund

For the year ended June 30, 2004

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
YEP Grant	\$ 195,653	\$ 213,387	\$ 217,300	\$ 3,913
Other:				
Investment earnings			624	624
Total revenues	<u>195,653</u>	<u>213,387</u>	<u>217,924</u>	<u>4,537</u>
EXPENDITURES:				
Current operating:				
Parks	210,971	266,782	173,837	92,945
Administrative shared expenditures	<u>1,957</u>	<u>2,127</u>	<u>2,530</u>	<u>(403)</u>
Total expenditures	<u>212,928</u>	<u>268,909</u>	<u>176,367</u>	<u>92,542</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (17,275)</u>	<u>\$ (55,522)</u>	41,557	<u>\$ 97,079</u>
FUND BALANCES:				
Beginning of year			<u>79,512</u>	
End of year			<u>\$ 121,069</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Facilities Impact Special Revenue Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 1,833,481	\$ 1,833,481	\$ 5,416,250	\$ 3,582,769
Other:				
Investment earnings	54,000	54,000	94,900	40,900
Total revenues	<u>1,887,481</u>	<u>1,887,481</u>	<u>5,511,150</u>	<u>3,623,669</u>
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	29,683	29,683	29,683	
Total current operating	29,683	29,683	29,683	
Capital outlay	4,271,974	3,688,148		3,688,148
Total expenditures	<u>4,301,657</u>	<u>3,717,831</u>	<u>29,683</u>	<u>3,688,148</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(2,414,176)</u>	<u>(1,830,350)</u>	<u>5,481,467</u>	<u>7,311,817</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,790,019)	(3,234,060)	(78,150)	3,155,910
Total other financing sources (uses)	<u>(2,790,019)</u>	<u>(3,234,060)</u>	<u>(78,150)</u>	<u>3,155,910</u>
Net change in fund balances	<u>\$ (5,204,195)</u>	<u>\$ (5,064,410)</u>	<u>5,403,317</u>	<u>\$ 10,467,727</u>
FUND BALANCES:				
Beginning of year			<u>4,623,200</u>	
End of year			<u>\$ 10,026,517</u>	

City of Merced

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

Local Law Enforcement Grant Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Law Enforcement Grant	\$ 128,265	\$ 128,265	\$ 75,087	\$ (53,178)
Other:				
Investment earnings	-		1,903	1,903
Total revenues	<u>128,265</u>	<u>128,265</u>	<u>76,990</u>	<u>(51,275)</u>
EXPENDITURES:				
Current operating:				
Public safety				
Total current operating				
Capital outlay	<u>246,263</u>	<u>168,740</u>	<u>108,254</u>	<u>60,486</u>
Total expenditures	<u>246,263</u>	<u>168,740</u>	<u>108,254</u>	<u>60,486</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(117,998)</u>	<u>(40,475)</u>	<u>(31,264)</u>	<u>9,211</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(20,000)</u>	<u>(97,523)</u>	<u>(97,523)</u>	
Total other financing sources (uses)	<u>(20,000)</u>	<u>(97,523)</u>	<u>(97,523)</u>	
Net change in fund balances	<u>\$ (137,998)</u>	<u>\$ (137,998)</u>	<u>(128,787)</u>	<u>\$ 9,211</u>
FUND BALANCES:				
Beginning of year			<u>184,775</u>	
End of year			<u>\$ 55,988</u>	

City of Merced

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

Maintenance Districts Special Revenue Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Assessments	\$ 514,042	\$ 537,906	\$ 537,906	\$
Service charges	3,318	3,318	3,318	
Miscellaneous	22,023	222,528	158,878	(63,650)
Investment earnings			13,131	13,131
Total revenues	<u>539,383</u>	<u>763,752</u>	<u>713,233</u>	<u>(50,519)</u>
EXPENDITURES:				
Current operating:				
General government	611,354	858,092	509,456	348,636
Administrative shared expenditures	33,296	33,296	33,296	
Total current operating	<u>644,650</u>	<u>891,388</u>	<u>542,752</u>	<u>348,636</u>
Capital outlay	215,105	214,524		214,524
Total expenditures	<u>859,755</u>	<u>1,105,912</u>	<u>542,752</u>	<u>563,160</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(320,372)</u>	<u>(342,160)</u>	<u>170,481</u>	<u>512,641</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	71,111	71,111	71,111	
Transfers out	(2,000)	(25,000)	(25,000)	
Total other financing sources (uses)	<u>69,111</u>	<u>46,111</u>	<u>46,111</u>	
Net change in fund balances	<u>\$ (251,261)</u>	<u>\$ (296,049)</u>	<u>216,592</u>	<u>\$ 512,641</u>
FUND BALANCES:				
Beginning of year			<u>928,029</u>	
End of year			<u>\$ 1,144,621</u>	

City of Merced

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

Airport Industrial Park Debt Service Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 8,356	\$ 7,356
Miscellaneous				
Rent	2,500	2,500		(2,500)
Total revenues	3,500	3,500	8,356	4,856
EXPENDITURES:				
Current operating:				
General government	244,475	270,180	22,190	247,990
Total current operating	244,475	270,180	22,190	247,990
Debt service:				
Principal	145,000	145,000	145,000	
Interest	65,100	65,100	64,943	157
Total debt service	210,100	210,100	209,943	157
Total expenditures	454,575	480,280	232,133	248,147
REVENUES OVER (UNDER)				
EXPENDITURES	(451,075)	(476,780)	(223,777)	253,003
OTHER FINANCING SOURCES (USES):				
Proceeds from the sale of land	775,000	775,000	510,548	(264,452)
Proceeds from debt				
Transfer in	200,000	200,000		(200,000)
Transfer out	(155,472)	(155,472)		155,472
Total other financing sources (uses)	819,528	819,528	510,548	(308,980)
Net change in fund balances	\$ 368,453	\$ 342,748	286,771	\$ (55,977)
FUND BALANCES:				
Beginning of year			608,181	
Prior period adjustment			456,599	
Beginning balance as restated			1,064,780	
End of year			\$ 1,351,551	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Financing Authority Debt Service Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Repayment of loans	\$		\$	\$
Investment earnings			125	125
Total revenues			125	125
EXPENDITURES:				
Current operating:				
General government			3,931	(3,931)
Total current operating			3,931	(3,931)
Total expenditures			3,931	(3,931)
REVENUES OVER (UNDER)				
EXPENDITURES			(3,806)	(3,806)
OTHER FINANCING SOURCES (USES):				
Transfer in				
Total other financing sources (uses)				
Net change in fund balances	\$	\$	(3,806)	\$ (3,806)
FUND BALANCES:				
Beginning of year			9,968	
End of year			\$ 6,162	

City of Merced

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

Park Reserve Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grants	\$ 528,520	\$ 528,520	\$ 31,147	\$ (497,373)
State grants	365,642	442,666	212,759	(229,907)
Other:				
Park planning zones 1-5	506,000	506,000	755,857	249,857
Investment earnings	44,207	44,207	11,423	(32,784)
Miscellaneous	146,563	146,563	3,357	(143,206)
Total revenues	1,590,932	1,667,956	1,014,543	(653,413)
EXPENDITURES:				
Capital outlay	2,140,272	2,087,049	679,612	1,407,437
Total expenditures	2,140,272	2,087,049	679,612	1,407,437
REVENUES OVER (UNDER)				
EXPENDITURES	(549,340)	(419,093)	334,931	754,024
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out		(2,958)	(2,958)	
Total other financing sources (uses)		(2,958)	(2,958)	
Net change in fund balances	\$ (549,340)	\$ (422,051)	331,973	\$ 754,024
FUND BALANCES:				
Beginning of year			797,530	
End of year			<u>\$ 1,129,503</u>	

City of Merced

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

Airport Industrial Park Capital Projects Fund

For the year ended June 30, 2004

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 994	\$ (6)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>994</u>	<u>(6)</u>
EXPENDITURES:				
Capital outlay	<u>372,435</u>	<u>597,854</u>	<u>148,149</u>	<u>449,705</u>
Total expenditures	<u>372,435</u>	<u>597,854</u>	<u>148,149</u>	<u>449,705</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(371,435)</u>	<u>(596,854)</u>	<u>(147,155)</u>	<u>449,699</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>310,944</u>	<u>510,944</u>	<u>355,472</u>	<u>(155,472)</u>
Total other financing sources (uses)	<u>310,944</u>	<u>510,944</u>	<u>355,472</u>	<u>(155,472)</u>
Net change in fund balances	<u>\$ (60,491)</u>	<u>\$ (85,910)</u>	<u>208,317</u>	<u>\$ 294,227</u>
FUND BALANCES:				
Beginning of year			<u>78,214</u>	
End of year			<u>\$ 286,531</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Streets and Signals Capital Projects Fund For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
CMAQ grants	\$ 269,130	\$ 269,130	\$	\$ 269,130
Federal grants			19,826	19,826
State grants	2,000	2,000		(2,000)
Other:				
Investment earnings			4,093	4,093
Miscellaneous	50,000	50,000		(50,000)
Total revenues	<u>321,130</u>	<u>321,130</u>	<u>23,919</u>	<u>241,049</u>
EXPENDITURES:				
Capital outlay	<u>6,185,576</u>	<u>7,202,720</u>	<u>1,509,114</u>	<u>5,693,606</u>
Total expenditures	<u>6,185,576</u>	<u>7,202,720</u>	<u>1,509,114</u>	<u>5,693,606</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(5,864,446)</u>	<u>(6,881,590)</u>	<u>(1,485,195)</u>	<u>5,934,655</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,864,446	6,289,446	884,833	(5,404,613)
Transfers out		(15,793)	(15,793)	
Total other financing sources (uses)	<u>5,864,446</u>	<u>6,273,653</u>	<u>869,040</u>	<u>(5,404,613)</u>
Net change in fund balances	<u>\$</u>	<u>\$ (607,937)</u>	<u>(616,155)</u>	<u>\$ 530,042</u>
FUND BALANCES:				
Beginning of year			<u>1,101,024</u>	
End of year			<u>\$ 484,869</u>	

City of Merced

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

Fire Station Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 5,000	\$ 5,000	\$ 1,082	\$ (3,918)
Total revenues	5,000	5,000	1,082	(3,918)
EXPENDITURES:				
Capital outlay	241,041	312,299	286,928	25,371
Total expenditures	241,041	312,299	286,928	25,371
REVENUES OVER (UNDER)				
EXPENDITURES	(236,041)	(307,299)	(285,846)	21,453
OTHER FINANCING SOURCES (USES):				
Transfers in		76,699	76,699	
Total other financing sources (uses)		76,699	76,699	
Net change in fund balances	\$ (236,041)	\$ (230,600)	(209,147)	\$ 21,453
FUND BALANCES:				
Beginning of year			230,793	
End of year			\$ 21,646	

City of Merced

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

Police Mobile Computers Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 3,582	\$ 3,582
Total revenues			3,582	3,582
EXPENDITURES:				
Current operating:				
General government				
Total current operating				
Capital outlay	245,816	287,833	24,111	263,722
Total expenditures	245,816	287,833	24,111	263,722
REVENUES OVER (UNDER)				
EXPENDITURES	(245,816)	(287,833)	(20,529)	267,304
OTHER FINANCING SOURCES (USES):				
Transfers out	(156,419)	(156,419)	(156,419)	
Total other financing sources (uses)	(156,419)	(156,419)	(156,419)	
Net change in fund balances	\$ (402,235)	\$ (444,252)	(176,948)	\$ 267,304
FUND BALANCES:				
Beginning of year			372,602	
End of year			\$ 195,654	

City of Merced

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

McComb's Youth Center Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 311	\$ 311
Total revenues			311	311
EXPENDITURES:				
Capital outlay		1,520		1,520
Total expenditures		1,520		1,520
REVENUES OVER (UNDER) EXPENDITURES		(1,520)	311	1,831
OTHER FINANCING SOURCES (USES):				
Transfers out	(46,843)	(46,843)	(46,843)	
Total other financing sources (uses)	(46,843)	(46,843)	(46,843)	
Net change in fund balances	<u>\$ (46,843)</u>	<u>\$ (48,363)</u>	(46,532)	<u>\$ 1,831</u>
FUND BALANCES:				
Beginning of year			48,545	
End of year			<u>\$ 2,013</u>	

City of Merced

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

PCE Remediation Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 272	\$ 272
Total revenues			272	272
EXPENDITURES:				
Capital outlay		43,013	30,747	12,266
Total expenditures		43,013	30,747	12,266
REVENUES OVER (UNDER)				
EXPENDITURES		(43,013)	(30,475)	12,538
OTHER FINANCING SOURCES (USES):				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	\$	\$ (43,013)	(30,475)	\$ 12,538
FUND BALANCES:				
Beginning of year			42,441	
End of year			\$ 11,966	

City of Merced

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

Fire Station #55 Fund Capital Projects Fund

For the year ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 13,903	\$ 13,903
Total revenues			13,903	13,903
EXPENDITURES:				
Capital outlay	1,060,107	1,081,377	4,444	1,076,933
Total expenditures	1,060,107	1,081,377	4,444	1,076,933
REVENUES OVER (UNDER)				
EXPENDITURES	(1,060,107)	(1,081,377)	9,459	1,090,836
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total other financing sources (uses)				
Net change in fund balances	\$ (1,060,107)	\$ (1,081,377)	9,459	\$ 1,090,836
FUND BALANCES:				
Beginning of year			1,087,507	
End of year			\$ 1,096,966	

ENTERPRISE FUND

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

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

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

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

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

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

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

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

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

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

City of Merced
Combining Statement of Net Assets
Supplementary Information - Enterprise Funds
June 30, 2004

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 5,955,524	\$ 6,861,774	\$ 122,521	\$ 12,939,819	\$ 5,145,011
Cash held with fiscal agent	14,369,836			14,369,836	8,712,000
Receivables	786,471	769,681	396	1,556,548	864,882
Due from other governments	2,494,389			2,494,389	2,463,732
Prepaid items					
Inventory	2,568			2,568	109,699
Total current assets	23,608,788	7,631,455	122,917	31,363,160	17,295,324
Noncurrent assets:					
Notes receivable-private parties	12,223	20,967	839	34,029	3,225
Advances to other funds	18,483	61,414		79,897	468
Other assets	589,421			589,421	212,147
Capital assets:					
Nondepreciable	6,802,852	14,497,331		21,300,183	5,808,060
Depreciable, net of accumulated depreciation	6,280,675	1,163,021	25,729	7,469,425	9,389,880
Total capital assets	13,083,527	15,660,352	25,729	28,769,608	15,197,940
Total noncurrent assets	13,703,654	15,742,733	26,568	29,472,955	15,413,780
Total assets	37,312,442	23,374,188	149,485	60,836,115	32,709,104
LIABILITIES					
Current liabilities:					
Accounts payable	317,872	31,263		349,135	229,774
Payroll liabilities					
Deposits	32,009			32,009	415,282
Deferred revenue	608,179		839	609,018	692,397
Due to other funds					
Accrued interest payable	131,287			131,287	
Long-term debt due within one year	297,132			297,132	13,398
Total current liabilities	1,386,479	31,263	839	1,418,581	1,350,851
Long-term liabilities:					
Advances from other funds			31,826	31,826	
Other liabilities	44,291	896,843		941,134	28,146
Compensated absences payable	244,108			244,108	93,751
Long-term debt due in more than one year	26,422,845			26,422,845	11,343,587
Total long-term liabilities	26,711,244	896,843	31,826	27,639,913	11,465,484
Total liabilities	28,097,723	928,106	32,665	29,058,494	12,816,335
NET ASSETS					
Invested in capital assets, net of related debt	(13,636,450)	15,660,352	25,729	2,049,631	3,840,955
Restricted for:					
Special projects and programs	1,984,372	701,451		2,685,823	2,393,135
Debt service	402,438			402,438	
Capital projects					
Unrestricted	20,464,359	6,084,279	91,091	26,639,729	13,658,679
Total net assets	\$ 9,214,719	\$ 22,446,082	\$ 116,820	\$ 31,777,621	\$ 19,892,769

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 15,608,504	\$ 1,921,504	\$ 22,675,019	\$ 4,193,237	\$ 390,328	\$ 4,583,565	\$ 182,063	\$ 40,380,466
		8,712,000					23,081,836
643,492	119,239	1,627,613	482,361	55,232	537,593	4,969	3,726,723
		2,463,732				103,826	5,061,947
		109,699					112,267
16,251,996	2,040,743	35,588,063	4,675,598	445,560	5,121,158	290,858	72,363,239
22,683	4,447	30,355		2,558	2,558		66,942
346,973	2,676	350,117					430,014
		212,147					801,568
1,460,493	139,856	7,408,409	371,368		371,368	794,140	29,874,100
1,096,434	926,803	11,413,117	6,033,569		6,033,569	576,356	25,492,467
2,556,927	1,066,659	18,821,526	6,404,937		6,404,937	1,370,496	55,366,567
2,926,583	1,073,782	19,414,145	6,404,937	2,558	6,407,495	1,370,496	56,665,091
19,178,579	3,114,525	55,002,208	11,080,535	448,118	11,528,653	1,661,354	129,028,330
40,527		270,301	199,522		199,522		818,958
			42,174		42,174	3,336	45,510
		415,282	47,351		47,351	14,196	508,838
		692,397	444,720		444,720		1,746,135
			43,428		43,428	69,248	69,248
							174,715
17,413		30,811					327,943
57,940		1,408,791	777,195		777,195	86,780	3,691,347
			1,481,609		1,481,609		1,513,435
		28,146				9,006	978,286
		93,751	138,589		138,589	7,398	483,846
167,626		11,511,213					37,934,058
167,626		11,633,110	1,620,198		1,620,198	16,404	40,909,625
225,566		13,041,901	2,397,393		2,397,393	103,184	44,600,972
2,371,888	1,066,659	7,279,502	6,404,937		6,404,937	1,370,496	17,104,566
1,548,320	118,518	4,059,973	487,354	12,250	499,604	14,404	7,259,804
							402,438
15,032,805	1,929,348	30,620,832	1,790,851	435,868	2,226,719	173,270	59,660,550
\$ 18,953,013	\$ 3,114,525	\$ 41,960,307	\$ 8,683,142	\$ 448,118	\$ 9,131,260	\$ 1,558,170	\$ 84,427,358

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Supplementary Information - Enterprise Funds
June 30, 2004

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
OPERATING REVENUES:					
Charges for services	\$ 7,285,193	\$ 2,989,085	\$	\$ 10,274,278	\$ 6,969,774
Total operating revenues	7,285,193	2,989,085		10,274,278	6,969,774
OPERATING EXPENSES:					
Personnel services	1,792,494			1,792,494	1,256,122
Materials, supplies and other services	2,710,163	(70,261)		2,639,902	3,272,458
Depreciation	519,033	64,718	8,576	592,327	706,695
Administrative shared expenses	470,442			470,442	399,819
Costs applied - labor, materials, supplies and services	531,446			531,446	497,019
Total operating expenses	6,023,578	(5,543)	8,576	6,026,611	6,132,113
OPERATING INCOME (LOSS)	1,261,615	2,994,628	(8,576)	4,247,667	837,661
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	96,420	111,599	5,049	213,068	64,798
Interest and related expenses	(373,914)			(373,914)	(33,552)
Developer contribution	3,625,563			3,625,563	4,055,700
Other	1,019,946	155,283	2,087	1,177,316	21,569
Total nonoperating revenues (expenses)	4,368,015	266,882	7,136	4,642,033	4,108,515
INCOME (LOSS) BEFORE OPERATING TRANSFERS	5,629,630	3,261,510	(1,440)	8,889,700	4,946,176
OPERATING TRANSFERS:					
Transfers in	4,008,348	2,574,137		6,582,485	10,000
Transfers out	(6,664,985)			(6,664,985)	(82,537)
Total operating transfers	(2,656,637)	2,574,137		(82,500)	(72,537)
Change in net assets	2,972,993	5,835,647	(1,440)	8,807,200	4,873,639
NET ASSETS:					
Beginning of year	6,019,420	16,610,435	118,260	22,748,115	14,791,123
Prior period adjustment	222,306			222,306	228,007
Beginning of year, as restated	6,241,726	16,610,435	118,260	22,970,421	15,019,130
End of year	\$ 9,214,719	\$ 22,446,082	\$ 116,820	\$ 31,777,621	\$ 19,892,769

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 3,769,482	\$ 747,875	\$ 11,487,131	\$ 8,322,050	\$ 244,464	\$ 8,566,514	\$ 420,362	\$ 30,748,285
3,769,482	747,875	11,487,131	8,322,050	244,464	8,566,514	420,362	30,748,285
		1,256,122	1,946,330		1,946,330	182,845	5,177,791
		3,272,458	4,156,549	29,344	4,185,893	214,907	10,313,160
164,649	79,744	951,088	411,543		411,543	89,282	2,044,240
		399,819	416,785		416,785	28,637	1,315,683
		497,019	317,097		317,097		1,345,562
164,649	79,744	6,376,506	7,248,304	29,344	7,277,648	515,671	20,196,436
3,604,833	668,131	5,110,625	1,073,746	215,120	1,288,866	(95,309)	10,551,849
255,245	23,867	343,910	46,404	4,653	51,057		608,035
		(33,552)	(43,579)		(43,579)	(271)	(451,316)
		4,055,700	1,124,144		1,124,144		8,805,407
(8,272)		13,297	16,632		16,632		1,207,245
246,973	23,867	4,379,355	1,143,601	4,653	1,148,254	(271)	10,169,371
3,851,806	691,998	9,489,980	2,217,347	219,773	2,437,120	(95,580)	20,721,220
165,000		175,000				366,545	7,124,030
(2,333)		(84,870)	(2,333)		(2,333)	(155,472)	(6,907,660)
162,667		90,130	(2,333)		(2,333)	211,073	216,370
4,014,473	691,998	9,580,110	2,215,014	219,773	2,434,787	115,493	20,937,590
14,938,540	2,422,527	32,152,190	6,468,128	228,345	6,696,473	1,442,677	63,039,455
		228,007					450,313
14,938,540	2,422,527	32,380,197	6,468,128	228,345	6,696,473	1,442,677	63,489,768
\$ 18,953,013	\$ 3,114,525	\$ 41,960,307	\$ 8,683,142	\$ 448,118	\$ 9,131,260	\$ 1,558,170	\$ 84,427,358

City of Merced
Combining Statement of Cash Flows
Supplementary Information - Enterprise Funds
June 30, 2004

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 7,222,861	\$ 2,491,795	\$	\$ 9,714,656	\$ 6,908,975
Cash paid to suppliers	(5,934,459)	(1,526,018)	(5,404)	(7,465,881)	(6,209,106)
Cash paid to employees	(1,845,843)			(1,845,843)	(1,676,604)
Net cash provided (used) by operating activities	(557,441)	965,777	(5,404)	402,932	(976,735)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Due to other funds	(1,900,000)			(1,900,000)	
Advances from other funds		(2,457,000)	(7,860)	(2,464,860)	
Advances to other funds	9,353	23,116		32,469	2,876
Transfers from other funds	4,008,348	2,574,137		6,582,485	10,000
Transfers to other funds	(6,664,985)			(6,664,985)	(82,537)
Other	4,689,799	1,052,126	2,087	5,744,012	4,105,415
Net cash provided (used) by noncapital financing activities	142,515	1,192,379	(5,773)	1,329,121	4,035,754
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of fixed assets	(4,144,804)	(6,812,190)		(10,956,994)	(4,584,851)
Payment of long-term debt	(4,415,813)			(4,415,813)	
Proceeds of long-term debt	25,192,553			25,192,553	11,186,749
Premium on bonds, net of amortized amount	408,228			408,228	170,237
Interest payments	(1,097,142)	(147,420)		(1,244,562)	(245,699)
Net cash provided (used) by capital and related financing activities	15,943,022	(6,959,610)		8,983,412	6,526,436
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	97,453	144,924	5,268	247,645	68,814
Notes to private parties	3,151	5,402	5,404	13,957	830
Net cash provided (used) by investing activities	100,604	150,326	10,672	261,602	69,644
Net increase (decrease) in cash cash and cash equivalents	15,628,700	(4,651,128)	(505)	10,977,067	9,655,099
Cash and cash equivalents at beginning of year	4,696,659	11,512,902	123,026	16,332,587	4,201,912
Cash and cash equivalents at end of year	<u>\$ 20,325,359</u>	<u>\$ 6,861,774</u>	<u>\$ 122,521</u>	<u>\$ 27,309,654</u>	<u>\$ 13,857,011</u>

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 3,495,709	\$ 665,216	\$ 11,069,900	\$ 8,326,029	\$ 210,419	\$ 8,536,448	\$ 415,393	\$ 29,736,397
40,527		(6,168,579)	(4,860,495)	(29,344)	(4,889,839)	(355,418)	(18,879,717)
		(1,676,604)	(1,920,112)		(1,920,112)	(195,699)	(5,638,258)
<u>3,536,236</u>	<u>665,216</u>	<u>3,224,717</u>	<u>1,545,422</u>	<u>181,075</u>	<u>1,726,497</u>	<u>(135,724)</u>	<u>5,218,422</u>
						69,248	(1,830,752)
			(352,391)		(352,391)	(69,248)	(2,886,499)
4,034,406	799	4,038,081		765	765		4,071,315
165,000		175,000				366,545	7,124,030
(2,333)		(84,870)	(2,333)		(2,333)	(155,472)	(6,907,660)
(8,272)		4,097,143	1,140,776		1,140,776	9,006	10,990,937
<u>4,188,801</u>	<u>799</u>	<u>8,225,354</u>	<u>786,052</u>	<u>765</u>	<u>786,817</u>	<u>220,079</u>	<u>10,561,371</u>
(1,539,330)	(79,632)	(6,203,813)	(1,484,471)		(1,484,471)	(276,842)	(18,922,120)
(16,728)		(16,728)					(4,432,541)
201,767		11,388,516					36,581,069
		170,237					578,465
		(245,699)	(37,055)		(37,055)	(271)	(1,527,587)
<u>(1,354,291)</u>	<u>(79,632)</u>	<u>5,092,513</u>	<u>(1,521,526)</u>		<u>(1,521,526)</u>	<u>(277,113)</u>	<u>12,277,286</u>
394,863	23,977	487,654	48,849	4,373	53,222	1,798	790,319
5,849	1,149	7,828		659	659		22,444
<u>400,712</u>	<u>25,126</u>	<u>495,482</u>	<u>48,849</u>	<u>5,032</u>	<u>53,881</u>	<u>1,798</u>	<u>812,763</u>
6,771,458	611,509	17,038,066	858,797	186,872	1,045,669	(190,960)	28,869,842
8,837,046	1,309,995	14,348,953	3,334,440	203,456	3,537,896	373,023	34,592,459
<u>\$ 15,608,504</u>	<u>\$ 1,921,504</u>	<u>\$ 31,387,019</u>	<u>\$ 4,193,237</u>	<u>\$ 390,328</u>	<u>\$ 4,583,565</u>	<u>\$ 182,063</u>	<u>\$ 63,462,301</u>

(Continued)

City of Merced
Combining Statement of Cash Flows, Continued
Supplementary Information - Enterprise Funds
June 30, 2004

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 1,261,615	\$ 2,994,628	\$ (8,576)	\$ 4,247,667	\$ 837,661
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	519,033	64,718	8,576	592,327	706,695
Service charges receivable	(49,237)	(490,871)		(540,108)	(251,668)
Prepaid items					
Inventory	43			43	(12,069)
Due from other governments	(2,423,648)			(2,423,648)	(2,463,732)
Accounts payable	201,197	(1,596,279)		(1,395,082)	36,172
Payroll liabilities	(75,923)			(75,923)	(22,366)
Deposits	15,684			15,684	85,584
Deferred revenue	(28,779)	(6,419)	(5,404)	(40,602)	105,285
Compensated absences	22,574			22,574	1,703
Total adjustments	<u>(1,819,056)</u>	<u>(2,028,851)</u>	<u>3,172</u>	<u>(3,844,735)</u>	<u>(1,814,396)</u>
Net cash provided (used) by operating activities	<u>\$ (557,441)</u>	<u>\$ 965,777</u>	<u>\$ (5,404)</u>	<u>\$ 402,932</u>	<u>\$ (976,735)</u>

<u>Restricted Water Wells</u>	<u>Restricted Water Mains</u>	<u>Total Water System</u>	<u>Refuse Collection</u>	<u>Refuse Capital Equipment</u>	<u>Total Refuse Collection System</u>	<u>Merced Municipal Airport</u>	<u>Total Enterprise Funds</u>
\$ 3,604,833	\$ 668,131	\$ 5,110,625	\$ 1,073,746	\$ 215,120	\$ 1,288,866	\$ (95,309)	\$ 10,551,849
164,649	79,744	951,088	411,543		411,543	89,282	2,044,240
(273,773)	(82,659)	(608,100)	(65,134)	(33,280)	(98,414)	(4,969)	(1,251,591)
		(12,069)					(12,026)
		(2,463,732)				120,072	(4,767,308)
40,527		76,699	29,936		29,936	(231,931)	(1,520,378)
		(22,366)	10,166		10,166	(8,829)	(96,952)
		85,584	18,846		18,846	(15)	120,099
		105,285	50,267	(765)	49,502		114,185
		1,703	16,052		16,052	(4,025)	36,304
<u>(68,597)</u>	<u>(2,915)</u>	<u>(1,885,908)</u>	<u>471,676</u>	<u>(34,045)</u>	<u>437,631</u>	<u>(40,415)</u>	<u>(5,333,427)</u>
\$ 3,536,236	\$ 665,216	\$ 3,224,717	\$ 1,545,422	\$ 181,075	\$ 1,726,497	\$ (135,724)	\$ 5,218,422

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

Support Services Fund - This fund contains the Personnel, Information Systems, Records and Office Services division which support all other City functions.

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

City of Merced
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Worker's Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 1,786,545	\$ 1,161,571	\$ 25	\$ 1,370,341	\$ 493,811
Receivables	15,400	24,995		5,755	1,595
Prepaid items		24,863			
Inventory					55,388
Total current assets	<u>1,801,945</u>	<u>1,211,429</u>	<u>25</u>	<u>1,376,096</u>	<u>550,794</u>
Non-current assets:					
Notes receivable					
Advances to other funds	252,248				
Capital assets:					
Nondepreciable					3,773
Depreciable, net of accumulated depreciation					183,344
Total capital assets					<u>187,117</u>
Total noncurrent assets	<u>252,248</u>				<u>187,117</u>
Total assets	<u><u>2,054,193</u></u>	<u><u>1,211,429</u></u>	<u><u>25</u></u>	<u><u>1,376,096</u></u>	<u><u>737,911</u></u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	13,917	4,378			56,825
Payroll liabilities					13,971
Total current liabilities	<u>13,917</u>	<u>4,378</u>			<u>70,796</u>
Other liabilities				5,741	
Insurance claims	4,539,431	472,379			
Compensated absences payable					66,500
Total liabilities	<u>4,553,348</u>	<u>476,757</u>		<u>5,741</u>	<u>137,296</u>
Net Assets:					
Invested in capital assets, net of related debt					187,117
Restricted					
Unrestricted	(2,499,155)	734,672	25	1,370,355	413,498
Total net assets	<u><u>\$ (2,499,155)</u></u>	<u><u>\$ 734,672</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 1,370,355</u></u>	<u><u>\$ 600,615</u></u>

<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 7,537,359	\$ 265,345	\$ 783,624	\$ 784,591	\$ 14,183,212
67,770	9,007	2,532	2,534	129,588
				24,863
				55,388
<u>7,605,129</u>	<u>274,352</u>	<u>786,156</u>	<u>787,125</u>	<u>14,393,051</u>
1,481,609				1,733,857
51,125	142,224			197,122
<u>2,894,342</u>	<u>176,523</u>	<u>202,167</u>	<u>295,084</u>	<u>3,751,460</u>
<u>2,945,467</u>	<u>318,747</u>	<u>202,167</u>	<u>295,084</u>	<u>3,948,582</u>
<u>4,427,076</u>	<u>318,747</u>	<u>202,167</u>	<u>295,084</u>	<u>5,682,439</u>
<u>12,032,205</u>	<u>593,099</u>	<u>988,323</u>	<u>1,082,209</u>	<u>20,075,490</u>
30,160	22,391	35,030	23,694	186,395
	14,577	29,094		57,642
<u>30,160</u>	<u>36,968</u>	<u>64,124</u>	<u>23,694</u>	<u>244,037</u>
				5,741
				5,011,810
	59,515	135,880		261,895
<u>30,160</u>	<u>96,483</u>	<u>200,004</u>	<u>23,694</u>	<u>5,523,483</u>
2,945,467	318,747	202,167	295,084	3,948,582
<u>9,056,578</u>	<u>177,869</u>	<u>586,152</u>	<u>763,431</u>	<u>10,603,425</u>
<u>\$ 12,002,045</u>	<u>\$ 496,616</u>	<u>\$ 788,319</u>	<u>\$ 1,058,515</u>	<u>\$ 14,552,007</u>

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2004

	Worker's Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
OPERATING REVENUES:					
Charges for services	\$ 1,461,752	\$ 1,670,033	\$ 5,172	\$ 4,504,156	\$ 2,296,743
Other	27,885				8,945
Total operating revenues	1,489,637	1,670,033	5,172	4,504,156	2,305,688
OPERATING EXPENSES:					
Personnel services					624,606
Materials, supplies and other services	244,268	271,432	1,230	87,095	1,618,770
Depreciation					20,840
Administrative shared expenses	48,459	37,211	1,372	88,188	141,939
Insurance	2,451,900	1,284,272	99,807	4,232,326	
Total operating expenses	2,744,627	1,592,915	102,409	4,407,609	2,406,155
OPERATING INCOME (LOSS)	(1,254,990)	77,118	(97,237)	96,547	(100,467)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	46,052	14,063	996	21,720	7,223
Gain (loss) on sale of equipment					41,532
Total nonoperating revenues (expenses)	46,052	14,063	996	21,720	48,755
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(1,208,938)	91,181	(96,241)	118,267	(51,712)
OPERATING TRANSFERS:					
Transfers in			90,757		
Transfers out		(57,714)		(90,757)	
Total operating transfers		(57,714)	90,757	(90,757)	
NET INCOME (LOSS)	(1,208,938)	33,467	(5,484)	27,510	(51,712)
NET ASSETS:					
Beginning of the year	(1,290,217)	701,205	5,509	1,342,845	652,327
End of the year	\$ (2,499,155)	\$ 734,672	\$ 25	\$ 1,370,355	\$ 600,615

<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 2,011,796	\$ 1,190,694	\$ 2,257,458	\$ 423,173	\$ 15,820,977
151	21,560	913		59,454
<u>2,011,947</u>	<u>1,212,254</u>	<u>2,258,371</u>	<u>423,173</u>	<u>15,880,431</u>
	645,570	1,031,886		2,302,062
64,034	570,065	767,231	16,220	3,640,345
1,290,408	14,303	74,132	90,577	1,490,260
		163,431		480,600
	40,295	51,168		8,159,768
<u>1,354,442</u>	<u>1,270,233</u>	<u>2,087,848</u>	<u>106,797</u>	<u>16,073,035</u>
657,505	(57,979)	170,523	316,376	(192,604)
139,273	5,092	9,175	9,355	252,949
	1,153	604		43,289
<u>139,273</u>	<u>6,245</u>	<u>9,779</u>	<u>9,355</u>	<u>296,238</u>
796,778	(51,734)	180,302	325,731	103,634
28,130		100,000		218,887
	(107,191)			(255,662)
<u>28,130</u>	<u>(107,191)</u>	<u>100,000</u>		<u>(36,775)</u>
824,908	(158,925)	280,302	325,731	66,859
11,177,137	655,541	508,017	732,784	14,485,148
<u>\$ 12,002,045</u>	<u>\$ 496,616</u>	<u>\$ 788,319</u>	<u>\$ 1,058,515</u>	<u>\$ 14,552,007</u>

City of Merced
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2004

	Worker's Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 1,456,938	\$ 1,666,365	\$ 5,172	\$ 4,503,425	\$ 2,296,743
Cash paid to suppliers	(1,090,300)	(1,325,334)	(102,409)	(4,407,609)	(1,796,510)
Cash paid to employees					(617,158)
Cash receipts (payments) other	27,885			3,651	12,440
Net cash provided (used) by operating activities	394,523	341,031	(97,237)	99,467	(104,485)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Due from other governments					3,567
Due to other governments					
Advances from other funds					
Advances to other funds	55,207				
Transfers from other funds			90,757		
Transfers to other funds		(57,714)		(90,757)	
Net cash provided (used) by noncapital financing activities	55,207	(57,714)	90,757	(90,757)	3,567
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of fixed assets					(28,985)
Interest payments					
Gain (loss) on sale of equipment					41,532
Net cash provided (used) by capital and related financing activities					12,547
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	46,503	14,477	1,022	23,744	8,394
Notes to private parties					
Net cash provided (used) by investing activities	46,503	14,477	1,022	23,744	8,394
Net increase (decrease) in cash cash and cash equivalents	496,233	297,794	(5,458)	32,454	(79,977)
Cash and cash equivalents at beginning of year	1,290,312	863,777	5,483	1,337,887	573,788
Cash and cash equivalents at end of year	<u>\$ 1,786,545</u>	<u>\$ 1,161,571</u>	<u>\$ 25</u>	<u>\$ 1,370,341</u>	<u>\$ 493,811</u>

<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 2,011,796	\$ 1,197,921	\$ 2,257,458	\$ 423,173	\$ 15,818,991
(33,874)	(584,936)	(942,204)	7,474	(10,275,702)
	(655,949)	(1,003,766)		(2,276,873)
151	21,560	913		66,600
<u>1,978,073</u>	<u>(21,404)</u>	<u>312,401</u>	<u>430,647</u>	<u>3,333,016</u>
				3,567
352,391				407,598
28,130		100,000		218,887
	(107,191)			(255,662)
<u>380,521</u>	<u>(107,191)</u>	<u>100,000</u>		<u>374,390</u>
(980,257)	(93,196)	(40,965)	(122,585)	(1,265,988)
	1,153	604		43,289
<u>(980,257)</u>	<u>(92,043)</u>	<u>(40,361)</u>	<u>(122,585)</u>	<u>(1,222,699)</u>
137,602	6,546	8,586	9,075	255,949
<u>137,602</u>	<u>6,546</u>	<u>8,586</u>	<u>9,075</u>	<u>255,949</u>
1,515,939	(214,092)	380,626	317,137	2,740,656
<u>6,021,420</u>	<u>479,437</u>	<u>402,998</u>	<u>467,454</u>	<u>11,442,556</u>
<u>\$ 7,537,359</u>	<u>\$ 265,345</u>	<u>\$ 783,624</u>	<u>\$ 784,591</u>	<u>\$ 14,183,212</u>

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City of Merced
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2004

	Worker's Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,254,990)	\$ 77,118	\$ (97,237)	\$ 96,547	\$ (100,467)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation					20,840
Accounts receivable	(4,814)	(3,668)		(731)	
Prepaid		57,404			
Inventory					14,213
Accounts payable	5,543	(18,914)			(50,014)
Payroll liabilities					3,495
Other liabilities				3,651	
Insurance claim payable	1,648,784	229,091			
Compensated absence payable					7,448
Total adjustments	<u>1,649,513</u>	<u>263,913</u>		<u>2,920</u>	<u>(4,018)</u>
Net cash provided (used) by operating activities	<u>\$ 394,523</u>	<u>\$ 341,031</u>	<u>\$ (97,237)</u>	<u>\$ 99,467</u>	<u>\$ (104,485)</u>

<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 657,505	\$ (57,979)	\$ 170,523	\$ 316,376	\$ (192,604)
1,290,408	14,303 7,227	74,132	90,577	1,490,260 (1,986) 57,404 14,213
30,160	20,232 5,192	27,221 12,405	23,694	37,922 21,092 3,651 1,877,875 25,189
<u>1,320,568</u>	<u>(10,379)</u> <u>36,575</u>	<u>28,120</u> <u>141,878</u>	<u>114,271</u>	<u>3,525,620</u>
<u>\$ 1,978,073</u>	<u>\$ (21,404)</u>	<u>\$ 312,401</u>	<u>\$ 430,647</u>	<u>\$ 3,333,016</u>

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PRIVATE PURPOSE TRUST FUNDS

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

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

Transit Benefit Fund - This fund accounts for benefit liabilities for displaced transit employees associated with the provision of Section 13C of the Federal Transit Act vis a vis the Railroad Act as approved with the Teamster's Union.

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

McComb's Trust Fund - The City of Merced was named the "Trustee" in a charitable remainder annuity trust agreement dated March 17, 1975. Under the terms of the trust, which was established to eventually build a youth center, the City is responsible to make annual distributions to a named beneficiary.

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

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

City of Merced
Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2004

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Total
ASSETS							
Cash, cash equivalents and investments	\$ 15,808	\$ 36,727	\$ 225,119	\$ 8,037	\$ 169,263	\$ 3,106	\$ 458,060
Receivables	51		727	26	547	10	1,361
Total assets	15,859	36,727	225,846	8,063	169,810	3,116	459,421
NET ASSETS							
Held in trust for other purposes	15,859	36,727	225,846	8,063	169,810	3,116	459,421
Total net assets	\$ 15,859	\$ 36,727	\$ 225,846	\$ 8,063	\$ 169,810	\$ 3,116	\$ 459,421

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2004

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Total
ADDITIONS:							
Investment earnings	\$ 210	\$	\$ 2,838	\$ 101	\$ 2,163	\$ 25	\$ 5,337
Miscellaneous	13,334		78,961			3,091	95,386
Transfers In							
Total additions	13,544		81,799	101	2,163	3,116	100,723
DEDUCTIONS:							
General government		970	27,179	20	2,299		30,468
Transfers Out							
Total deductions				20	2,299		30,468
Net change in fund balances	13,544	(970)	54,620	81	(136)	3,116	70,255
NET ASSETS:							
Beginning of year	2,315	37,697	171,226	7,982	169,946		389,166
End of year	\$ 15,859	\$ 36,727	\$ 225,846	\$ 8,063	\$ 169,810	\$ 3,116	\$ 459,421

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AGENCY FUNDS

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

City of Merced
Balance Sheet
Agency Funds
June 30, 2004

	<u>Deposits</u>	<u>RDA Deposits</u>	<u>Payroll Clearing</u>	<u>Liberty Park</u>	<u>16th Street Assessment</u>
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,680,777	\$ 124,574	\$ 1,109	\$ 90,847	\$ 58,655
Receivables				293	189
Deposits	79,464	166,559			
Due from other governments				2,707	12,911
Prepaid items					
Advances to other funds	3,326				
Total assets	<u>\$ 2,763,567</u>	<u>\$ 291,133</u>	<u>\$ 1,109</u>	<u>\$ 93,847</u>	<u>\$ 71,755</u>
LIABILITIES					
Payroll liabilities	\$	\$	\$ 1,109	\$	\$
Due to other funds					
Deposits	2,551,358	291,084			
Other liabilities	212,209	49			
Due to bond holders				93,847	71,755
Total liabilities	<u>\$ 2,763,567</u>	<u>\$ 291,133</u>	<u>\$ 1,109</u>	<u>\$ 93,847</u>	<u>\$ 71,755</u>

<u>Fahrens Park Debt Service</u>	<u>Fahrens Park Capital Projects</u>	<u>Bellevue Ranch Development</u>	<u>UC Merced Sewer-Water Capital Projects</u>	<u>MM Narcotics Task Force Special Revenue</u>	<u>MMNTF Federal Sharing</u>	<u>Merced Somoto Sister City</u>	<u>Total</u>
\$ 450,905	\$ 1,379,611	\$ 124,237	\$	\$ 230,750	\$ 12,674	\$ 1,429	\$ 5,155,568
1,456	6,685	401		743	41	5	9,813
							246,023
9,918							25,536
							3,326
<u>\$ 462,279</u>	<u>\$ 1,386,296</u>	<u>\$ 124,638</u>	<u>\$</u>	<u>\$ 231,493</u>	<u>\$ 12,715</u>	<u>\$ 1,434</u>	<u>\$ 5,440,266</u>
\$	\$	\$	\$	\$	\$	\$	\$ 1,109
				231,493	12,715	1,434	3,088,084
							212,258
462,279	1,386,296	124,638					2,138,815
<u>\$ 462,279</u>	<u>\$ 1,386,296</u>	<u>\$ 124,638</u>	<u>\$</u>	<u>\$ 231,493</u>	<u>\$ 12,715</u>	<u>\$ 1,434</u>	<u>\$ 5,440,266</u>

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,123,020	\$ 51,652,557	\$ 50,094,799	\$ 2,680,778
Advance to other funds	4,665		1,340	3,325
Deposits	72,967	146,565	140,068	79,464
Total assets	\$ 1,200,652	\$ 51,799,122	\$ 50,236,207	\$ 2,763,567
Liabilities:				
Other payables	\$ 176,319	\$ 1,626,320	\$ 1,590,430	\$ 212,209
Deposits	1,024,333	50,172,802	48,645,777	2,551,358
Total liabilities	\$ 1,200,652	\$ 51,799,122	\$ 50,236,207	\$ 2,763,567
<u>RDA Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 26,049	\$ 239,075	\$ 140,550	\$ 124,574
Deposits	165,708	969	118	166,559
Total assets	\$ 191,757	\$ 240,044	\$ 140,668	\$ 291,133
Liabilities:				
Other payables	\$ 49	\$ 109,403	\$ 109,403	\$ 49
Deposits	191,708	130,641	31,265	291,084
Total liabilities	\$ 191,757	\$ 240,044	\$ 140,668	\$ 291,133
<u>Payroll Clearing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,050	\$ 11,233,178	\$ 11,233,119	\$ 1,109
Total assets	\$ 1,050	\$ 11,233,178	\$ 11,233,119	\$ 1,109
Liabilities:				
Other payables	\$ 1,050	\$ 11,233,178	\$ 11,233,119	\$ 1,109
Total liabilities	\$ 1,050	\$ 11,233,178	\$ 11,233,119	\$ 1,109

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>Liberty Park</u>				
Assets:				
Cash, cash equivalents and investments	\$ 94,429	\$ 57,717	\$ 61,299	\$ 90,847
Interest receivable	455	293	455	293
Due from other governments		2,707		2,707
Total assets	\$ 94,884	\$ 60,717	\$ 61,754	\$ 93,847
Liabilities:				
Due to bond holders	\$ 94,884	\$ 60,717	\$ 61,754	\$ 93,847
Total liabilities	\$ 94,884	\$ 60,717	\$ 61,754	\$ 93,847
<u>16th Street Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 64,196	\$ 48,880	\$ 54,421	\$ 58,655
Interest receivable	309	189	309	189
Due from other governments	4,180	12,911	4,180	12,911
Total assets	\$ 68,685	\$ 61,980	\$ 58,910	\$ 71,755
Liabilities:				
Due to bond holders	\$ 68,685	\$ 61,980	\$ 58,910	\$ 71,755
Total liabilities	\$ 68,685	\$ 61,980	\$ 58,910	\$ 71,755
<u>Fahrens Park Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 825,525	\$ 920,669	\$ 1,295,289	\$ 450,905
Interest receivable	3,980	1,456	3,980	1,456
Due from other governments		9,918		9,918
Total assets	\$ 829,505	\$ 932,043	\$ 1,299,269	\$ 462,279
Liabilities:				
Due to bond holders	\$ 829,505	\$ 932,043	\$ 1,299,269	\$ 462,279
Total liabilities	\$ 829,505	\$ 932,043	\$ 1,299,269	\$ 462,279

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>Fahrens Park Capital Projects</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2,463,742	\$ 512,758	\$ 1,596,889	\$ 1,379,611
Interest receivable	10,368	6,685	10,368	6,685
Total assets	\$ 2,474,110	\$ 519,443	\$ 1,607,257	\$ 1,386,296
Liabilities:				
Due to bond holders	\$ 2,474,110	\$ 519,443	\$ 1,607,257	\$ 1,386,296
Total liabilities	\$ 2,474,110	\$ 519,443	\$ 1,607,257	\$ 1,386,296
<u>Bellevue Ranch Development</u>				
Assets:				
Cash, cash equivalents and investments	\$ 60,370	\$ 122,543	\$ 58,676	\$ 124,237
Interest receivable	291	401	291	401
Total assets	\$ 60,661	\$ 122,944	\$ 58,967	\$ 124,638
Liabilities:				
Due to bondholders	\$ 60,661	\$ 122,944	\$ 58,967	\$ 124,638
Total liabilities	\$ 60,661	\$ 122,944	\$ 58,967	\$ 124,638
<u>UC Merced Sewer-Water Capital Projects</u>				
Assets:				
Due from other governments	\$ 350,000	\$	\$ 350,000	\$
Total assets	\$ 350,000	\$	\$ 350,000	\$
Liabilities:				
Other payables	\$ 174,534	\$	\$ 174,534	\$
Deposits	175,466	\$	175,466	\$
Total liabilities	\$ 350,000	\$	\$ 350,000	\$

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>MM Narcotics Task Force Special Revenue</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 418,786	\$ 188,036	\$ 230,750
Interest receivable		1,973	1,230	743
Total assets	\$	\$ 420,759	\$ 189,266	\$ 231,493
Liabilities:				
Other payables	\$	\$ 185,268	\$ 185,268	\$
Deposits		235,491	3,998	231,493
Total liabilities	\$	\$ 420,759	\$ 189,266	\$ 231,493
<u>MMNTF Federal Sharing</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 16,092	\$ 3,418	\$ 12,674
Interest receivable		117	76	41
Total assets	\$	\$ 16,209	\$ 3,494	\$ 12,715
Liabilities:				
Deposits	\$	\$ 16,209	\$ 3,494	\$ 12,715
Total liabilities	\$	\$ 16,209	\$ 3,494	\$ 12,715
<u>Merced - Somoto Sister City</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 17,531	\$ 16,102	\$ 1,429
Interest receivable		9	4	5
Total assets	\$	\$ 17,540	\$ 16,106	\$ 1,434
Liabilities:				
Other payables	\$	\$ 12,368	\$ 12,368	\$
Deposits		5,172	3,738	1,434
Total liabilities	\$	\$ 17,540	\$ 16,106	\$ 1,434

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 4,658,381	\$ 65,239,786	\$ 64,742,598	\$ 5,155,569
Interest receivable	15,403	11,123	16,713	9,813
Deposits	238,675	147,534	140,186	246,023
Due from other governments	354,180	25,536	354,180	25,536
Advance to other funds	4,665		1,340	3,325
Total assets	\$ 5,271,304	\$ 65,423,979	\$ 65,255,017	\$ 5,440,266
Liabilities:				
Other payables	\$ 351,952	\$ 13,166,537	\$ 13,305,122	\$ 213,367
Deposits	1,391,507	50,560,315	48,863,738	3,088,084
Due to bond holders	3,527,845	1,697,127	3,086,157	2,138,815
Total liabilities	\$ 5,271,304	\$ 65,423,979	\$ 65,255,017	\$ 5,440,266

(Concluded)

STATISTICAL SECTION

City of Merced
General Revenues - By Source - Governmental Fund Types
Last ten fiscal years

Fiscal Year	Taxes	Licenses & Permits	Inter-Governmental	Service Charges	Fines & Forfeits	Other	Total
1994-95	\$ 13,410,657	\$ 5,246	\$ 8,545,798	\$ 6,221,937	\$ 391,968	\$ 3,889,211	\$ 32,464,817
1995-96	14,147,920	11,292	8,083,103	5,380,691	394,846	4,615,961	32,633,813
1996-97	14,875,129	8,952	8,459,872	5,711,805	346,127	3,865,010	33,266,895
1997-98	16,025,474	4,596	8,759,754	4,879,194	321,907	3,866,725	33,857,650
1998-99	16,650,775	23,205	8,566,331	5,570,317	486,684	4,204,245	35,501,557
1999-00	18,109,951	39,575	9,015,739	6,602,009	482,865	7,779,994	42,030,133
2000-01	19,538,584	37,724	13,134,759	7,001,413	483,321	4,029,008	44,224,809
2001-02	20,866,646	43,344	10,338,795	8,809,994	636,791	3,778,265	44,473,835
2002-03	22,373,560	46,741	11,965,906	11,454,584	959,229	4,902,565	51,702,585
2003-04	24,996,008	39,474	13,093,883	17,036,906	542,351	4,652,592	60,361,214

Source: City of Merced Annual Financial Report

City of Merced
General Expenditures - By Activity - Governmental Fund Types
Last ten fiscal years

Fiscal Year	General Government	Public Safety	Public Works	Parks & Recreation	Other	Total
1994-95	\$ 6,955,118	\$ 14,628,537	\$ 2,454,758	\$ 1,899,098	\$ 596,737	\$ 26,534,248
1995-96	7,962,082	12,786,049	2,379,977	2,019,505	601,056	25,748,669
1996-97	8,364,505	13,459,157	2,318,099	2,188,268	621,620	26,951,649
1997-98	7,693,325	13,764,136	2,497,736	2,162,523	646,948	26,764,668
1998-99	8,512,921	14,810,991	2,413,244	1,882,550	690,826	28,310,532
1999-00	7,537,210	14,688,498	2,501,226	2,083,411	866,019	27,676,364
2000-01	8,753,701	15,524,245	3,041,113	2,327,108	927,677	30,573,844
2001-02	9,242,808	16,202,031	3,403,689	2,929,913	1,080,965	32,859,406
2002-03	11,223,864	18,199,199	3,651,120	3,462,241	1,046,432	37,582,856
2003-04	12,809,073	27,052,794	4,173,888	3,532,567	1,293,874	48,862,196

Note: Expenditures for capital outlay and debt service are excluded from the above table.

Source: City of Merced Annual Financial Report

City of Merced
Property Tax Levies and Collections
Last ten fiscal years

Fiscal Year	Total Levy	Total Collection	Percent of Levy Collected
1994-95	\$ 2,479,850	\$ 2,629,146	106%
1995-96	2,528,138	2,670,925	106%
1996-97	2,594,557	2,726,309	105%
1997-98	2,596,370	2,657,088	102%
1998-99	2,792,001	2,832,682	101%
1999-00	2,877,413	2,957,863	103%
2000-01	2,995,537	3,029,454	101%
2001-02	3,150,373	3,411,490	108%
2002-03	4,474,724	4,704,237	105%
2003-04	4,608,149	4,852,560	105%

Source: County of Merced Auditor-Controller

City of Merced
Principal Property Taxpayers
For the year ended June 30, 2004

	Assessed Value	Percentage of Assessed Value
Total assessed value	\$ 2,559,139,910	100%
World Color Press Inc.	\$ 112,807,580	4.41%
Conopco Inc.	50,042,636	1.96%
Safeway Inc.	25,727,631	1.01%
Scholle Corporation	22,869,523	0.89%
McLane Company Inc.	16,081,584	0.63%
Grayblock LLC	14,286,409	0.56%
Costco Wholesale Corporation	13,513,020	0.53%
Wamco, Inc.	12,925,156	0.51%
Merced Mall LTD A Partnership	11,165,290	0.44%
HD Development of Maryland	10,978,360	0.43%
Total	\$ 290,397,189	11.35%

Source: County of Merced Auditor-Controller

City of Merced
Property Tax Rates - Direct and all Overlapping Governments
Last ten fiscal years
(Per \$100 of Assessed Value)

Fiscal Year	Local	School Districts	Total
1994-95	1.0000%	0.0054%	1.0054%
1995-96	1.0000%	0.0062%	1.0062%
1996-97	1.0000%	0.0007%	1.0007%
1997-98	1.0000%	0.0007%	1.0007%
1998-99	1.0000%	0.0007%	1.0007%
1999-00	1.0000%	0.0156%	1.0156%
2000-01	1.0000%	0.0300%	1.0300%
2001-02	1.0000%	0.0558%	1.0558%
2002-03	1.0000%	0.0530%	1.0530%
2003-04	1.0000%	0.0492%	1.0492%

Source: Merced County Auditor

City of Merced
Demographic Statistics
Last ten fiscal years

Fiscal Year	(1) Population	Population Change Percentage	(1) Merced County Population	City Population as a Percentage of County	(2) Square Miles	(1) Housing
1994-95	61,712	1.4%	202,789	30.4%	16.960	20,086
1995-96	60,973	-1.2%	198,472	30.7%	17.100	20,254
1996-97	61,395	0.7%	200,961	30.7%	17.100	20,411
1997-98	62,032	1.1%	204,422	30.4%	18.860	20,524
1998-99	62,799	1.2%	206,887	30.4%	19.740	20,777
1999-00	63,330	0.8%	210,138	30.1%	19.990	20,965
2000-01	65,363	3.2%	216,656	30.2%	20.940	21,712
2001-02	66,059	1.1%	218,868	30.2%	21.090	22,150
2002-03	67,610	3.4%	223,626	30.2%	21.520	22,568
2003-04	69,805	5.7%	232,141	30.1%	22.090	23,301

(1) Source: State of California Department of Finance - Population Research Unit

(2) Source: City of Merced Planning Department

City of Merced
Direct and Overlapping Bonded Debt
For the year ended June 30, 2004

Jurisdiction	Percentage Applicable	Net Debt Outstanding
City of Merced 1915 Act Bonds	78.096% - 100.00%	\$ 9,582,000
Merced County Certificates of Participation	21.724%	8,337,671
Merced County Pension Obligations	21.724%	13,046,348
Merced County Office of Education Certificates of Participation	21.724%	517,031
McSwain Union School District Certificates of Participation	0.0293%	58
Total		\$ 31,483,108 (1)

(1) Excludes revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to Assessed Valuation

Direct Debt	0.00%
Total Debt	1.30%

Share of State School Building Aid repayable as of June 30, 2004: \$4,503
(Merced Union High School District)

2003-04 Assessed Valuation

\$2,362,250,572 (after deducting \$485,615,899 redevelopment tax allocation increment)

Source: California Municipal Statistics, Inc.

City of Merced
Property Value and Construction
Last ten fiscal years

Fiscal Year	Common Property	Public Utility	Unsecured Valuation	Total Assessed Valuation	Estimated Actual Value All Property	Estimated Full Market Valuation
1994-95	\$ 1,751,561,205	\$ 6,159,805	\$ 119,370,335	\$ 1,877,091,345	\$ 1,877,091,345	100%
1995-96	1,792,724,715	6,385,377	134,157,450	1,933,267,542	1,933,267,542	100%
1996-97	1,831,041,744	6,117,826	134,322,735	1,971,482,355	1,971,482,355	100%
1997-98	1,871,516,066	6,359,406	175,069,912	2,052,945,384	2,052,945,384	100%
1998-99	1,946,225,769	7,407,718	144,976,438	2,098,609,925	2,098,609,925	100%
1999-00	2,019,662,932	7,060,887	160,305,537	2,187,029,356	2,187,029,356	100%
2000-01	2,123,171,394	7,011,952	154,853,138	2,285,036,484	2,285,036,484	100%
2001-02	2,381,189,790	6,673,878	162,524,826	2,550,388,494	2,550,388,494	100%
2002-03	2,330,074,535	5,889,898	223,175,977	2,559,139,910	2,559,139,910	100%
2003-04	2,680,238,859	5,836,087	228,989,473	2,915,064,419	2,915,064,419	100%

Source: (Valuations) County of Merced Auditor-Controller

Source: (Bank Deposits) California State Licensing and Statistical Department

Fiscal Year	Single Family/Multi Family		Commercial/Industrial		All Others	
	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation
1994-95	166	\$ 16,696,338	14	\$ 6,849,425	833	\$ 6,885,158
1995-96	175	17,532,665	11	2,751,953	922	5,801,483
1996-97	175	13,757,228	9	5,358,392	929	11,321,704
1997-98	199	18,993,807	10	4,705,062	957	11,937,337
1998-99	214	19,526,107	9	3,177,073	1,020	14,193,768
1999-00	288	29,397,421	7	4,123,000	1,147	19,284,495
2000-01	406	46,530,364	4	3,114,000	1,101	19,032,738
2001-02	1,381	59,407,745	10	5,376,030	379	23,908,926
2002-03	1,887	98,648,513	273	25,360,673	168	450,040
2003-04	2,228	131,376,640	364	66,369,902	300	417,714

Source: City of Merced Planning and Building Departments

City of Merced
Miscellaneous Statistics
For the year ended June 30, 2004

Date of incorporation	April 1, 1889
Form of government	Council-Manager
Area (square miles)	22.09
Miles of streets (Center Line)	276.1
Number of street lights	3,687
Fire protection:	
Number of stations	4
Number of firemen and officers (exclusive of volunteer firemen)	50
Police protection:	
Number of stations	3
Number of policemen and officers	80
Education (elementary only):	
Attendance centers (schools)	16
Number of classrooms	466
Number of teachers	605
Number of students	11,280
Municipal water department:	
Number of consumers	49,881
Average daily consumption (million gallons)	603.17
Water Mains (miles)	256.3
Sewers:	
Sanitary Sewers (miles)	413.50
Storm Sewers (miles)	78.30
Building permits issued:	2,892.00
Recreation and culture:	
Number of parks	29
Employees:	
Classified service	375
Exempt	35

Source: City of Merced and Merced City School District

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