



**City of Merced, California**  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005



*"The McCombs Youth Center located at the corners of 15th and M Streets was selected by the League of California Cities as the winner of its 2004 Helen Putnam Award of Excellence in the category of Community Service and Economic Development. The purpose of the Helen Putnam Award for Excellence program is to recognize and promote the outstanding efforts and innovative solutions by city governments to improve the quality of life in local communities, implement efficiencies in service delivery and operations, and provide services responsive to the local community."*

*The Youth Center is operated for the benefit of the community by offering year round youth activities. The Youth Center is also the location for adult sporting activities, classes and ceremonies for various events."*



*-COVER PHOTO BY ROBERT CANFIELD*

# City of Merced

Merced, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2005*

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

**C&L**  
Caporicci & Larson  
Certified Public Accountants

**City of Merced**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2005**

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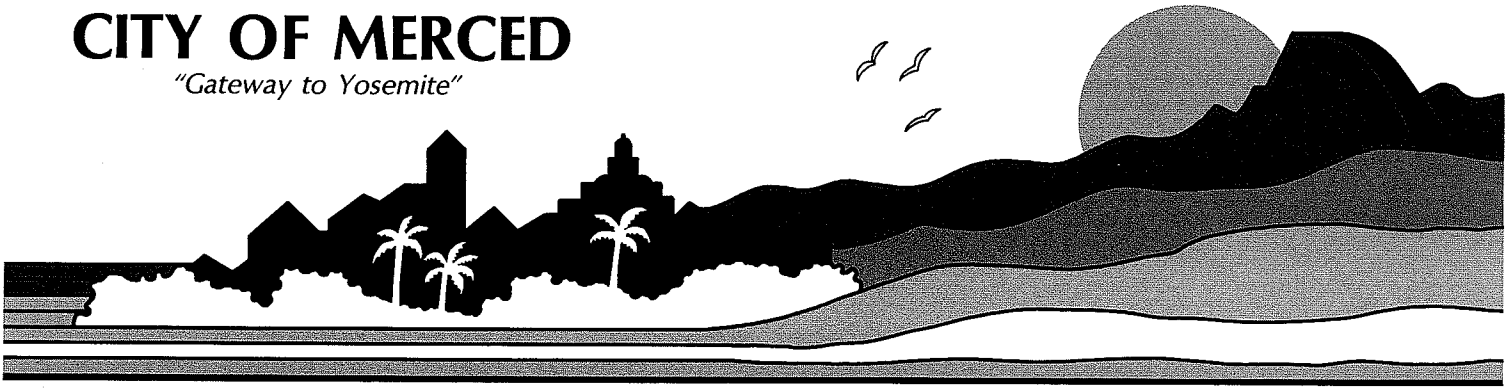
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# CITY OF MERCED

*"Gateway to Yosemite"*



September 30, 2005

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, 2005 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 basic financial statements includes all the funds of the primary government, the City of Merced, as well as component units, the Redevelopment Agency of the City of Merced (Agency) and the City of Merced Public Financing Authority (Authority). In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the financial activities of the Agency and Authority have been blended with the financial statements of the City. The Redevelopment Agency is a legally separate entity whose purpose is to carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. The City Council sits as the governing body of the Agency and the City provides loans and management assistance to the Agency. The Authority is a legally separate public entity created to provide for the financing of all or a prescribed cost and expense of acquisition, construction and installation of authorized public capital improvements for the members through any financing procedure legally available to the members. All powers are vested in the governing board, which consists of the members of the City Council.

## 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 73,000 and serves as the county seat. Merced is located on Highway 99, the dominant north-south freeway in California, and is served also by Highways 140 and 59. Two railroads, Union Pacific and Burlington Northern Santa Fe, have main lines that pass through the City.

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, The Promenade, opened late in 2004 with tenants including Strings Italian Restaurant, Merced's third Starbuck's and Port of Subs. Other new retailers opening in Merced include Ross Dress For Less, Del Taco and Juice it Up. Phase one of Merced's newest office complex, The Plaza at El Portal, is completed and opening with a variety of professional, medical, and personal service offices. 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, scheduled for September 6, 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. New corporate capital investment is planned by Arvin Sango, Inc.. The company plans to expand its plant by 34,000 sq. ft., which will generate 34 new jobs. 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. In June 2005, construction was completed on Main Street's 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 completed with the UC Merced Administration offices and County Bank occupying space. 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 (UC) campus, a research university for the 21<sup>st</sup> 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. A new interchange on Highway 99 at Mission Avenue, and Phase One of the Campus Parkway are slated for construction starting in 2006. The campus will be opening with three buildings, the Library, the Student Housing, and the Engineering and Science building. The City of Merced has extended water and sewer services to the University campus. The University is expecting 1,000 students on opening day in September 2005. At full build out the University will accommodate about 25,000 students.

The University had already been offering 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. 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 fiscal year 2004-05 are highlighted as follows:

### **General Government**

The League of California Cities selected the City of Merced as a 2004 Helen Putnam Award winner in the category of Community Services and Economic Development for the McCombs Youth Center. The Center was built by the City of Merced and its Redevelopment Agency using private contributions supplemented by public funds.

The City is participating with UC Merced and the County of Merced to develop a uniform approach to student related issues.

The City implemented the home banking bill payment aggregation and "Bank Drafting" for municipal services. These electronic processes provide greater customer service and a more efficient way to receive funds to the City's bank account.

The City participated in the Vehicle License Fee (VLF) Gap Loan Financing Program. This program gave the City repayment of the three months of VLF backfill from fiscal year 2003-04 that the State failed to make. The City received \$1,051,085, which is 91.68% of the gross amount.

A citizen task force worked to design a local tax measure as a source of revenue for public safety and other local items.

### **Support Services**

A project began for installation of fiber optic communication lines linking city facilities to Fire Stations 51 and 55.

A Technology Website committee was formed to update and enhance the City's website. The project is scheduled to be completed in early 2006.

### **Recreation and Parks**

The Park and Open Space Master Plan and the Fahrens Park Master Plan were adopted.

The County of Merced deeded the Ray Flanagan Park to the City in December 2004.

Two new after-school sites were opened at Muir and Sheehy Elementary Schools.

### **Public Safety**

Fire Station #55, located in North Merced, is under construction and is expected to be completed in early 2006.

The City's imaging system was expanded to include the Police Department operation.

### **Public Works**

Phase IV of the Wastewater Treatment Plant Improvement project is in progress. A team of Engineers and Financial consultants has been contracted for the Wastewater Treatment Plant water quality upgrade and expansion. The intent to issue tax-exempt bonds for the project was approved in March.

Data was gathered and input to the Geographical Information Systems (GIS) on all Public Works infrastructure to enhance customer service. GIS tracking and communication systems were installed in all solid waste vehicles in June.

The UC Merced Sewer and Water project was completed. Water and sewer service is now extended to the UC campus.

### **Transportation and Housing**

The City received over \$1.4 million in community Development Block Grant funds; \$665,615 in Federal HOME funds, and over \$198,000 in airport grant funds from the Federal Aviation Administration.

### **Community Development**

The Community Facilities District No. 2003-1 (Bellevue Ranch East) was established. A special election was held, which approved bonded indebtedness in an amount not to exceed \$15,000,000 for providing public facilities within and for the Community Facilities District.

The Lowe's Maintenance District was formed.

The City was awarded a \$102,155 grant from California State Department of Transportation (Caltrans) for the South Merced Strategic Plan.

### **Redevelopment Agency**

The Mondo Building project was completed. This newly renovated downtown building provides office space to UC Merced and County Bank.

The Merced Lofts grand opening is being planned for Summer 2005. This downtown project consists of 14 residential lofts on the upper floor with some private parking, and ground floor retail.

The Merced Center project is in progress. The Merced Center development includes a business class hotel, 75,000 square feet of office buildings, and a parking structure in Downtown Merced. A contract was awarded for the design of the parking structure, and negotiations are underway for the hotel development.

The Martin Luther King Jr. Way Beautification Project is in development. The planned improvements include: partial road reconstruction, installation of medians, signalization, landscaping, and installation of decorative streetlights.

The revisions of the final plans for Phase I of the Historic Merced Theater were received and are in plan check.

In an effort to maintain a superior environment in Downtown Merced, and to create a fresh and welcoming feeling, banners were hung to line the streets, and new street lights, Victorian-style benches and trash receptacles were installed.

The process to expand the Redevelopment Gateways Project Area is scheduled to conclude by July 2005. A resolution was adopted to set a public hearing for the Gateways Redevelopment Plan amendment for July.

## 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 109 days. The average yield on investments was 2.95 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, 2005 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, 2004. This was the ninth consecutive year the City 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.

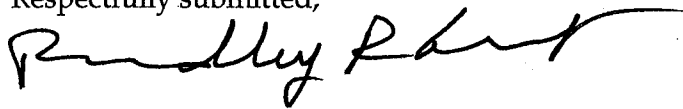
In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal 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.

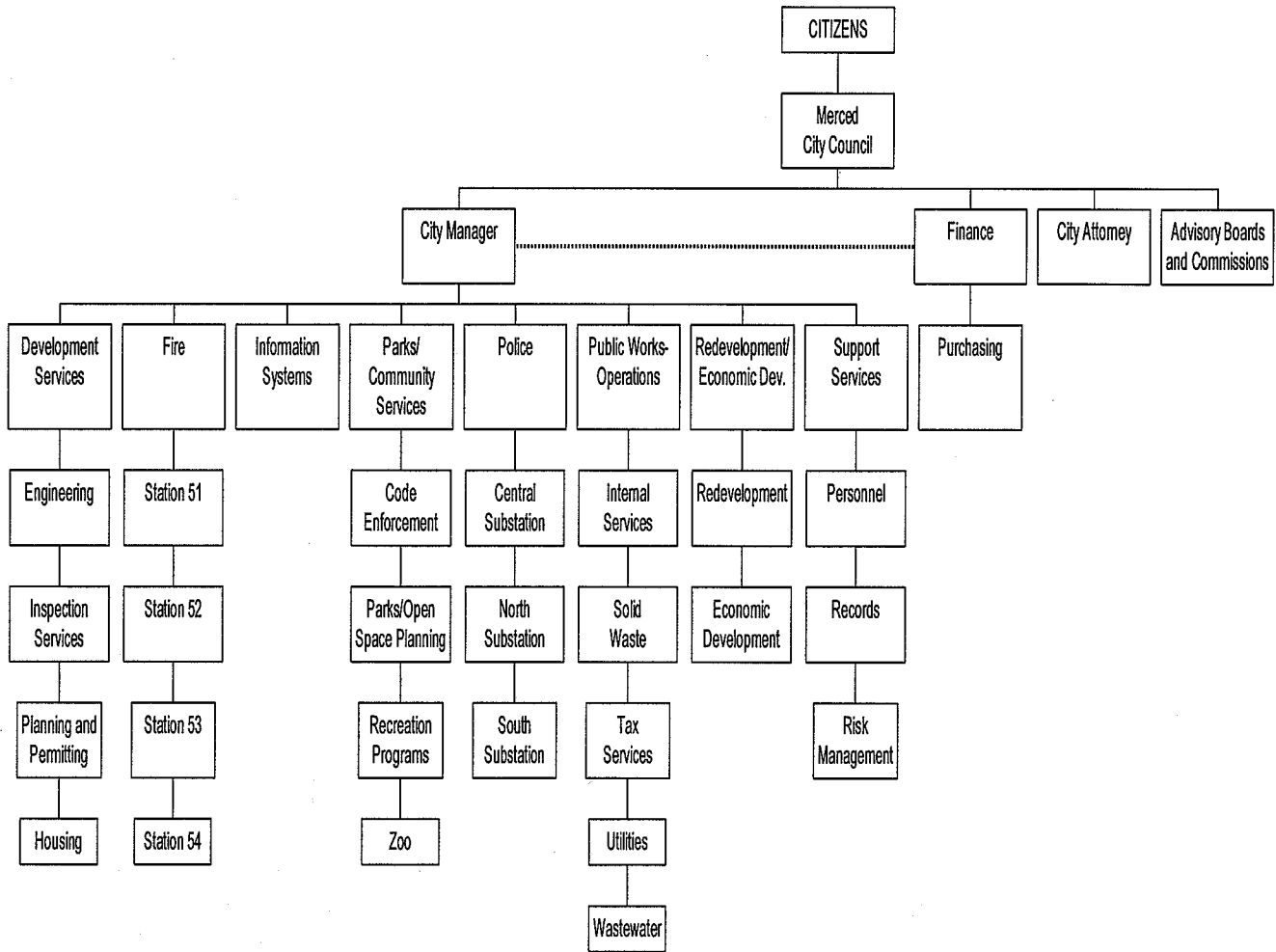
I would like to acknowledge the City Council and City Manager for their continuous support in planning and conducting the financial operations of the City of Merced in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bradley R. Grant", written in a cursive style.

Bradley R. Grant  
Finance Officer

# *City of Merced Organizational Chart June 30, 2005*





CITY OF MERCED  
RESPONSIBLE OFFICIALS  
June 30, 2005

Mayor

Mayor Pro-Tempore

Council Member

Council Member

Council Member

Council Member

Council Member

City Manager

Assistant City Manager

City Attorney

Finance Officer

Police Chief

Fire Chief

Director of Public Works Operations

Director of Support Services

Director of Parks and Community Services

Director of Development Services

Hubert Walsh, Jr.

Ellie Wooten

Joseph Cortez

Michele Gabriault-Acosta

Rick Osorio

James Sanders

William Spriggs

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, 2004

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. Emer*

Executive Director



## 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, 2005, 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, 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.

As described in Note 1 to the basic financial statements, the City adopted statement of the Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosures (Amendment of GASB No. 3)*.

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.

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Oakland, California 94612

**Orange County**

3184-D Airway Avenue  
Costa Mesa, California 92626

**Sacramento**

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

**San Diego**

4858 Mercury, Suite 105  
San Diego, California 92111

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

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.

*Capricci & Carson*

Oakland, California  
September 30, 2005

## 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, 2005. 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 \$29.8 million. The governmental net assets increased by \$12.5 million and the business-type net assets increased by \$17.3 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 \$440.3 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$14.8 million, or 74% percent of the General Fund fund balance.
- The net decrease to governmental activity long-term debt was \$1.1 million. New debt issued during the year was for a \$894,300 debt service funding agreement with a developer for a housing project.
- The net increase to the business-type activity long-term debt was \$3.1 million. New debt issued during the year was a \$3.3 million loan payable to County Bank for water and sewer improvements to the UC Merced and a \$8.2 million loan payable to California Infrastructure and Economic Development Bank as permanent financing to replace the County Bank loan.

### 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-seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Redevelopment Agency Special Revenue Fund, Housing Special Revenue Fund, Development Services Special Revenue, Public Facilities Impact Special Revenue, Redevelopment Agency Debt Service Fund and the Redevelopment Agency Capital Projects Fund, which are considered to be major funds. Data from the other thirty 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

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 \$440.3 million at the close of the most recent fiscal year.

Summary of Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 122,835,663	\$ 105,698,647	\$ 86,145,438	\$ 72,079,080	\$ 208,981,101	\$ 177,777,727
Capital assets	269,204,864	273,999,600	62,303,988	55,366,567	331,508,852	329,366,167
Total assets	392,040,527	379,698,247	148,449,426	127,445,647	540,489,953	507,143,894
Current liabilities	4,374,495	4,469,050	6,712,616	4,600,385	11,087,111	9,069,435
Noncurrent liabilities	48,580,717	50,018,111	40,507,416	38,417,904	89,088,133	88,436,015
Total liabilities	52,955,212	54,487,161	47,220,032	43,018,289	100,175,244	97,505,450
Net assets:						
Invested in capital assets,						
net of debt	231,913,108	236,399,619	20,971,218	17,104,566	252,884,326	253,504,185
Restricted	37,004,317	10,091,205	15,949,482	7,662,242	52,953,799	17,753,447
Unrestricted	70,167,890	78,720,262	64,308,694	59,660,550	134,476,584	138,380,812
Total net assets	\$ 339,085,315	\$ 325,211,086	\$ 101,229,394	\$ 84,427,358	440,314,709	409,638,444

The largest portion of the City's net assets (57%) 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.



Twelve 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 \$134.4 million is the unrestricted net assets. The Governmental Activities unrestricted net assets of \$70.1 million includes \$25.1 million of fund balance reserves, \$4.6 million of fund balance designations, \$25.1 million earmarked as special revenue which is legally restricted to expenditures for specified purposes and \$11.4 million earmarked for capital projects. The Business-Type Activities unrestricted net assets of \$64.3 includes \$15.9 million of fund balance reserves and \$46.3 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.

	Statement of Activities					
	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 25,818,792	\$ 21,641,505	\$ 37,505,740	\$ 30,748,285	63,324,532	\$ 52,389,790
Operating grants and contributions	7,815,350	8,626,722			7,815,350	8,626,722
Capital grants and contributions	593,935	744,933			593,935	744,933
General revenues and transfers:						
Property taxes	16,350,801	9,509,782			16,350,801	9,509,782
Sales taxes	8,821,966	10,409,903			8,821,966	10,409,903
Franchise taxes	1,194,132	1,107,172			1,194,132	1,107,172
Motor vehicle	1,599,829	3,128,857			1,599,829	3,128,857
Transient occupancy tax	604,210	716,819			604,210	716,819
Business license tax	1,161,454	1,089,317			1,161,454	1,089,317
Cost recovery impact study	2,109,039	2,050,047			2,109,039	2,050,047
Business improvement area	108,112	99,313			108,112	99,313
Other	5,740,196	10,580,143	7,055,890	10,620,686	12,796,086	21,200,829
<b>Total revenues</b>	<b>71,917,816</b>	<b>69,704,513</b>	<b>44,561,630</b>	<b>41,368,971</b>	<b>116,479,446</b>	<b>111,073,484</b>
<b>Expenses</b>						
Governmental activities:						
General government	18,693,422	14,901,894			18,693,422	14,901,894
Public Safety	20,928,903	27,661,654			20,928,903	27,661,654
Public Works	12,126,647	11,839,346			12,126,647	11,839,346
Parks	4,481,158	3,861,545			4,481,158	3,861,545
Other	2,944,019	2,816,815			2,944,019	2,816,815
Business-type activities:						
Wastewater system			9,105,525	6,400,525	9,105,525	6,400,525
Water system			8,947,001	6,410,058	8,947,001	6,410,058
Refuse collection			8,848,455	7,321,227	8,848,455	7,321,227
Merced municipal airport			599,528	515,942	599,528	515,942
<b>Total expenses</b>	<b>59,174,149</b>	<b>61,081,254</b>	<b>27,500,509</b>	<b>20,647,752</b>	<b>86,674,658</b>	<b>81,729,006</b>
Increase in net assets before transfers	12,743,667	8,623,259	17,061,121	20,721,219	29,804,788	29,344,478
Transfers	(205,599)	(216,371)	205,599	216,371		
Increase in net assets	12,538,068	8,406,888	17,266,720	20,937,590	29,804,788	29,344,478
Net assets beginning of year	326,547,247	316,804,198	83,962,674	63,489,768	410,509,921	380,293,966
<b>Net assets ending of year</b>	<b>\$ 339,085,315</b>	<b>\$ 325,211,086</b>	<b>\$ 101,229,394</b>	<b>\$ 84,427,358</b>	<b>\$ 440,314,709</b>	<b>\$ 409,638,444</b>

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

**Governmental Activities** - Governmental Activities increased the City's net assets by \$12.6 million. Taxes provided 45% of the revenue and charges for services provided 36% 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, 2005		
	Total Cost of Services	Net Cost of Services
General Government	\$ 18,693,422	\$ (3,038,745)
Public Safety	20,928,903	18,518,113
Public Works	12,126,647	9,562,497
Parks	4,481,158	2,222,015
Other	2,944,020	(2,317,808)
<b>Total</b>	<b>\$ 59,174,150</b>	<b>24,946,072</b>

The costs for all governmental activities during the year were \$59.1 million, which is 68% of total expenses. The City's taxpayers paid for \$24.9 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 \$17.2 million. This increase consists of fees collected for future capital projects and developer contribution of capital assets. The total revenues from the business-type activities total \$44.6 million. Program revenues of the City's business-type activities totaled \$37.5 million. Expenses of business-type activities were \$27.5 million. Transfers of the City's business-type activities were \$205,599.

## 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, 2005 of \$81.2 million, an increase of \$14.8 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 \$20.1 million and the unreserved, undesignated fund balance was \$14.8 million. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The unreserved fund balance represents 53% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1.8 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 decreased by \$187,251. The decrease is due to the current operating expenditures exceeding revenue.

**Public Facilities Impact Fees Special Revenue Fund-**

- This major fund increased by \$5.6 million and will be used for future public facilities.

**Development Services Special Revenue Fund-**

- This major fund increased by \$1.5 million due to growth related revenues.

**Redevelopment Agency Debt Service Fund-**

- This major fund increased by \$2.7 million. 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 \$1.5 million. Prior year unspent debt proceeds received from a tax allocation bond were used to fund Redevelopment projects this year.

**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 \$12.7 million. The unrestricted net assets of the enterprise funds were \$64.3 million. The total change in net assets for the Governmental Activities Internal Service Funds and the enterprise funds was \$2.6 million and \$17.2 million, respectively. Other factors concerning the finances of the Proprietary funds have been addressed in the discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

The difference between the General Fund original budget and the final budget was an increase of \$1.7 million, which includes interfund transactions, machinery and equipment, professional services, utilities and personnel related expenditures. Also, the following revenue sources were higher than anticipated; property tax, sales tax and other taxes.

## 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, 2005, amounted to \$331.5 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			
	2005	2004	2005	2004	2005	2004
<b>Non-depreciable Assets</b>						
Land and improvements	\$ 61,214,602	\$ 61,214,602	\$ 258,681	\$ 258,681	\$ 61,473,283	\$ 61,473,283
Construction in progress	8,246,551	13,469,161	31,459,679	29,615,419	39,706,230	43,084,580
Total non-depreciable assets	<u>69,461,153</u>	<u>74,683,763</u>	<u>31,718,360</u>	<u>29,874,100</u>	<u>101,179,513</u>	<u>104,557,863</u>
<b>Depreciable Assets</b>						
Building and structures	9,335,272	5,053,412	2,451,984	2,444,434	11,787,206	7,497,846
Machinery and equipment	25,462,172	24,584,965	2,248,444	4,135,717	27,710,616	28,720,682
Improvements other than buildings, structures and land improvements	50,228,099	46,465,606	40,328,848	33,676,139	90,556,947	80,141,745
Infrastructure	310,895,969	307,828,902	10,317,597	9,519,981	321,213,566	317,348,833
Sub-total depreciable assets						
Accumulated depreciation	<u>(196,177,802)</u>	<u>(184,617,048)</u>	<u>(24,761,198)</u>	<u>(24,283,754)</u>	<u>(220,988,995)</u>	<u>(208,900,802)</u>
Total depreciable assets, net	<u>199,743,710</u>	<u>199,315,837</u>	<u>30,585,630</u>	<u>25,492,467</u>	<u>230,329,340</u>	<u>224,808,304</u>
Total capital assets	<u>\$ 269,204,863</u>	<u>\$ 273,999,600</u>	<u>\$ 62,303,990</u>	<u>\$ 55,366,567</u>	<u>\$ 331,508,853</u>	<u>\$ 329,366,167</u>

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

- Phase III & IV of the Wastewater Treatment Plant renovation project with over \$1.9 million in construction costs.
- The construction of UC Merced Sewer and Water lines for \$2.1 million.
- The construction of the UC Merced Well Site for approximately \$824,000.
- The construction of new Well Sites and Basin Expansions for over \$1.4 million.
- The completion of the City Center Refurbishment for over \$327,000.

**Long-term debt** - At the end of the current fiscal year, the City had \$84.7 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 June 30, 2005

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Tax allocation bonds payable	\$ 29,047,825	\$ 30,352,825	\$ -	\$ -	\$ 29,047,825	\$ 30,352,825
Pension obligation bonds	\$ 7,305,000	\$ 7,355,000			7,305,000	\$ 7,355,000
Participation and development agreements	425,000	575,000			425,000	575,000
Loan payable	5,254,274	5,596,705			5,254,274	5,596,705
Loan guarantee	1,360,297	607,480			1,360,297	607,480
Revenue bonds payable	-	-	30,455,561	30,518,504	30,455,561	30,518,504
County Bank loan				4,863,497		4,863,497
California Infrastructure & Dev Bank			8,262,209		8,262,209	
Improvement bonds payable	-	-	2,615,000	2,880,000	2,615,000	2,880,000
<b>Total</b>	<b>\$ 43,392,396</b>	<b>\$ 44,487,010</b>	<b>\$ 41,332,770</b>	<b>\$ 38,262,001</b>	<b>\$ 84,725,166</b>	<b>\$ 82,749,011</b>

During the current fiscal year, the City's total debt increased by \$1.9 million or 2%. The increase was due to an \$894,300 debt service agreement with a Developer, and a \$3.3 million loan for water and sewer lines to the University of California Merced.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The past conservative nature to the City's budgeting practices allowed a more aggressive approach in the 2005-06 budget. The positive outlook for 2005-06 is secured by the voter's passage of Proposition 1A, a constitutional amendment designed to protect local government revenues.
- A City Council appointed citizens committee is considering a recommendation for the placement of a sales tax measure on the November 2005 ballot. Because this would be coincidental with the City Council general election, the City has the opportunity to place a general tax before the voters.
- During fiscal year 2004-05, significant infrastructure projects to service the University of California Merced campus were completed. Also, significant commercial development occurred with the rehabilitation and restoration of the Mondo building; the completion of the Promenade commercial complex; and the Merced Lofts project near completion.
- In 2005-06, a new commercial shopping center is anticipated in southeast Merced that will meet the needs of new and existing households in that area.
- The City Council has identified the update of the Merced Vision 2015 General Plan as the highest priority.
- The City has the philosophy that growth should pay for growth. The City established Mello-Roos community facility districts for services in 2004-05 in which all future annexations and developments will participate.
- During fiscal year 2005-06, the City will be addressing the wastewater treatment plant expansion from the current 10 million gallons per day capacity (mgd) to 11.5 mgd, 15 mgd and 20 mgd over time. A financing team is being put together to develop a financing plan for this major project.
- The Redevelopment Agency's Gateways Martin Luther King Jr. project to improve appearance and traffic circulation will be completed in fiscal year 2005-06.
- The Redevelopment Agency's Merced Center project will recommence with a new hotel developer on property across the street from the Civic Center, as well as a parking structure.
- The fiscal year 2005-06 budget increases manpower to expand the municipal services needed in the growing community. The approved budget included 30 new positions, which are intended to deliver an array of services to the community from various funding sources.

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

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**BASIC FINANCIAL STATEMENTS**



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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Merced**  
**Statement of Net Assets**  
**June 30, 2005**

ASSETS	Governmental Activities	Business-Type Activities	Total
<b>Current assets:</b>			
Cash, cash equivalents and investments	\$ 80,759,797	\$ 51,176,000	\$ 131,935,797
Restricted cash held by fiscal agent	4,234,607	23,192,377	27,426,984
Receivables	2,126,729	4,010,243	6,136,972
Due from other governments	4,098,068	8,081,892	12,179,960
Interfund balances, current portion	69,248	(69,248)	
Prepaid items	21,945		21,945
Inventory	79,844	67,468	147,312
Total current assets	91,390,238	86,458,732	177,848,970
<b>Noncurrent assets:</b>			
Land held for resale	1,941,984		1,941,984
Notes receivable	27,051,644	55,076	27,106,720
Loan guarantee receivable	1,360,297		1,360,297
Internal balances, noncurrent portion	1,091,500	(1,091,500)	
Deferred charges		723,130	723,130
Subtotal noncurrent assets	31,445,425	(313,294)	31,132,131
<b>Capital assets:</b>			
Nondepreciable	69,461,153	31,718,360	101,179,513
Depreciable, net of accumulated depreciation	199,743,711	30,585,628	230,329,339
Total capital assets, net	269,204,864	62,303,988	331,508,852
Total noncurrent assets	300,650,289	61,990,694	362,640,983
<b>Total assets</b>	392,040,527	148,449,426	540,489,953
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	869,768	1,622,117	2,491,885
Payroll liabilities	709,104	67,264	776,368
Deposits	16,000	749,594	765,594
Unearned revenue	265,249	1,928,795	2,194,044
Accrued interest payable	241,804	548,487	790,291
Other liabilities	253,968	458,617	712,585
Long-term debt, due within one year	2,018,602	1,337,742	3,356,344
Total current liabilities	4,374,495	6,712,616	11,087,111
<b>Noncurrent liabilities:</b>			
Compensated absences	2,572,338	512,388	3,084,726
Claims payable	4,634,585		4,634,585
Long-term debt, due in more than one year	41,373,794	39,995,028	81,368,822
Total noncurrent liabilities	48,580,717	40,507,416	89,088,133
<b>Total liabilities</b>	52,955,212	47,220,032	100,175,244
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	231,913,108	20,971,218	252,884,326
<b>Restricted for:</b>			
Special projects and programs	21,047,682	15,761,209	36,808,891
Debt service	7,310,432	188,273	7,498,705
Capital projects	8,646,203		8,646,203
Total restricted	37,004,317	15,949,482	52,953,799
Unrestricted	70,167,890	64,308,694	134,476,584
<b>Total net assets</b>	\$ 339,085,315	\$ 101,229,394	\$ 440,314,709

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 18,693,422	\$ 14,379,900	\$ 7,212,763	\$ 139,504	\$ 21,732,167
Public safety	20,928,903	1,847,940	134,684	428,166	2,410,790
Public works	12,126,647	2,537,885		26,265	2,564,150
Parks	4,481,158	1,791,240	467,903		2,259,143
Administrative shared expenditures	1,245,814	5,261,827			5,261,827
Interest on long-term debt	1,698,204				
<b>Total governmental activities</b>	<b>59,174,149</b>	<b>25,818,792</b>	<b>7,815,350</b>	<b>593,935</b>	<b>34,228,077</b>
<b>Business-type activities:</b>					
Wastewater system	9,105,525	13,936,226			13,936,226
Water system	8,947,005	14,128,349			14,128,349
Refuse collection system	8,848,455	9,182,490			9,182,490
Merced municipal airport	599,528	258,675			258,675
<b>Total business-type activities</b>	<b>27,500,513</b>	<b>37,505,740</b>			<b>37,505,740</b>
<b>Total government</b>	<b>\$ 86,674,662</b>	<b>\$ 63,324,532</b>	<b>\$ 7,815,350</b>	<b>\$ 593,935</b>	<b>\$ 71,733,817</b>

**General revenues:**

Taxes:

Property

Sales

Franchise taxes

Motor vehicle

Transient occupancy tax

Business license tax

Cost recovery impact study taxes

Business improvement area taxes

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

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 3,038,745	\$	\$ 3,038,745
(18,518,113)		(18,518,113)
(9,562,497)		(9,562,497)
(2,222,015)		(2,222,015)
4,016,013		4,016,013
(1,698,204)		(1,698,204)
(24,946,072)		(24,946,072)
	4,830,701	4,830,701
	5,181,344	5,181,344
	334,035	334,035
	(340,853)	(340,853)
	10,005,227	10,005,227
(24,946,072)	10,005,227	(14,940,845)
16,350,801		16,350,801
8,821,966		8,821,966
1,194,132		1,194,132
1,599,829		1,599,829
604,210		604,210
1,161,454		1,161,454
2,109,039		2,109,039
108,112		108,112
31,949,543		31,949,543
805,643	1,551,101	2,356,744
1,867,486	3,118,969	4,986,455
3,067,067	2,385,819	5,452,886
(205,599)	205,599	
37,484,140	7,261,488	44,745,628
12,538,068	17,266,715	29,804,783
326,547,247	83,962,679	410,509,926
\$ 339,085,315	\$ 101,229,394	\$ 440,314,709

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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**City of Merced**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	Major Funds				
		Redevelopment	Housing	Development	Public Facilities
	General	Agency Special Revenue	Special Revenue	Service Special Revenue	Impact Special Revenue
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 18,062,360	\$ 886,907	\$ 1,060,455	\$ 5,571,452	\$ 14,499,007
Cash held by fiscal agent	3,971				
Receivables	382,020	10,803	9,642	45,193	1,149,779
Due from other governments	2,526,671		651,619		
Due from other funds	69,524	59,020			
Inventory	15,103				
Land held for resale		1,591,267			
Notes receivable	56,649	8,990,452	13,931,646	16,445	
Loan guarantee receivable					
Advances to other funds	212,865				
<b>Total assets</b>	<b>\$ 21,329,163</b>	<b>\$ 11,538,449</b>	<b>\$ 15,653,362</b>	<b>\$ 5,633,090</b>	<b>\$ 15,648,786</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 252,321	\$ 1,869	\$ 20,965	\$ 122,297	\$
Payroll liabilities	644,401	7,639			
Deposits		16,000			
Deferred revenue	251,309	3,971,156	13,824,070		
Due to other funds					
Advances from other funds			82,316		
Other liabilities	1,732		34,761	95,499	
<b>Total liabilities</b>	<b>1,149,763</b>	<b>3,996,664</b>	<b>13,962,112</b>	<b>217,796</b>	
<b>Fund Balances:</b>					
Reserved	913,612	6,641,651	944,422	815,333	
Unreserved, designated , reported in:					
General Fund	4,440,910				
Special revenue funds					
<b>Total Unreserved, designated</b>	<b>4,440,910</b>				
Unreserved, undesignated reported in funds:					
General Fund	14,824,878				
Special revenue funds		900,134	746,828	4,599,961	15,648,786
Debt service funds					
Capital project funds					
<b>Total Unreserved, undesignated</b>	<b>14,824,878</b>	<b>900,134</b>	<b>746,828</b>	<b>4,599,961</b>	<b>15,648,786</b>
<b>Total fund balances</b>	<b>20,179,400</b>	<b>7,541,785</b>	<b>1,691,250</b>	<b>5,415,294</b>	<b>15,648,786</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,329,163</b>	<b>\$ 11,538,449</b>	<b>\$ 15,653,362</b>	<b>\$ 5,633,090</b>	<b>\$ 15,648,786</b>

See accompanying Notes to Basic Financial Statements.

Major Funds			
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 1,495,093	\$ 11,921,367	\$ 10,925,452	\$ 64,422,093
2,466,295		1,764,341	4,234,607
7,268	67,035	287,688	1,959,428
295,100		624,678	4,098,068
			128,544
			15,103
		350,717	1,941,984
4,000,000	52,373	4,079	27,051,644
1,360,297			1,360,297
		7,174	220,039
<u>\$ 9,624,053</u>	<u>\$ 12,040,775</u>	<u>\$ 13,964,129</u>	<u>\$ 105,431,807</u>
\$ 1,500	\$ 67,557	\$ 216,428	\$ 682,937
		3,021	655,061
			16,000
4,000,000		21,514	22,068,049
59,020		276	59,296
374,454			456,770
		100,553	232,545
<u>4,434,974</u>	<u>67,557</u>	<u>341,792</u>	<u>24,170,658</u>
5,189,079	1,502,877	9,160,324	25,167,298
			4,440,910
		244,566	244,566
		244,566	4,685,476
			14,824,878
		3,210,974	25,106,683
		6,295	6,295
	10,470,341	1,000,178	11,470,519
	10,470,341	4,217,447	51,408,375
5,189,079	11,973,218	13,622,337	81,261,149
<u>\$ 9,624,053</u>	<u>\$ 12,040,775</u>	<u>\$ 13,964,129</u>	<u>\$ 105,431,807</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, 2005**

Total Fund Balances - Total Governmental Funds \$ 81,261,149

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 \$257,533	\$ 69,203,600	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$4,131,132	<u>195,612,579</u>	264,816,179

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	(2,018,602)	
Long-term debt due in more than one year	(41,373,794)	
Compensated absences, net of Internal Service Fund liability of \$255,508	<u>(2,316,830)</u>	(45,709,226)

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.

21,802,800

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.

(241,804)

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.

17,156,217

**Net Assets of Governmental Activities**

\$ 339,085,315

**City of Merced**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2005**

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
<b>REVENUES:</b>					
Taxes	\$ 24,911,856	\$	\$	\$	\$
Licenses and permits	42,222				
Intergovernmental	2,484,519		4,508,384		
Service charges	4,587,317			6,216,030	7,763,707
Fines, forfeitures and penalties	60,540				
Other	784,386	814,859	36,134	1,045,022	283,948
<b>Total revenues</b>	<b>32,870,840</b>	<b>814,859</b>	<b>4,544,518</b>	<b>7,261,052</b>	<b>8,047,655</b>
<b>EXPENDITURES:</b>					
Current operating:					
General government	3,862,957	1,405,264	3,133,093	3,819,889	38,455
Public safety	21,368,535				
Public works				1,626,827	
Parks	1,796,919				
Administrative shared expenditures		308,329	88,568	332,576	12,412
<b>Total current operating</b>	<b>27,028,411</b>	<b>1,713,593</b>	<b>3,221,661</b>	<b>5,779,292</b>	<b>50,867</b>
Capital outlay	615,165		1,114	103,670	
Debt service:					
Principal	50,000				
Interest	384,362				
<b>Total expenditures</b>	<b>28,077,938</b>	<b>1,713,593</b>	<b>3,222,775</b>	<b>5,882,962</b>	<b>50,867</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,792,902</b>	<b>(898,734)</b>	<b>1,321,743</b>	<b>1,378,090</b>	<b>7,996,788</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of debt					
Proceeds from sale of capital assets					
Transfers in	890,678	1,881,099		162,533	
Transfers out	(3,792,969)	(1,169,616)	(1,150,095)	(37,800)	(2,374,518)
<b>Total other financing sources (uses)</b>	<b>(2,902,291)</b>	<b>711,483</b>	<b>(1,150,095)</b>	<b>124,733</b>	<b>(2,374,518)</b>
<b>Net change in fund balances</b>	<b>1,890,611</b>	<b>(187,251)</b>	<b>171,648</b>	<b>1,502,823</b>	<b>5,622,270</b>
<b>FUND BALANCES:</b>					
Beginning of year, as previously reported	17,184,049	7,729,036	1,519,602	3,912,471	10,026,516
Prior period adjustment (Note 16)	1,104,740				
Beginning of year, as restated	18,288,789	7,729,036	1,519,602	3,912,471	10,026,516
End of year	\$ 20,179,400	\$ 7,541,785	\$ 1,691,250	\$ 5,415,294	\$ 15,648,786

See accompanying Notes to Basic Financial Statements.

Major Funds			
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 5,329,745	\$	\$ 112,532	\$ 30,354,133
			42,222
	139,504	3,324,403	10,456,810
550,275		1,542,014	20,659,343
		506,847	567,387
798,001	265,122	3,007,776	7,035,248
6,678,021	404,626	8,493,572	69,115,143
712,904	490,000	1,816,654	15,279,216
		154,892	21,523,427
		3,297,296	4,924,123
		2,416,431	4,213,350
		503,929	1,245,814
712,904	490,000	8,189,202	47,185,930
	2,189,101	2,342,592	5,251,642
1,796,483	12,431	130,000	1,988,914
1,233,092	7,076	77,857	1,702,387
3,742,479	2,698,608	10,739,651	56,128,873
2,935,542	(2,293,982)	(2,246,079)	12,986,270
894,300			894,300
		1,277,170	1,277,170
872,761	1,559,875	9,673,638	15,040,584
(1,955,112)	(831,772)	(4,006,226)	(15,318,108)
(188,051)	728,103	6,944,582	1,893,946
2,747,491	(1,565,879)	4,698,503	14,880,216
1,834,108	13,539,097	9,299,893	65,044,772
607,480		(376,059)	1,336,161
2,441,588	13,539,097	8,923,834	66,380,933
\$ 5,189,079	\$ 11,973,218	\$ 13,622,337	\$ 81,261,149

# 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, 2005

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Net Change in Fund Balances - Total Governmental Funds	\$ 14,880,216
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

3,846,330

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.

3,067,067

Governmental funds record proceeds from 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 capital assets

(1,277,170)

Gain (loss) on sale of capital assets, net of a gain on sale of capital assets reported in Internal Service Funds of \$46,103.

275,458

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 \$1,766,276

(11,146,528)

Expenses in the Statement of Activities which do not require the use of current financial resources are not reported as expenditures in governmental funds. These expenditures are reported as loans receivable and deferred revenues on the Fund Financial Statements.

(659,057)

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.

Principal payment

1,988,914

Proceeds from issuance of debt

(894,300)

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.

(151,255)

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.

4,183

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.

2,604,210

**Change in Net Assets of Governmental Activities**

**\$ 12,538,068**

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, 2005**

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash, cash equivalents and investments	\$ 18,524,395	\$ 27,644,464	\$ 4,761,157	\$ 245,984	\$ 51,176,000	\$ 16,337,704
Cash held by fiscal agent	14,676,016	8,516,361			23,192,377	
Receivables	1,644,622	1,803,398	559,728	2,495	4,010,243	167,301
Due from other governments	4,122,361	3,948,244		11,287	8,081,892	
Prepaid items						21,945
Inventory	1,560	65,908			67,468	64,741
<b>Total current assets</b>	<b>38,968,954</b>	<b>41,978,375</b>	<b>5,320,885</b>	<b>259,766</b>	<b>86,527,980</b>	<b>16,591,691</b>
Noncurrent assets:						
Notes receivable-private parties	27,695	25,253	2,128		55,076	
Advances to other funds	60,498	11,410			71,908	1,328,231
Deferred charges	527,680	195,450			723,130	
Capital assets:						
Nondepreciable	20,785,292	10,011,856	871,910	49,302	31,718,360	257,553
Depreciable, net of accumulated depreciation	10,401,932	12,475,266	6,476,820	1,231,610	30,585,628	4,131,132
<b>Total capital assets</b>	<b>31,187,224</b>	<b>22,487,122</b>	<b>7,348,730</b>	<b>1,280,912</b>	<b>62,303,988</b>	<b>4,388,685</b>
<b>Total noncurrent assets</b>	<b>31,803,097</b>	<b>22,719,235</b>	<b>7,350,858</b>	<b>1,280,912</b>	<b>63,154,102</b>	<b>5,716,916</b>
<b>Total assets</b>	<b>70,772,051</b>	<b>64,697,610</b>	<b>12,671,743</b>	<b>1,540,678</b>	<b>149,682,082</b>	<b>22,308,607</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	630,884	676,007	312,303	2,923	1,622,117	186,831
Payroll payable			61,648	5,616	67,264	54,043
Deposits	51,552	612,290	66,200	19,552	749,594	
Unearned revenue	762,618	696,225	469,952		1,928,795	
Due to other funds				69,248	69,248	
Accrued interest payable	354,494	160,945	33,048		548,487	
Long-term debt, due within one year	1,021,487	316,255			1,337,742	
<b>Total current liabilities</b>	<b>2,821,035</b>	<b>2,461,722</b>	<b>943,151</b>	<b>97,339</b>	<b>6,323,247</b>	<b>240,874</b>
Noncurrent liabilities:						
Advances from other funds	27,817		1,135,591		1,163,408	
Other liabilities	405,093	46,152		7,372	458,617	21,423
Insurance claims						4,634,585
Compensated absences payable	267,427	83,793	149,119	12,049	512,388	255,508
Long-term debt, due in more than one year	27,062,388	12,932,640			39,995,028	
<b>Total noncurrent liabilities</b>	<b>27,762,725</b>	<b>13,062,585</b>	<b>1,284,710</b>	<b>19,421</b>	<b>42,129,441</b>	<b>4,911,516</b>
<b>Total liabilities</b>	<b>30,583,760</b>	<b>15,524,307</b>	<b>2,227,861</b>	<b>116,760</b>	<b>48,452,688</b>	<b>5,152,390</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	3,103,349	9,238,227	7,348,730	1,280,912	20,971,218	4,388,685
Restricted						
Special projects and programs	9,258,705	5,662,521	488,095	351,888	15,761,209	
Debt service	94,549	93,724			188,273	
Capital projects						
Unrestricted	27,731,688	34,178,831	2,607,057	(208,882)	64,308,694	12,767,532
<b>Total net assets</b>	<b>\$ 40,188,291</b>	<b>\$ 49,173,303</b>	<b>\$ 10,443,882</b>	<b>\$ 1,423,918</b>	<b>\$ 101,229,394</b>	<b>\$ 17,156,217</b>

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, 2005**

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 13,936,226	\$ 14,128,349	\$ 9,182,490	\$ 258,675	\$ 37,505,740	\$ 18,659,038
Other						154,233
<b>Total operating revenues</b>	<b>13,936,226</b>	<b>14,128,349</b>	<b>9,182,490</b>	<b>258,675</b>	<b>37,505,740</b>	<b>18,813,271</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	2,095,600	1,406,677	2,406,349	202,228	6,110,854	2,730,141
Materials, supplies and other services	3,782,156	4,806,678	4,677,420	230,012	13,496,266	4,155,640
Depreciation	778,640	1,065,410	477,459	129,143	2,450,652	1,766,276
Administrative shared expenses	542,586	468,805	587,947	38,145	1,637,483	494,841
Costs applied-labor, materials, supplies and services	696,602	704,055	666,233		2,066,890	7,574,854
<b>Total operating expenses</b>	<b>7,895,584</b>	<b>8,451,625</b>	<b>8,815,408</b>	<b>599,528</b>	<b>25,762,145</b>	<b>16,721,752</b>
<b>OPERATING INCOME (LOSS)</b>	<b>6,040,642</b>	<b>5,676,724</b>	<b>367,082</b>	<b>(340,853)</b>	<b>11,743,595</b>	<b>2,091,519</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest and investment earnings	714,170	740,659	95,270	1,002	1,551,101	394,663
Interest and related expenses	(1,209,941)	(495,380)	(33,047)		(1,738,368)	
Developer contributions		1,588,153	797,666		2,385,819	
Gain (loss) on sale of equipment						46,103
Other	3,012,641	20,676	85,652		3,118,969	
<b>Total nonoperating revenues (expenses)</b>	<b>2,516,870</b>	<b>1,854,108</b>	<b>945,541</b>	<b>1,002</b>	<b>5,317,521</b>	<b>440,766</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>8,557,512</b>	<b>7,530,832</b>	<b>1,312,623</b>	<b>(339,851)</b>	<b>17,061,116</b>	<b>2,532,285</b>
<b>OPERATING TRANSFERS:</b>						
Transfers in	2,928,874	577,940		361,071	3,867,885	193,945
Transfers out	(2,928,874)	(577,940)		(155,472)	(3,662,286)	(122,020)
<b>Total operating transfers</b>				<b>205,599</b>	<b>205,599</b>	<b>71,925</b>
<b>Change in net assets</b>	<b>8,557,512</b>	<b>7,530,832</b>	<b>1,312,623</b>	<b>(134,252)</b>	<b>17,266,715</b>	<b>2,604,210</b>
<b>NET ASSETS:</b>						
Beginning of year	31,630,779	41,642,471	9,131,259	1,558,170	83,962,679	14,552,007
End of year	\$ 40,188,291	\$ 49,173,303	\$ 10,443,882	\$ 1,423,918	\$ 101,229,394	\$ 17,156,217

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2005**

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers, including cash deposits	\$ 14,084,068	\$ 14,237,778	\$ 9,215,750	\$ 261,686	\$ 37,799,282	\$ 18,656,636
Cash paid to suppliers	(6,366,559)	(7,014,552)	(5,818,819)	(172,695)	(19,372,625)	(12,608,559)
Cash paid to employees	(2,072,281)	(1,416,635)	(2,376,345)	(195,297)	(6,060,558)	(2,726,156)
Cash receipts (payments) other						155,944
<b>Net cash provided (used) by operating activities</b>	<b>5,645,228</b>	<b>5,806,591</b>	<b>1,020,586</b>	<b>(106,306)</b>	<b>12,366,099</b>	<b>3,477,865</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Due from other funds						
Advances from other funds	(4,008)		(346,018)		(350,026)	
Advances to other funds	19,399	338,707			358,106	405,626
Transfers from other funds	2,928,874	577,940		361,071	3,867,885	193,945
Transfers to other funds	(2,928,874)	(577,940)		(155,472)	(3,662,286)	(122,020)
Other	2,476,600	38,683	883,318	(1,633)	3,396,968	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>2,491,991</b>	<b>377,390</b>	<b>537,300</b>	<b>203,966</b>	<b>3,610,647</b>	<b>477,551</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of fixed assets	(3,343,099)	(3,460,689)	(1,421,252)	(39,559)	(8,264,599)	(2,206,378)
Payment of long-term debt	(4,304,019)	(4,212,437)			(8,516,456)	
Proceed of long-term debt	5,700,050	5,932,705			11,632,755	
Premium on bonds						
Interest payments	(957,125)	(331,136)	(43,427)		(1,331,688)	
Proceeds from disposal of equipment						46,103
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(2,904,193)</b>	<b>(2,071,557)</b>	<b>(1,464,679)</b>	<b>(39,559)</b>	<b>(6,479,988)</b>	<b>(2,160,275)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment earnings	651,397	656,280	83,955	5,820	1,397,452	359,351
Notes to private parties	6,334	5,102	430		11,866	
<b>Net cash provided (used) by investing activities</b>	<b>657,731</b>	<b>661,382</b>	<b>84,385</b>	<b>5,820</b>	<b>1,409,318</b>	<b>359,351</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,890,757</b>	<b>4,773,806</b>	<b>177,592</b>	<b>63,921</b>	<b>10,906,076</b>	<b>2,154,492</b>
Cash and cash equivalents at beginning of year	27,309,654	31,387,019	4,583,565	182,063	63,462,301	14,183,212
Cash and cash equivalents at end of year	<b>\$ 33,200,411</b>	<b>\$ 36,160,825</b>	<b>\$ 4,761,157</b>	<b>\$ 245,984</b>	<b>\$ 74,368,377</b>	<b>\$ 16,337,704</b>

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the year ended June 30, 2005**

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
<b>RECONCILIATION OF OPERATING</b>						
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>						
<b>(USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 6,040,642	\$ 5,676,724	\$ 367,082	\$ (340,853)	\$ 11,743,595	\$ 2,091,519
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	778,640	1,065,410	477,459	129,143	2,450,652	1,766,276
Accounts receivable						(2,402)
Service charges receivable	(25,301)	(91,407)	(10,821)	(2,345)	(129,874)	
Prepaid items						2,918
Inventories	1,008	43,791			44,799	(9,353)
Due from other governments	(1,627,972)	(1,484,512)		92,539	(3,019,945)	
Accounts payable	281,749	405,707	112,781	2,923	803,160	436
Other liabilities						1,711
Payroll liabilities			19,474	2,280	21,754	10,372
Deposits	19,543	197,008	18,849	5,356	240,756	
Deferred revenue	153,600	3,828	25,232		182,660	
Insurance claim payable						(377,225)
Compensated absence payable	23,319	(9,958)	10,530	4,651	28,542	(6,387)
Total adjustments	(395,414)	129,867	653,504	234,547	622,504	1,386,346
<b>Net cash provided (used) by operating activities</b>	<b>\$ 5,645,228</b>	<b>\$ 5,806,591</b>	<b>\$ 1,020,586</b>	<b>\$ (106,306)</b>	<b>\$ 12,366,099</b>	<b>\$ 3,477,865</b>

See accompanying Notes to Basic Financial Statements.

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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, 2005**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 463,585	\$ 5,885,731
Receivables	2,404	18,798
Deposits		144,696
Due from other governments		15,061
<b>Total assets</b>	<u>465,989</u>	<u>\$ 6,064,286</u>
<b>LIABILITIES</b>		
Payroll liabilities		\$ 418
Deposits		3,387,703
Other liabilities		232,381
Due to bondholders		2,443,784
<b>Total liabilities</b>		<u>\$ 6,064,286</u>
<b>NET ASSETS</b>		
Held in trust for other purposes	<u>465,989</u>	
<b>Total net assets</b>	<u>\$ 465,989</u>	

**City of Merced**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2005**

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	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Investment earnings	\$ 9,096
Miscellaneous	5,279
<b>Total additions</b>	<u>14,375</u>
<b>DEDUCTIONS:</b>	
General government	7,807
<b>Total deductions</b>	<u>7,807</u>
<b>Net change in fund balances</b>	6,568
<b>NET ASSETS:</b>	
Beginning of year	459,421
End of year	<u>\$ 465,989</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, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City 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, 2005**

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**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, 2005**

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**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.

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

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**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. In addition, the fund provides for a green waste and recycling program which were created to divert waste from the landfill.

The Municipal Airport Fund 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, 2005**

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

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

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

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

*D. Use of Restricted and Unrestricted Net Assets*

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

*E. Cash, Cash Equivalents, and Investments*

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

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

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

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

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

***E. Cash, Cash Equivalents, and Investments, Continued***

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

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

***F. Receivables***

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

***G. Interfund Balances/Internal Balances***

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

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

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

***H. Inventory***

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

*I. Land Held for Resale*

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

*J. Capital Assets*

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

General capital assets	\$	500
Infrastructure capital assets		500

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

	<u>Years</u>
Infrastructure	10-40
Buildings and structures	15-20
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.



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

*J. Capital Assets, Continued*

The City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as historical cost or estimated historical cost if actual cost 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 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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

*N. Net Assets and Fund Equity*

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

*O. Use of Estimates*

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

*P. Implementation of New GASB Pronouncements*

In 2005, the City adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)* - The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Statement requires certain disclosures of investments to address the different risk factors.

**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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**2. CASH AND INVESTMENTS, Continued**

**A. Cash Deposits**

At June 30, 2005, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account of \$89,949, petty cash of \$2,350 and certificates of deposit of \$15,000,000. Bank balances in the City's general checking accounts were \$1,628,217 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

**C. Summary of Cash and Investments**

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2005:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 80,759,797	\$ 51,176,000	\$ 131,935,797	\$ 6,349,316	\$ 138,285,113
Restricted Cash and Investments	\$ 4,234,607	\$ 23,192,377	\$ 27,426,984	\$	\$ 27,426,984

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**2. CASH AND INVESTMENTS, Continued**

*D. Risks*

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

Pooled cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2005, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)	
		1 year or less	1-2 years
<b>Cash and Certificate of Deposits:</b>			
Cash Deposits	\$ 92,300	\$ 92,300	\$
Certificate of Deposits	15,000,000	15,000,000	
<b>Total cash and certificate of deposits:</b>	<b>15,092,300</b>	<b>15,092,300</b>	
<b>Investments:</b>			
Money Market Fund	2,731,034	2,730,934	
U.S. Treasury Notes	24,766,000	24,766,000	
U.S. Government Agency Securities	54,412,500	29,736,185	24,676,315
Local Agency Investment Funds	41,283,279	41,283,279	
<b>Total investments</b>	<b>123,192,813</b>	<b>98,516,398</b>	<b>24,676,315</b>
<b>Total cash and investments</b>	<b>\$ 138,285,113</b>	<b>\$ 113,608,698</b>	<b>\$ 24,676,315</b>
<b>Cash with Fiscal Agents:</b>			
Local Agency Investment	\$ 4,874,568	\$ 4,874,568	\$
Money Market Funds	2,204,019	2,204,019	
U.S. Agency Securities	2,071,000	2,071,000	
Investment Contracts	18,277,397	18,277,397	
<b>Total cash with fiscal agents</b>	<b>\$ 27,426,984</b>	<b>\$ 27,426,984</b>	<b>\$</b>

*Credit Risk:* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements, and the actual rating as of June 30, 2005 for each investment type:

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**2. CASH AND INVESTMENTS, Continued**

*D. Risks, Continued*

	<u>Credit Quality Ratings</u>
<b>Investments:</b>	
U.S. Treasury Obligations	AAA
U.S. Agency Securities	AAA
Money Market Fund	AAA
Local Agency Investment Funds	Not rated
<b>Fiscal Agents:</b>	
Local Agency Investment	Not rated
Money Market Funds	AAA
U.S. Agency Securities	Not rated
Investment Contracts	Not rated

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the City). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

*E. Fair Value of Investments*

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2005 from June 30, 2004, amounted to an unrealized decrease of \$393,106.

*F. Investments in Local Agency Investment Fund*

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2005, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**2. CASH AND INVESTMENTS, Continued**

*F. Investments in Local Agency Investment Fund, Continued*

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, 2005, the City had \$41,283,279 invested in LAIF, which had invested 2.406% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.997747553 was used to calculate the fair value of the investments in LAIF.

*G. 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, 2005, cash and investments with fiscal agents totaling \$27,426,984 were recorded at fair value.

**3. RECEIVABLES**

*A. Government Wide Financial Statements*

At June 30, 2005, 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	\$ 1,629,291	\$ 3,721,849	\$ 2,261	\$ 5,353,401
Interest receivable	464,390	288,394	18,941	771,725
<b>Total</b>	<b>\$ 2,093,681</b>	<b>\$ 4,010,243</b>	<b>\$ 21,202</b>	<b>\$ 6,125,126</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**3. RECEIVABLES, Continued**

*B. Fund Financial Statements*

At June 30, 2005, 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, 2005, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 275,853
Development Service Special Revenue Fund	13,814
Public Facilities Impact Special Revenue Fund	1,055,750
Nonmajor Funds	<u>241,119</u>
Total governmental funds	<u>1,586,536</u>
<i>Enterprise Funds:</i>	
Wastewater System	1,539,655
Water System	1,646,163
Refuse Collection System	533,686
Merced Municipal Airport	<u>2,345</u>
Total enterprise funds	<u>3,721,849</u>
<i>Internal Service Funds</i>	<u>42,755</u>
<i>Fiduciary Funds</i>	<u>2,261</u>
<b>Total</b>	<b><u><u>\$ 5,353,401</u></u></b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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, 2005, 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	\$ 106,167	\$	\$ 106,167
Redevelopment Agency Special Revenue Fund	10,803		10,803
Housing Special Revenue Fund	9,642		9,642
Development Services Special Revenue Fund	31,379		31,379
Public Facilities Impact Special Revenue Fund	94,029		94,029
Redevelopment Agency Debt Service Fund	7,268		7,268
Redevelopment Agency Capital Projects Fund	3,961	63,074	67,035
Nonmajor Governmental Funds	46,569		46,569
Total governmental funds	<u>309,818</u>	<u>63,074</u>	<u>372,892</u>
<i>Enterprise Funds:</i>			
Wastewater System	104,967		104,967
Water System	157,235		157,235
Refuse Collection System	26,042		26,042
Airport	150		150
Total enterprise funds	<u>288,394</u>		<u>288,394</u>
<i>Internal Service Funds:</i>	91,498		91,498
Total	<u>689,710</u>	<u>63,074</u>	<u>752,784</u>
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	2,404		2,404
Agency Funds	7,475	9,062	16,537
Total fiduciary funds	<u>9,879</u>	<u>9,062</u>	<u>18,941</u>
<b>Total interest receivable</b>	<u><u>\$ 699,589</u></u>	<u><u>\$ 72,136</u></u>	<u><u>\$ 771,725</u></u>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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, 2005, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 265,649	\$	\$ 265,649
Service charges received in advance		1,740,646	1,740,646
Land application fees		188,149	188,149
	<u>\$ 265,649</u>	<u>\$ 1,928,795</u>	<u>\$ 2,194,444</u>

*B. Fund Financial Statements*

At June 30, 2005, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

*Governmental Funds:*

	General Fund	Redevelopment Agency Revenue	Housing Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 251,309	\$	\$	\$	\$ 14,340	\$ 265,649
Long-term loans receivable		3,971,156	13,824,070	4,000,000	7,174	21,802,400
<b>Total</b>	<u>\$ 251,309</u>	<u>\$ 3,971,156</u>	<u>\$ 13,824,070</u>	<u>\$ 4,000,000</u>	<u>\$ 21,514</u>	<u>\$ 22,068,049</u>

*Proprietary Funds:*

	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 574,469	\$ 696,225	\$ 469,952	\$ 1,740,646
Land application fees	188,149			188,149
<b>Total</b>	<u>\$ 762,618</u>	<u>\$ 696,225</u>	<u>\$ 469,952</u>	<u>\$ 1,928,795</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**5. INTERFUND TRANSACTIONS**

*Fund Financial Statements*

Due To, Due From

At June 30, 2005, 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	\$	\$ 59,020	\$ 59,020
Non-Major Funds		276	276
<i>Business-type Activities:</i>			
Merced Municipal Airport		69,248	69,248
Totals	\$ 69,524	\$ 59,020	\$ 128,544

The amount due to the General Fund from the Merced Municipal Airport Fund was to cover operating expenditures. The amount due to Redevelopment Agency Special Revenue Fund represents the 20% housing set aside due from the Redevelopment Agency Debt Service Fund. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

Long-Term Advances

At June 30, 2005, 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		
	General	Nonmajor	System	System	Service	Total	
<i>Governmental Activities:</i>							
Advances from Other Funds	Housing Special Revenue Fund	\$ 31,051	\$ 7,174	\$ 32,681	\$ 11,410	\$	\$ 82,316
	Redevelopment Agency Debt Service		181,814			192,640	374,454
<i>Business-type Activities:</i>							
	Wastewater System			27,817			27,817
	Refuse collection					1,135,591	1,135,591
	Totals	\$ 212,865	\$ 7,174	\$ 60,498	\$ 11,410	\$ 1,328,231	\$ 1,620,178

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Long-Term Advances, Continued

Advance to Redevelopment Agency Debt Service Fund from General Fund represents the following two advances:

- 2003 \$500,000 Redevelopment Agency advance for the Merced Theatre project. \$198,869 principal and interest payable annually, interest at 9%, matures in 2006

Advance to Redevelopment Agency debt service fund from internal service fund represents the following two advances:

- 1998 \$150,000 Redevelopment Agency advance from Workers' Compensation Fund, \$28,000 principal and interest payable annually, interest at 9%, matures in 2006
- 2000 \$275,000 Redevelopment Agency advance from Workers' Compensation Fund, \$50,000 principal and interest at 7%, matures 2008

Advance to Refuse Collection Fund from Internal Service Fund represents the following advances:

- \$1,000,000 Fleet Fund loaned to Refuse Fund at the interest rate equal to the rate earned on City's investments for the life of the loan, 3%, and is to be repaid back within 5 years, principal balance as of June 30, 2005 is \$617,690.98
- \$800,000 Fleet Fund loaned to Refuse Fund at the interest rate equal to the rate earned on City's investments for the life of the loan, 3%, and is to be repaid back within 5 years, principal balance as of June 30, 2005 is \$483,900.04
- \$34,000 Fleet Fund loaned to Refuse Fund at the interest rate equal to the rate earned on City's investments for the life of the loan, 3%, and is to be repaid back within 5 years, principal balance as of June 30, 2005 is \$34,000

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**5. INTERFUND TRANSACTIONS, Continued**

Transfers

At June 30, 2005, the City had the following transfers:

		<b>Transfers In</b>						
		Governmental Activities						
		Redevelopment	Development	Redevelopment	Redevelopment	Nonmajor	Total	
		Agency	Services	Agency	Agency	Funds	Governmental	
		General	Special Revenue	Debt Service	Capital Projects		Activities	
<b>Transfers Out</b>	<i>Governmental Activities:</i>							
	General	\$	\$	\$	\$	\$ 3,441,322	\$ 3,441,322	
	RDA Special Revenue		85,000		1,069,466	15,150	1,169,616	
	Housing Special Revenue	277,500		155,000	375,385	342,210	1,150,095	
	Development Services	37,800					37,800	
	Public Facilities					2,335,121	2,335,121	
	RDA Debt Service		1,746,099		209,013		1,955,112	
	RDA Capital Projects		50,000		497,376	3,000	831,772	
	Nonmajor Funds	575,378		7,533		3,373,288	3,956,199	
	<i>Business-type Activities:</i>							
	Airport					155,472	155,472	
	<i>Internal Service Funds</i>					8,075	8,075	
	<b>Total</b>	<b>\$ 890,678</b>	<b>\$ 1,881,099</b>	<b>\$ 162,533</b>	<b>\$ 872,761</b>	<b>\$ 1,559,875</b>	<b>\$ 9,673,638</b>	<b>\$ 15,040,584</b>
			Business-type Activities					
					Merced		Total	
		Wastewater	Water	Municipal	Internal	Business-type		
		System	System	Airport	Service Funds	Activities		
<i>Governmental Activities:</i>								
General	\$	\$	\$ 302,250	\$ 49,397	\$ 351,647			
Public Facilities				39,397	39,397			
Nonmajor Funds			50,027		50,027			
<i>Business-type Activities:</i>								
Wastewater System	2,915,073	13,801			2,928,874			
Water System	13,801	564,139			577,940			
<i>Internal Service Funds</i>			8,794	105,151	113,945			
<b>Total</b>	<b>\$ 2,928,874</b>	<b>\$ 577,940</b>	<b>\$ 361,071</b>	<b>\$ 193,945</b>	<b>\$ 4,061,830</b>			

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Transfers, Continued

The following are explanations for the transfers in and out:

1. Transfers from the General Fund to the Special Revenue Funds are for the General Fund subsidy for various operations.
2. Transfers from the General Fund to the Capital Project Fund are for the capital outlay projects.
3. Transfers from the General Fund to the Merced Municipal Airport Fund are for the General Fund subsidy for airport operations.
4. Transfers from the Housing Fund to the General Fund represent funding for police officers.
5. Transfers from the Housing Fund to the Development Service Funds are for planning and urban development services provided to the Housing Fund.
6. Transfers from the Housing Fund to the Redevelopment Agency Debt Service funds are for HUD 108 debt service.
7. Transfers from the Public Facilities Impact Fund to the Capital Projects Funds are for capital outlay projects.
8. Transfers from the Redevelopment Agency Special Revenue Funds to the Redevelopment Agency Capital Projects Funds represent the funding of capital outlay projects.
9. Transfers from the Redevelopment Agency Debt Services funds to the Redevelopment Agency Special Revenue Funds represent the required 20% set aside and reimbursement for administration expenses.
10. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds represent the funding of capital outlay projects.
11. Transfers from the Redevelopment Agency Capital Projects Funds to the Redevelopment Agency Debt Service Funds represent the funding of capital outlay projects.
12. Transfers from the Special Revenue Funds to the General Fund represent the funding for police operation.
13. Transfers from the Capital Projects Funds to the General Fund are for airport hazard remediation.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Transfers, Continued

- 14. Transfers from the 2004 Sewer Revenue Bond Fund to the Wastewater Improvement Fund represent the funding of capital outlay projects.
- 15. Transfers from the Restricted Water Well Fund to the Water System Fund represent funding of capital outlay projects.
- 16. Transfers from the Airport Fund to the Capital Projects Funds are for airport hazard remediation.
- 17. Transfers from the Employee Benefit Fund to the Unemployment Insurance Fund are to offset increases in unemployment payments.

**6. LAND HELD FOR RESALE**

At June 30, 2005, 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	350,717
1823 I Street	<u>19,050</u>
<b>Total governmental funds</b>	<b><u>\$ 1,941,984</u></b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**7. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2005, 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	8,246,551	31,459,679	39,706,230
Total nondepreciable assets	<u>69,461,153</u>	<u>31,718,360</u>	<u>101,179,513</u>
<i>Depreciable Assets:</i>			
Buildings and structures	9,335,272	2,451,934	11,787,206
Machinery and equipment	25,462,175	2,248,444	27,710,619
Improvements other than buildings, structures, and land improvements	50,228,098	40,328,848	90,556,946
Infrastructure	310,895,969	10,317,597	321,213,566
	<u>395,921,514</u>	<u>55,346,823</u>	<u>451,268,337</u>
Less accumulated depreciation	<u>(196,177,803)</u>	<u>(24,761,195)</u>	<u>(220,938,998)</u>
Total depreciable assets, net	<u>199,743,711</u>	<u>30,585,628</u>	<u>230,329,339</u>
<b>Total capital assets</b>	<u><u>\$ 269,204,864</u></u>	<u><u>\$ 62,303,988</u></u>	<u><u>\$ 331,508,852</u></u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**7. CAPITAL ASSETS, Continued**

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

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

	Balance July 1, 2004	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2005
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 61,214,602	\$	\$	\$	\$ 61,214,602
Construction in progress	13,469,161	3,738,440	(891,805)	(8,069,245)	8,246,551
Total nondepreciable assets	74,683,763	3,738,440	(891,805)	(8,069,245)	69,461,153
<i>Depreciable Assets:</i>					
Buildings and structures	5,053,412			4,281,860	9,335,272
Machinery and equipment	24,584,965	2,366,001	(1,488,791)		25,462,175
Improvements other buildings, than buildings, structures, and land improvements	46,465,606		(24,893)	3,787,385	50,228,098
Infrastructure	307,828,902	3,067,067			310,895,969
Total depreciable assets	383,932,885	5,433,068	(1,513,684)	8,069,245	395,921,514
<i>Accumulated depreciation:</i>					
Buildings and structures	(3,049,771)	(466,075)			(3,515,846)
Machinery and equipment	(20,202,345)	(2,106,746)	1,352,050		(20,957,041)
Improvements other buildings, than buildings, structures, and land improvements	(25,529,050)	(2,455,211)			(27,984,261)
Infrastructure	(135,835,882)	(7,884,773)			(143,720,655)
Total accumulated depreciation	(184,617,048)	(12,912,805)	1,352,050		(196,177,803)
Total depreciable assets, net	199,315,837	(7,479,737)	(161,634)	8,069,245	199,743,711
Total governmental activities, net	\$ 273,999,600	\$ (3,741,297)	\$ (1,053,439)	\$	\$ 269,204,864

Governmental activities depreciation expense for capital assets for the year ended June 30, 2005 is as follows:

General Government	\$ 2,784,642
Public Safety	229,770
Public Works	9,545,529
Parks	352,864
<b>Total depreciation expense</b>	<b>\$ 12,912,805</b>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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, 2004	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2005
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$	\$	\$	\$ 258,681
Construction in progress	29,615,419	8,771,505	(274,536)	(6,652,709)	31,459,679
Total nondepreciable assets	<u>29,874,100</u>	<u>8,771,505</u>	<u>(274,536)</u>	<u>(6,652,709)</u>	<u>31,718,360</u>
<i>Depreciable Assets:</i>					
Buildings and structures	2,444,434	7,500			2,451,934
Machinery and equipment	4,135,717	120,759	(2,008,032)		2,248,444
Improvements other buildings, than buildings, structures, and land improvements	33,676,139			6,652,709	40,328,848
Infrastructure	9,519,931	797,666			10,317,597
Total depreciable assets	<u>49,776,221</u>	<u>925,925</u>	<u>(2,008,032)</u>	<u>6,652,709</u>	<u>55,346,823</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(1,884,153)	(165,233)			(2,049,386)
Machinery and equipment	(3,183,970)	(322,574)	1,973,210		(1,533,334)
Improvements other buildings, than buildings, structures, and land improvements	(17,037,461)	(1,641,630)			(18,679,091)
Infrastructure	(2,178,170)	(321,214)			(2,499,384)
Total accumulated depreciation	<u>(24,283,754)</u>	<u>(2,450,651)</u>	<u>1,973,210</u>		<u>(24,761,195)</u>
Total depreciable assets, net	<u>25,492,467</u>	<u>(1,524,726)</u>	<u>(34,822)</u>	<u>6,652,709</u>	<u>30,585,628</u>
<b>Total business-type activities</b>	<u>\$ 55,366,567</u>	<u>\$ 7,246,779</u>	<u>\$ (309,358)</u>	<u>\$</u>	<u>\$ 62,303,988</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2005, is as follows:

Wastewater System Fund	\$ 778,640
Water System Fund	1,065,409
Refuse Collection System	477,459
Merced Municipal Airport	129,143
<b>Total depreciation expense</b>	<u>\$ 2,450,651</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**7. CAPITAL ASSETS, Continued**

**B. Fund Financial Statements**

The fund financial statements do not present general government capital assets but they 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, 2005, the City had the following deferred charges:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
CSCDA Wastewater Revenue Bond	\$ 457,137	\$	\$ (35,982)	\$ 421,155
CSCDA Water Revenue Bond	212,147		(16,697)	195,450
Improvement Bonds Payable	132,284		(25,759)	106,525
<b>Total</b>	<b>\$ 801,568</b>	<b>\$</b>	<b>\$ (78,438)</b>	<b>\$ 723,130</b>

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, 2005 was \$78,438.

**9. LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005	Due in more than one year	Due within one year
Tax Allocation Bonds	\$ 30,352,825	\$	\$ (1,305,000)	\$ 29,047,825	\$ 27,697,825	\$ 1,350,000
Pension Obligation Bonds	7,355,000		(50,000)	7,305,000	7,265,000	40,000
Participation and Development Agreements	575,000		(150,000)	425,000	275,000	150,000
Loan Payable	5,596,705		(342,431)	5,254,274	4,910,945	343,329
Loan Guarantee	607,480	894,300	(141,483)	1,360,297	1,225,024	135,273
<b>Total</b>	<b>\$ 44,487,010</b>	<b>\$ 894,300</b>	<b>\$ (1,988,914)</b>	<b>\$ 43,392,396</b>	<b>\$ 41,373,794</b>	<b>\$ 2,018,602</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

**A. Government-Wide Financial Statements**

*Tax Allocation Bonds Payable*

Tax allocation bonds payable at June 30, 2005, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 17,720,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,320,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	<u>9,007,825</u>
<b>Total</b>	<b><u><u>\$ 29,047,825</u></u></b>

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
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	1,525,000	511,353	2,036,353
2011-2015	8,670,000	1,483,952	10,153,952
2016	1,975,000	46,906	2,021,906
<b>Total</b>	<b><u><u>\$ 17,720,000</u></u></b>	<b><u><u>\$ 4,664,685</u></u></b>	<b><u><u>\$ 22,384,685</u></u></b>

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, 2005**

**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
2006	\$ 40,000	\$ 128,098	\$ 168,098
2007	45,000	125,973	170,973
2008	45,000	123,723	168,723
2009	45,000	121,473	166,473
2010	45,000	119,223	164,223
2011-2015	270,000	557,595	827,595
2016-2020	370,000	472,490	842,490
2021-2025	480,000	353,282	833,282
2026-2030	655,000	191,878	846,878
2031-2032	325,000	18,832	343,832
<b>Total</b>	<b>\$ 2,320,000</b>	<b>\$ 2,212,567</b>	<b>\$ 4,532,567</b>

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
2006	\$	\$ 42,896	\$	\$	\$
2007	130,000	41,596			
2008	135,000	38,946			
2009	135,000	36,077			
2010	145,000	32,745			
2011-2015	770,000	95,919			
2016-2020	170,000	3,081	4,238,800	4,201,200	8,440,000
2021-2024			3,284,025	5,155,975	8,440,000
<b>Total</b>	<b>\$ 1,485,000</b>	<b>\$ 291,260</b>	<b>\$ 7,522,825</b>	<b>\$ 9,357,175</b>	<b>\$ 16,880,000</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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 Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	140,000	403,063	543,063
2011-2015	1,230,000	1,874,053	3,104,053
2016-2020	2,430,000	1,406,515	3,836,515
2021-2024	3,200,000	495,853	3,695,853
<b>Total</b>	<b>\$ 7,305,000</b>	<b>\$ 5,829,149</b>	<b>\$ 13,134,149</b>

*Participation and Development Agreements*

Participation and Development Agreements at June 30, 2005, consisted of the following:

1997 \$300,000 Disposition and Development Agreement	\$ 50,000
1997 \$800,000 Participation Agreement	375,000
<b>Total</b>	<b>\$ 425,000</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**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 Year Ending June 30,	
2006	\$ 50,000
<b>Total</b>	<b>\$ 50,000</b>

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,	
2006	\$ 100,000
2007	100,000
2008	100,000
2009	75,000
<b>Total</b>	<b>\$ 375,000</b>

Water Well Development Agreement

During fiscal year 2002, the City entered into a Development Agreement with Zelman Retail Partners, Inc. (Developer) which contained a provision for the construction of a water well site. The City determined that the fair value of the well site 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, 2005**

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

*A. Government-Wide Financial Statements, Continued*

*Participation and Development Agreements, Continued*

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

For the Years Ending June 30,	Principal	Interest	Total
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	21,288	3,712	25,000
2011-2013	69,246	5,754	75,000
<b>Total</b>	<b>\$ 167,626</b>	<b>\$ 32,374</b>	<b>\$ 200,000</b>

*Loans Payable*

Loans payable at June 30, 2005, consisted of the following:

2003 \$1,620,000 Loans Payable	\$ 1,360,000
2003 \$4,000,000 Loans Payable	3,800,000
2003 \$129,109 Real Estate Loan Payable	94,274
<b>Total</b>	<b>\$ 5,254,274</b>

2003 \$1,620,000 Loan

2003 \$1,620,000 loan for loan guarantee 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 loan payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	130,000	39,015	169,015
2011-2015	650,000	101,228	751,228
2016	60,000	1,668	61,668
<b>Total</b>	<b>\$ 1,360,000</b>	<b>\$ 349,437</b>	<b>\$ 1,709,437</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	200,000	147,520	347,520
2011-2015	1,000,000	607,350	1,607,350
2016-2020	1,000,000	358,390	1,358,390
2021-2024	800,000	90,330	890,330
<b>Total</b>	<b>\$ 3,800,000</b>	<b>\$ 1,857,340</b>	<b>\$ 5,657,340</b>

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
2006	\$ 13,329	\$ 6,177	\$ 19,506
2007	14,293	5,213	19,506
2008	15,326	4,180	19,506
2009	16,434	3,072	19,506
2010	17,622	1,884	19,506
2011	17,270	610	17,880
<b>Total</b>	<b>\$ 94,274</b>	<b>\$ 21,136</b>	<b>\$ 115,410</b>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**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 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 balance outstanding at June 30, 2005 was \$546,732. An amount equal to the loan payable has been recorded as a loan guarantee receivable from the developer.

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

For the Years Ending June 30,	
2006	\$ 60,748
2007	60,748
2008	60,748
2009	60,748
2010	60,748
2011-2014	242,992
<b>Total</b>	<b>\$ 546,732</b>

2004 \$894,300 Debt Service Funding Agreement

2004 \$894,300 Debt Service Funding Agreement for the purchase of property in a Redevelopment project area. Developer agrees to make the monthly payments to the Agency for the repayment of its loan with a financial lender. The Agency guarantees the monthly payments to the lender. Monthly payments are \$6,210.42 for 145 months. The loan does not bear interest and matures in year 2016. The balance outstanding at June 30, 2005 was \$813,565. An amount equal to the loan payable has been recorded as a loan guarantee receivable from the developer.

The annual debt service requirements for the 2004 \$894,300 Loan Guarantee are as follows:

For the Years Ending June 30,	
2006	\$ 74,525
2007	74,525
2008	74,525
2009	74,525
2010	74,525
2011-2015	372,625
2016	68,315
<b>Total</b>	<b>\$ 813,565</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

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

*Business-Type Activities*

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2005:

	Balance		Bond		Balance	Due in	Due within
	June 30, 2004	Additions	Retirements	Amortization	June 30, 2005	more than one year	one year
Revenue Bonds payable	\$ 30,518,504	\$	\$ (17,413)	\$ (45,530)	\$ 30,455,561	\$ 29,427,819	\$ 1,027,742
Loan payable	4,863,497	11,632,755	(8,234,043)		8,262,209	8,227,209	35,000
Improvement Bonds payable	2,880,000		(265,000)		2,615,000	2,340,000	275,000
<b>Total</b>	<b>\$ 38,262,001</b>	<b>\$ 11,632,755</b>	<b>\$ (8,516,456)</b>	<b>\$ (45,530)</b>	<b>\$ 41,332,770</b>	<b>\$ 39,995,028</b>	<b>\$ 1,337,742</b>

*Revenue Bonds Payable*

Revenue bonds payable at June 30, 2005, consisted of the following:

CSCDA Water Revenue Bonds Payable	8,911,839
CSCDA Sewer Revenue Bonds Payable	21,376,096
<b>Total</b>	<b>\$ 30,287,935</b>

*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 districts that operate water and wastewater enterprises. The bonds were authorized by law and were used to finance and refinance certain public capital improvements of the four project participants. The City's obligation was \$8,755,000 for its Water Enterprise Fund and \$21,000,000 for its Wastewater Enterprise Fund.

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

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

*Revenue Bonds Payable, Continued*

CSCDA Water and Wastewater Revenue Bonds Series 2004A, Continued

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	325,000	375,812	700,812
2011-2015	1,845,000	1,643,010	3,488,010
2016-2020	2,355,000	1,117,493	3,472,493
2021-2025	3,040,000	415,016	3,455,016
	<u>8,755,000</u>	<u>5,169,404</u>	<u>13,924,404</u>
Add unamortization premium	156,839		156,839
<b>Total</b>	<u><u>\$ 8,911,839</u></u>	<u><u>\$ 5,169,404</u></u>	<u><u>\$ 14,081,243</u></u>

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

For the Years Ending June 30,	Principal	Interest	Total
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	780,000	901,552	1,681,552
2011-2015	4,435,000	3,940,135	8,375,135
2016-2020	5,645,000	2,678,906	8,323,906
2021-2025	7,290,000	995,665	8,285,665
	<u>21,000,000</u>	<u>12,397,326</u>	<u>33,397,326</u>
Add Unamortization Premium	376,096		376,096
<b>Total</b>	<u><u>\$ 21,376,096</u></u>	<u><u>\$ 12,397,326</u></u>	<u><u>\$ 33,773,422</u></u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

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

*Loan Payable*

County Bank Loan

On October 27, 2003, the City entered into a promissory note with County 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 was temporary financing and was fully replaced as of June 30, 2005 with California Infrastructure and Economic Development Bank Enterprise Fund Installment Sale Agreement.

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$ 35,000	\$ 261,357	\$ 296,357
2007	75,000	259,614	334,614
2008	100,000	256,841	356,841
2009	125,000	253,274	378,274
2010	125,000	249,311	374,311
2011-2015	850,000	1,173,252	2,023,252
2016-2020	1,175,000	1,014,356	2,189,356
2021-2025	1,650,000	788,889	2,438,889
2026-2030	2,150,000	487,737	2,637,737
2031-2034	1,977,209	128,233	2,105,442
<b>Total</b>	<b>\$ 8,262,209</b>	<b>\$ 4,872,864</b>	<b>\$ 13,135,073</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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

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

*Improvement Bonds Payable*

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	325,000	69,567	394,567
2011-2013	1,105,000	93,482	1,198,482
<b>Total</b>	<b>\$ 2,615,000</b>	<b>\$ 604,106</b>	<b>\$ 3,219,106</b>

**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.

**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, 2005
1998 Liberty Park Refunding Assessment District	\$ 521,000
16th Street Refunding Assessment District	426,000
Fahrens Park Refunding Assessment District	5,705,000

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**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, 2005, was as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Governmental Activities	\$ 2,427,469	\$ 673,673	\$ (528,804)	\$ 2,572,338
Business-type Activities	483,846	73,241	(44,699)	512,388
<b>Total</b>	<u>\$ 2,911,315</u>	<u>\$ 746,914</u>	<u>\$ (573,503)</u>	<u>\$ 3,084,726</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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	Redevelopment Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
<i>Reserved:</i>									
Encumbrances	\$ 622,515	\$ 31,088	\$ 944,422	\$ 798,708	\$	\$ 2,220	\$ 1,450,503	\$ 5,840,869	\$ 9,690,325
Petty cash	1,875								1,875
Notes & loans receivable	23,057	5,019,296		16,625		1,360,297	52,373	4,079	6,475,727
Inventory	15,103								15,103
Due from other funds	69,248								69,248
Land held for resale		1,591,267						350,717	1,941,984
Advances to other funds	181,814								181,814
Child development								67,981	67,981
Park planning zones								1,207,097	1,207,097
Debt service						3,826,562		1,689,581	5,516,143
<b>Total reserved</b>	<b>913,612</b>	<b>6,641,651</b>	<b>944,422</b>	<b>815,333</b>		<b>5,189,079</b>	<b>1,502,876</b>	<b>9,160,324</b>	<b>25,167,297</b>
<i>Unreserved, Designated:</i>									
Contingencies	4,000,000								4,000,000
Future years	440,910								440,910
<i>Reported in Special Revenue Funds:</i>									
Pump replacements									
Facilities development								244,566	244,566
<b>Total unreserved, designated</b>	<b>4,440,910</b>							<b>244,566</b>	<b>4,685,476</b>
<i>Unreserved, Undesignated</i>									
<i>Reported in:</i>									
General Fund	14,824,878								14,824,878
Special Revenue Funds		900,134	746,828	4,599,961	15,648,786			3,210,973	25,106,682
Debt Service Funds								6,295	6,295
Capital Project Funds							10,470,341	1,000,178	11,470,519
<b>Total unreserved, undesignated</b>	<b>14,824,878</b>	<b>900,134</b>	<b>746,828</b>	<b>4,599,961</b>	<b>15,648,786</b>		<b>10,470,341</b>	<b>4,217,446</b>	<b>51,408,374</b>
<b>Total</b>	<b>\$ 20,179,400</b>	<b>\$ 7,541,785</b>	<b>\$ 1,691,250</b>	<b>\$ 5,415,294</b>	<b>\$ 15,648,786</b>	<b>\$ 5,189,079</b>	<b>\$ 11,973,217</b>	<b>\$ 13,622,336</b>	<b>\$ 81,261,147</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**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, 2005, claims for general liability were \$740,440, and workers' compensation were \$3,894,145.

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
2003	\$ 589,219	\$ 263,136	\$ (609,067)	\$ 243,288
2004	243,288	1,284,272	(1,055,181)	472,379
2005	472,379	1,393,863	(1,125,802)	740,440

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
2003	\$ 2,216,426	\$ 1,364,028	\$ (689,807)	\$ 2,890,647
2004	2,890,647	2,451,900	(803,116)	4,539,431
2005	4,539,431	486,470	(1,131,756)	3,894,145



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**13. RETIREMENT PLANS**

*Pension Plan*

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

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 \$1,552,573 for the year ended June 30, 2005. The City employer was required to contribute for fiscal year 2004-2005 at an actuarially determined rate of 0.000% and 15.208% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer safety rate of 33.677%, safety employees contributed 4.743% of annual covered payroll. See the Required Supplementary Information for the Schedule of Funding Progress.

Annual Pension Cost - For fiscal year 2004-2005, the City's annual pension cost which was equal to the City's required and actual contributions was \$1,125,667. The required contribution was determined as part of the June 30, 2002, 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 CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002, was 15 years for safety employees and 20 years for miscellaneous employees for prior and current service unfunded liability.

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/2003	\$ 756,595	100%	\$ 0
6/30/2004	1,070,223	100%	0
6/30/2005	1,125,667	100%	0

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**14. POST-RETIREMENT HEALTH CARE BENEFITS**

The City paid health care insurance for 168 retirees at an annual cost of \$730,703. There are approximately 429 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, 2005, 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.

Project Commitments

The City has active construction projects as of June 30, 2005. The projects include construction, engineering, and land purchase costs for the Wastewater Treatment Plant upgrade and expansion, Fire Station #55, streets, parks, water wells, and other infrastructure.

As of June 30, 2005, the City had the following outstanding commitments:

Vendor Name	Outstanding Amount
Eco: Logic	\$ 6,412,207
Merced County	1,200,000
Maxwell Construction, Inc.	619,968
Lockwood General Engineering, Inc.	562,258
Vulcan Construction & Maint., Inc.	1,429,844
Dunmore Homes	1,004,821
Tri-Technic, Inc.	2,473,771
Ranger Pipelines	822,915
A Teichert & Son, Inc.	863,992
F & H Construction	2,146,457
Vander Woude, Simon	1,025,200
<b>Total</b>	<b>\$ 18,561,433</b>

**16. PRIOR PERIOD ADJUSTMENTS**

During the fiscal year the City identified certain accounting restatements. Accordingly, the City's equity as of July 1, 2004 has been restated as follows:

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**16. PRIOR PERIOD ADJUSTMENTS, Continued**

Government-Wide Financial Statements:

	Equity as previously Reported	Accounting Restatements	Net Assets as Restated
Governmental Activities	\$ 325,211,086	\$ 1,336,161	\$ 326,547,247

Fund Financial Statements:

	Fund Balance as previously Reported	Accounting Restatements	Fund Balance as Restated
<i>Governmental Funds:</i>			
General Fund	\$ 17,184,049	\$ 1,104,740	\$ 18,288,789
Redevelopment Agency Debt Service Fund	1,834,108	607,480	2,441,588
Non-major Governmental Funds	9,299,894	(376,059)	8,923,835

**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Merced**  
**Required Supplementary Information**  
**For the year ended June 30, 2005**

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**1. BUDGETARY CONTROL AND ACCOUNTING**

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

1. The annual budget adopted by the City Council provides for the general operation of the City. 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 \$20,409,383. 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, 2005**

**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
6/30/2002	\$ 51,199,984	\$ 42,454,152	\$ 8,745,832	120.6%	\$ 10,746,157	81.4%
6/30/2003	51,227,261	48,487,294	2,739,967	105.7%	11,223,948	24.4%
6/30/2004	53,075,975	52,486,612	589,363	101.1%	12,252,322	4.8%

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
6/30/2002	\$ 48,694,355	\$ 54,441,620	(5,747,265)	89.4%	\$ 7,002,991	-82.1%
6/30/2003	49,780,601	57,195,066	(7,414,465)	87.0%	7,014,153	-105.7%
6/30/2004	60,372,220	62,151,332	(1,779,112)	97.1%	6,994,328	-25.4%

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**1. BUDGETARY CONTROL AND ACCOUNTING**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property tax:				
Secured	\$ 3,478,499	\$ 3,133,154	\$ 3,452,013	\$ 318,859
Unsecured	250,000	250,000	260,379	10,379
Supplemental roll:				
Prior year - unsecured	4,000	4,000	2,748	(1,252)
Prior year - supplemental roll	100,000	100,000	496,143	396,143
Housing authority in lieu	14,000	14,000	12,946	(1,054)
Sales and use	8,455,000	8,455,000	8,821,966	366,966
Transient occupancy tax	727,000	727,000	604,210	(122,790)
Franchise	1,076,000	1,076,000	1,194,132	118,132
Business license	995,000	995,000	1,161,454	166,454
CRIS fee	983,000	983,000	2,109,039	1,126,039
Real property transfer	250,000	250,000	523,097	273,097
Triple flip backfill	1,925,000	2,548,842	2,549,102	260
Vehicle in lieu backfill		3,724,290	3,724,627	337
<b>Total taxes</b>	<b>18,257,499</b>	<b>22,260,286</b>	<b>24,911,856</b>	<b>2,651,570</b>
Licenses and permits:				
Animal licenses	32,000	32,000	32,053	53
Bicycle licenses	800	800	145	(655)
Other licenses and permits	7,000	7,000	10,024	3,024
<b>Total licenses and permits</b>	<b>39,800</b>	<b>39,800</b>	<b>42,222</b>	<b>2,422</b>
Intergovernmental:				
Motor vehicle in lieu tax	4,053,000	1,544,338	1,599,829	55,491
Homeowners property tax relief	75,000	75,000	74,739	(261)
Off highway tax	1,900	1,900	2,568	668
Police standards and training	50,000	50,000	100,761	50,761
Other state grant	91,595	547,177	240,679	(306,498)
9-1-1 equipment reimbursement	262	262		(262)
Other federal grants	211,505	226,611	207,296	(19,315)
AB 1662 reimbursement booking fees		237,555	237,555	
Office BJA - bullet proof vest grant	6,176	37,077	10,907	(26,170)
State mandated cost reimbursement			10,185	10,185
<b>Total intergovernmental</b>	<b>4,489,438</b>	<b>2,719,920</b>	<b>2,484,519</b>	<b>(235,401)</b>

(Continued)



**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**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		
<b>REVENUES, Continued:</b>				
Service charges:				
Incident recovery fees	\$ 43,575	\$ 47,369	\$ 56,835	\$ 9,466
Fire department special services	85,000	85,000	117,804	32,804
Fire prevention	55,000	55,000	68,381	13,381
Accident reports	32,000	32,000	25,776	(6,224)
Weed and lot cleaning	21,925	21,925	(8,982)	(30,907)
PERS - ES share 3% at 50	381,869	381,869	347,355	(34,514)
Administrative	2,754,348	2,754,396	2,754,255	(141)
Cost applied	997,623	998,371	998,371	
Other current service charges	219,250	219,250	227,522	8,272
Total service charges	4,590,590	4,595,180	4,587,317	(7,863)
Fines, forfeitures and penalties:				
Criminal fines	50,000	50,000	60,540	10,540
Total fines, forfeitures and penalties	50,000	50,000	60,540	10,540
Other:				
Investment earnings	205,900	205,900	329,129	123,229
Rent and concessions (other than recreation)	127,956	127,956	104,897	(23,059)
Interest on loans	68,206	68,206	68,890	684
Unclassified revenue	34,000	34,000	29,577	(4,423)
Miscellaneous	800	800	1,115	315
Animal control services	15,000	15,000	14,072	(928)
School police officer	60,171	60,171	66,502	6,331
Valley High School police officer	50,000	50,000	91,130	41,130
Woman's Place police officer		16,025	12,464	(3,561)
School crossing guard grant	57,040	57,040	7,597	(49,443)
Anti-drug abuse grant			10,964	10,964
Cash overages (shortages)	100	100	(250)	(350)
Donations/contributions	3,000	10,250	9,750	(500)
S.M.I.P. fees	8,958	8,958	7,000	(1,958)
Repayment on loan	584,190	584,190	29,579	(554,611)
Property sales	6,892	6,892	1,970	(4,922)
Total other	1,222,213	1,245,488	784,386	(461,102)
<b>Total revenues</b>	<b>28,649,540</b>	<b>30,910,674</b>	<b>32,870,840</b>	<b>1,960,166</b>

(Continued)

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**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		
<b>EXPENDITURES:</b>				
Current operating:				
General government:				
City Council	\$ 357,235	\$ 409,762	\$ 312,609	\$ 97,153
City Manager	695,403	695,771	624,481	71,290
City Attorney	666,823	673,486	647,662	25,824
Finance	1,774,097	1,910,409	1,798,091	112,318
Purchasing	255,452	256,448	255,467	981
Economic development	269,839	302,260	224,647	77,613
Total general government	4,018,849	4,248,136	3,862,957	385,179
Public safety:				
Police protection	15,391,245	15,363,064	14,459,809	903,255
Fire protection and weed abatement	7,976,225	7,915,466	6,908,726	1,006,740
Total public safety	23,367,470	23,278,530	21,368,535	1,909,995
Parks				
Total current operating	1,872,061	1,885,847	1,796,919	88,928
Total current operating	29,258,380	29,412,513	27,028,411	2,384,102
Capital outlay:				
Purchase of machinery and equipment	225,841	676,950	304,566	372,384
Capital improvements	285,825	346,125	310,599	35,526
Total capital outlay	511,666	1,023,075	615,165	407,910
Debt service:				
Principal		50,000	50,000	
Interest		384,363	384,362	1
Total debt service		434,363	434,362	1
Total expenditures	29,770,046	30,869,951	28,077,938	2,792,013
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,120,506)</b>	<b>40,723</b>	<b>4,792,902</b>	<b>4,752,179</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceed from debt				
Transfers in	961,144	1,162,764	890,678	(272,086)
Transfers out	(3,726,995)	(4,406,700)	(3,792,969)	613,731
Total other financing sources (uses)	(2,765,851)	(3,243,936)	(2,902,291)	341,645
Net change in fund balances	\$ (3,886,357)	\$ (3,203,213)	1,890,611	\$ 5,093,824
<b>FUND BALANCES:</b>				
Beginning of year, as restated			18,288,789	
End of year			\$ 20,179,400	

(Concluded)

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**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		
<b>REVENUES:</b>				
Other:				
Rental income	\$ 55,000	\$ 55,000	\$ 61,979	\$ 6,979
Investment earnings	16,000	16,000	24,961	8,961
Loan interest	95,421	95,421	37,019	(58,402)
Repayment of note	68,836	68,836	305,874	237,038
Housing set-aside loans	30,740	30,740	264,174	233,434
Miscellaneous	119,741	119,741	120,852	1,111
<b>Total revenues</b>	<b>385,738</b>	<b>385,738</b>	<b>814,859</b>	<b>429,121</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,454,408	1,505,059	1,405,264	99,795
Administrative shared expenditures	308,329	308,329	308,329	
<b>Total current operating</b>	<b>1,762,737</b>	<b>1,813,388</b>	<b>1,713,593</b>	<b>99,795</b>
Capital outlay	500	500		500
<b>Total expenditures</b>	<b>1,763,237</b>	<b>1,813,888</b>	<b>1,713,593</b>	<b>100,295</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,377,499)</b>	<b>(1,428,150)</b>	<b>(898,734)</b>	<b>529,416</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,776,650	1,826,650	1,881,099	54,449
Transfers out	(1,169,616)	(1,169,616)	(1,169,616)	
<b>Total other financing sources (uses)</b>	<b>607,034</b>	<b>657,034</b>	<b>711,483</b>	<b>54,449</b>
<b>Net change in fund balances</b>	<b>\$ (770,465)</b>	<b>\$ (771,116)</b>	<b>(187,251)</b>	<b>\$ 583,865</b>
<b>FUND BALANCES:</b>				
Beginning of year			7,729,036	
End of year			\$ 7,541,785	

City of Merced

Required Supplementary Information, Continued

For the year ended June 30, 2005

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		
<b>REVENUES:</b>				
Intergovernmental:				
CDBG Program	\$ 2,369,827	\$ 4,170,611	\$ 2,540,061	\$ (1,630,550)
Home Grant Program	1,509,162	2,512,708	1,872,303	(640,405)
BEGIN Program	50,000	50,000	58,152	8,152
State Rental Rehabilitation Program	50,000	50,000	37,868	(12,132)
Other:				
Investment earnings	10,000	10,000	34,806	24,806
Miscellaneous		178	1,328	1,150
<b>Total revenues</b>	<u>3,988,989</u>	<u>6,793,497</u>	<u>4,544,518</u>	<u>(2,248,979)</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	3,873,743	6,587,190	3,133,093	3,454,097
Administrative shared expenditures	88,568	88,568	88,568	
<b>Total current operating</b>	<u>3,962,311</u>	<u>6,675,758</u>	<u>3,221,661</u>	<u>3,454,097</u>
Capital outlay		1,115	1,114	1
<b>Total expenditures</b>	<u>3,962,311</u>	<u>6,676,873</u>	<u>3,222,775</u>	<u>3,454,098</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>26,678</u>	<u>116,624</u>	<u>1,321,743</u>	<u>1,205,119</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,429,298)	(1,478,556)	(1,150,095)	328,461
<b>Total other financing sources (uses)</b>	<u>(1,429,298)</u>	<u>(1,478,556)</u>	<u>(1,150,095)</u>	<u>328,461</u>
<b>Net change in fund balances</b>	<u>\$ (1,402,620)</u>	<u>\$ (1,361,932)</u>	171,648	<u>\$ 1,533,580</u>
<b>FUND BALANCES:</b>				
Beginning of year			1,519,602	
End of year			<u>\$ 1,691,250</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Development Services Special Revenue Fund - Major Fund For the year ended June 30, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Services charges	\$ 4,308,977	\$ 4,312,235	\$ 6,216,030	\$ 1,903,795
Other:				
Investment earnings	858	858	106,715	105,857
Miscellaneous	75,900	1,227,024	938,307	(288,717)
<b>Total revenues</b>	<u>4,385,735</u>	<u>5,540,117</u>	<u>7,261,052</u>	<u>1,720,935</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	3,415,820	4,682,465	3,819,889	862,576
Public works	1,377,523	1,957,574	1,626,827	330,747
Administrative shared expenditures	332,576	332,576	332,576	
<b>Total current operating</b>	<u>5,125,919</u>	<u>6,972,615</u>	<u>5,779,292</u>	<u>1,193,323</u>
Capital outlay	134,391	164,701	103,670	61,031
<b>Total expenditures</b>	<u>5,260,310</u>	<u>7,137,316</u>	<u>5,882,962</u>	<u>1,254,354</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(874,575)</u>	<u>(1,597,199)</u>	<u>1,378,090</u>	<u>2,975,289</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	162,500	162,533	162,533	
Transfer out	(37,800)	(37,800)	(37,800)	
<b>Total other financing sources (uses)</b>	<u>124,700</u>	<u>124,733</u>	<u>124,733</u>	
<b>Net change in fund balances</b>	<u>\$ (749,875)</u>	<u>\$ (1,472,466)</u>	<u>1,502,823</u>	<u>\$ 2,975,289</u>
<b>FUND BALANCES:</b>				
Beginning of year			3,912,471	
End of year			<u>\$ 5,415,294</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Facilities Impact Special Revenue Fund - Major Fund For the year ended June 30, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Service charges	\$ 6,675,878	\$ 6,675,878	\$ 7,763,707	\$ 1,087,829
Other:				
Investment earnings	54,000	54,000	283,948	229,948
<b>Total revenues</b>	<b>6,729,878</b>	<b>6,729,878</b>	<b>8,047,655</b>	<b>1,317,777</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	38,455	38,455	38,455	
Administrative shared expenditures	12,412	12,412	12,412	
Miscellaneous	4,880	4,880		(4,880)
<b>Total current operating</b>	<b>55,747</b>	<b>55,747</b>	<b>50,867</b>	<b>(4,880)</b>
Capital outlay	10,865,606	10,371,245		10,371,245
<b>Total expenditures</b>	<b>10,921,353</b>	<b>10,426,992</b>	<b>50,867</b>	<b>10,366,365</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(4,191,475)</b>	<b>(3,697,114)</b>	<b>7,996,788</b>	<b>11,693,902</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(4,033,581)	(5,015,379)	(2,374,518)	2,640,861
<b>Total other financing sources (uses)</b>	<b>(4,033,581)</b>	<b>(5,015,379)</b>	<b>(2,374,518)</b>	<b>2,640,861</b>
<b>Net change in fund balances</b>	<b>\$ (8,225,056)</b>	<b>\$ (8,712,493)</b>	<b>5,622,270</b>	<b>\$ 14,334,763</b>
<b>FUND BALANCES:</b>				
Beginning of year			10,026,516	
End of year			<b>\$ 15,648,786</b>	

# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Tax increment	\$ 5,057,500	\$ 5,057,500	\$ 5,329,745	\$ 272,245
Service charges:				
Interdepartmental charges	550,275	550,275	550,275	
Other:				
Repayment of note	1,240,000	1,240,000	742,624	(497,376)
Investment earnings	13,000	13,000	35,672	22,672
Miscellaneous	154,978	154,978	19,705	(135,273)
<b>Total revenues</b>	<b>7,015,753</b>	<b>7,015,753</b>	<b>6,678,021</b>	<b>(337,732)</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	559,332	946,042	712,904	233,138
<b>Total current operating</b>	<b>559,332</b>	<b>946,042</b>	<b>712,904</b>	<b>233,138</b>
Debt service:				
Principal	2,732,084	2,738,295	1,796,483	941,812
Interest	1,233,097	1,233,096	1,233,092	4
<b>Total debt service</b>	<b>3,965,181</b>	<b>3,971,391</b>	<b>3,029,575</b>	<b>941,816</b>
<b>Total expenditures</b>	<b>4,524,513</b>	<b>4,917,433</b>	<b>3,742,479</b>	<b>1,174,954</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>2,491,240</b>	<b>2,098,320</b>	<b>2,935,542</b>	<b>837,222</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from debt			894,300	894,300
Transfers in	380,000	380,000	872,761	492,761
Transfers out	(1,900,663)	(1,961,389)	(1,955,112)	6,277
<b>Total other financing sources (uses)</b>	<b>(1,520,663)</b>	<b>(1,581,389)</b>	<b>(188,051)</b>	<b>1,393,338</b>
<b>Net change in fund balances</b>	<b>\$ 970,577</b>	<b>\$ 516,931</b>	<b>2,747,491</b>	<b>\$ 2,230,560</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			2,441,588	
End of year			<u>\$ 5,189,079</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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Other state grants	\$ 48,986	\$ 48,986	\$	\$ (48,986)
State clean-up funds	-	155,677	139,504	(16,173)
Other:				
Investment earnings	65,000	65,000	265,122	200,122
<b>Total revenues</b>	<b>113,986</b>	<b>269,663</b>	<b>404,626</b>	<b>134,963</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	490,000	512,764	490,000	22,764
Capital outlay	12,745,951	14,270,874	2,189,101	12,081,773
<b>Total current operating</b>	<b>13,235,951</b>	<b>14,783,638</b>	<b>2,679,101</b>	<b>12,104,537</b>
Debt service:				
Principal	11,593	12,431	12,431	
Interest	7,914	7,076	7,076	
<b>Total expenditures</b>	<b>13,255,458</b>	<b>14,803,145</b>	<b>2,698,608</b>	<b>12,104,537</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(13,141,472)</b>	<b>(14,533,482)</b>	<b>(2,293,982)</b>	<b>12,239,500</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of land	360,000	360,000		(360,000)
Transfers in	1,978,479	1,978,479	1,559,875	(418,604)
Transfers out	(703,000)	(1,250,377)	(831,772)	418,605
<b>Total other financing sources (uses)</b>	<b>1,635,479</b>	<b>1,088,102</b>	<b>728,103</b>	<b>(359,999)</b>
<b>Net change in fund balances</b>	<b>\$ (11,505,993)</b>	<b>\$ (13,445,380)</b>	<b>(1,565,879)</b>	<b>\$ 11,879,501</b>
<b>FUND BALANCES:</b>				
Beginning of year			13,539,097	
End of year			<b>\$ 11,973,218</b>	



**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 Sections 20.58.510 and 10.28.420.

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

*Local Transportation Fund* - This fund accounts for revenues derived from 1/4 cent of the 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 Sections 2106, 2107, and 2107.5. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

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

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

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

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

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

## NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

### SPECIAL REVENUE FUNDS, Continued

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

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

*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 is the 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.

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

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

## NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

### SPECIAL REVENUE FUNDS, Continued

*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.

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

## NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

## NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

### CAPITAL PROJECTS FUNDS

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

*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 parks 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 relocation and consolidation of the existing central fire station and training facility.

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

*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, 2005**

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 123,250	\$ 50,518	\$ 241	\$ 32,967	\$	\$ 5,697
Cash held by fiscal agent						
Receivables	694	284		802	15	
Land held for resale						
Due from other governments				119,729	29,396	20,100
Notes receivable						
Advances to other funds						
<b>Total assets</b>	<b>\$ 123,944</b>	<b>\$ 50,802</b>	<b>\$ 241</b>	<b>\$ 153,498</b>	<b>\$ 29,411</b>	<b>\$ 25,797</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 499	\$ 10,316	\$	\$	\$	\$ 7,624
Payroll liabilities						
Deferred revenue		14,340				
Due to other funds						
Other liabilities					8	14,622
<b>Total liabilities</b>	<b>499</b>	<b>24,656</b>			<b>8</b>	<b>22,246</b>
<b>Fund Balances:</b>						
Reserved	12	6,088				3,551
Unreserved, designated, reported in						
Special revenue funds						
Debt service funds						
Unreserved, undesignated reported in:						
Special revenue funds	123,433	20,058	241	153,498	29,403	
Debt service funds						
Capital project funds						
<b>Total unreserved, undesignated</b>	<b>123,433</b>	<b>20,058</b>	<b>241</b>	<b>153,498</b>	<b>29,403</b>	
<b>Total fund balances</b>	<b>123,445</b>	<b>26,146</b>	<b>241</b>	<b>153,498</b>	<b>29,403</b>	<b>3,551</b>
<b>Total liabilities and fund balances</b>	<b>\$ 123,944</b>	<b>\$ 50,802</b>	<b>\$ 241</b>	<b>\$ 153,498</b>	<b>\$ 29,411</b>	<b>\$ 25,797</b>

Special Revenue

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
\$ 88,896	\$ 50,624	\$ 1,402,422	\$ 78,647	\$ 409,075	\$ 9,600	\$	\$ 3,150
271	8,217	13,890	443	2,304			18
	81,503						
<u>\$ 89,167</u>	<u>\$ 140,344</u>	<u>\$ 1,416,312</u>	<u>\$ 79,090</u>	<u>\$ 411,379</u>	<u>\$ 9,600</u>	<u>\$</u>	<u>\$ 3,168</u>
\$ 17,109	\$ 126,973	\$	\$	\$	\$	\$	\$
20,812	35,557			24,522			
37,921	162,530			24,522			
51,246	103,951			120,764			
	(126,137)	1,416,312	79,090	266,093	9,600		3,168
	(126,137)	1,416,312	79,090	266,093	9,600		3,168
51,246	(22,186)	1,416,312	79,090	386,857	9,600		3,168
<u>\$ 89,167</u>	<u>\$ 140,344</u>	<u>\$ 1,416,312</u>	<u>\$ 79,090</u>	<u>\$ 411,379</u>	<u>\$ 9,600</u>	<u>\$</u>	<u>\$ 3,168</u>

(Continued)

**City of Merced**  
**Combining Balance Sheet, Continued**  
**Non-Major Governmental Funds**  
**June 30, 2005**

	Special Revenue					
	Parking	TEA	Child	Local Law	Maintenance	CFD
	Enforcement	Exchange	Development	Enforcement Block Grant	Districts	Formation
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 113,786	\$	\$ 53,880	\$ 1,626	\$ 1,205,706	\$ 201,933
Cash held by fiscal agent						
Receivables	47,710		304	9	6,796	1,110
Land held for resale						
Due from other governments	587		42,541		28,157	7
Notes receivable						
Advances to other funds						
<b>Total assets</b>	<b>\$ 162,083</b>	<b>\$</b>	<b>\$ 96,725</b>	<b>\$ 1,635</b>	<b>\$ 1,240,659</b>	<b>\$ 203,050</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,910	\$	\$ 27,276	\$	\$ 8,494	\$ 848
Other payables					3,021	
Deferred revenue						
Due to other funds			276			
Other liabilities	5,032					
<b>Total liabilities</b>	<b>6,942</b>		<b>27,552</b>		<b>11,515</b>	<b>848</b>
<b>Fund Balances:</b>						
Reserved	2,109		95,088		3,971	75,346
Unreserved, designated, reported in						
Special revenue funds					244,566	
Debt service funds						
Unreserved, undesignated reported in:						
Special revenue funds	153,032		(25,915)	1,635	980,607	126,856
Debt service funds						
Capital project funds						
<b>Total unreserved, undesignated</b>	<b>153,032</b>		<b>(25,915)</b>	<b>1,635</b>	<b>980,607</b>	<b>126,856</b>
<b>Total fund balances</b>	<b>155,141</b>		<b>69,173</b>	<b>1,635</b>	<b>1,229,144</b>	<b>202,202</b>
<b>Total liabilities and fund balances</b>	<b>\$ 162,083</b>	<b>\$</b>	<b>\$ 96,725</b>	<b>\$ 1,635</b>	<b>\$ 1,240,659</b>	<b>\$ 203,050</b>



Debt Service		Capital Projects					
Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers	McComb's Youth Center
\$ 1,764,341	\$ 6,260	\$ 2,184,675	\$ 179,735	\$ 2,197,997	\$ 21,895	\$ 137,050	\$ 2,044
350,717	35	196,526	1,012		123	772	12
		185,563		117,095			
		4,079					
		7,174					
<u>\$ 2,115,058</u>	<u>\$ 6,295</u>	<u>\$ 2,578,017</u>	<u>\$ 180,747</u>	<u>\$ 2,315,092</u>	<u>\$ 22,018</u>	<u>\$ 137,822</u>	<u>\$ 2,056</u>
\$	\$	\$ 1,379	\$ 2,100	\$ 10,928	\$	\$ 192	\$
		7,174					
		8,553	2,100	10,928		192	
2,115,058		2,111,758	148,777	2,149,310			
	6,295	457,706	29,870	154,854	22,018	137,630	2,056
	6,295	457,706	29,870	154,854	22,018	137,630	2,056
2,115,058	6,295	2,569,464	178,647	2,304,164	22,018	137,630	2,056
<u>\$ 2,115,058</u>	<u>\$ 6,295</u>	<u>\$ 2,578,017</u>	<u>\$ 180,747</u>	<u>\$ 2,315,092</u>	<u>\$ 22,018</u>	<u>\$ 137,822</u>	<u>\$ 2,056</u>

(Continued)

**City of Merced**  
**Combining Balance Sheet, Continued**  
**Non-Major Governmental Funds**  
**June 30, 2005**

	<u>Capital Projects</u>		
	<u>PCE Remediation</u>	<u>Fire Station #55</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 11,481	\$ 2,352,297	\$ 10,925,452
Cash held by fiscal agent			1,764,341
Receivables	65	6,276	287,688
Land held for resale			350,717
Due from other governments			624,678
Notes receivable			4,079
Advances to other funds			7,174
<b>Total assets</b>	<u>\$ 11,546</u>	<u>\$ 2,358,573</u>	<u>\$ 13,964,129</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$	\$ 780	\$ 216,428
Other payables			3,021
Deferred revenue			21,514
Due to other funds			276
Other liabilities			100,553
<b>Total liabilities</b>		<u>780</u>	<u>341,792</u>
<b>Fund Balances:</b>			
Reserved	5,545	2,167,750	9,160,324
Unreserved, designated, reported in:			
Special revenue funds			244,566
Debt service funds			
Unreserved, undesignated reported in:			
Special revenue funds			3,210,974
Debt service funds			6,295
Capital project funds	6,001	190,043	1,000,178
<b>Total unreserved, undesignated</b>	<u>6,001</u>	<u>190,043</u>	<u>4,217,447</u>
<b>Total fund balances</b>	<u>11,546</u>	<u>2,357,793</u>	<u>13,622,337</u>
<b>Total liabilities and fund balances</b>	<u>\$ 11,546</u>	<u>\$ 2,358,573</u>	<u>\$ 13,964,129</u>

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# City of Merced

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

### Non-Major Governmental Funds

For the year ended June 30, 2005

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
<b>REVENUES:</b>						
Taxes	\$	\$ 108,112	\$	\$	\$	\$
Intergovernmental			477,826	1,254,538		3,388
Service charges						14,870
Fines, forfeitures and penalties					173,675	
Other	118,823	8,344	247	1,336	19	13
<b>Total revenues</b>	<b>118,823</b>	<b>116,456</b>	<b>478,073</b>	<b>1,255,874</b>	<b>173,694</b>	<b>18,271</b>
<b>EXPENDITURES:</b>						
Current operating:						
General government	8,220	66,774			174,557	
Public safety						
Public works						768,596
Parks						
Administrative shared expenditures	445	26,316				68,347
<b>Total current operating</b>	<b>8,665</b>	<b>93,090</b>			<b>174,557</b>	<b>836,943</b>
Capital outlay						4,439
Debt service:						
Principal						
Interest						
<b>Total expenditures</b>	<b>8,665</b>	<b>93,090</b>			<b>174,557</b>	<b>841,382</b>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<b>110,158</b>	<b>23,366</b>	<b>478,073</b>	<b>1,255,874</b>	<b>(863)</b>	<b>(823,111)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of land						
Transfers in						816,598
Transfers out	(15,107)	(4,000)	(479,616)	(1,229,500)		
<b>Total other financing sources (uses)</b>	<b>(15,107)</b>	<b>(4,000)</b>	<b>(479,616)</b>	<b>(1,229,500)</b>		<b>816,598</b>
<b>Net change in fund balances</b>	<b>95,051</b>	<b>19,366</b>	<b>(1,543)</b>	<b>26,374</b>	<b>(863)</b>	<b>(6,513)</b>
<b>FUND BALANCES:</b>						
Beginning of year	28,394	6,780	1,784	127,124	30,266	10,064
Prior period adjustment						
Beginning of year, as restated	28,394	6,780	1,784	127,124	30,266	10,064
End of year	\$ 123,445	\$ 26,146	\$ 241	\$ 153,498	\$ 29,403	\$ 3,551

Special Revenue

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
\$	\$	\$	\$	\$	\$	\$	\$
461,338	40,850	684,460	278,727	1,065,806			102,512
7,786	436,634	40,666	356	9,460		104	656
469,124	477,484	725,126	279,083	1,075,266		104	103,168
				871,065			
2,528,700	2,145,604						
175,853	120,706						
2,704,553	2,266,310			871,065			
378,446	228,758			44,794			
3,082,999	2,495,068			915,859			
(2,613,875)	(2,017,584)	725,126	279,083	159,407		104	103,168
2,578,263	1,565,275	(1,150,504)	(243,235)			(31,995)	(100,000)
2,578,263	1,565,275	(1,150,504)	(243,235)			(31,995)	(100,000)
(35,612)	(452,309)	(425,378)	35,848	159,407		(31,891)	3,168
86,858	157,123	1,841,690	43,242	227,450	9,600	31,891	
	273,000						
86,858	430,123	1,841,690	43,242	227,450	9,600	31,891	
\$ 51,246	\$ (22,186)	\$ 1,416,312	\$ 79,090	\$ 386,857	\$ 9,600	\$	\$ 3,168

(Continued)

# City of Merced

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

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2005

	Special Revenue					
	Parking	TEA	Child	Local Law	Maintenance	CFD
	Enforcement	Exchange	Development	Enforcement Block Grant	Districts	
<b>REVENUES:</b>						
Taxes	\$	\$	\$	\$	\$	\$ 4,420
Intergovernmental			219,365	32,172		
Service charges						
Fines, forfeitures and penalties	333,172					
Other	1,599	276	1,194	375	671,353	198,532
<b>Total revenues</b>	<b>334,771</b>	<b>276</b>	<b>220,559</b>	<b>32,547</b>	<b>671,353</b>	<b>202,952</b>
<b>EXPENDITURES:</b>						
Current operating:						
General government					539,309	63,996
Public safety	154,892					
Public works						
Parks			270,827			
Administrative shared expenditures	64,204		1,628		41,914	4,516
<b>Total current operating</b>	<b>219,096</b>		<b>272,455</b>		<b>581,223</b>	<b>68,512</b>
Capital outlay				66,900		
Debt service:						
Principal						
Interest	15,709					
<b>Total expenditures</b>	<b>234,805</b>		<b>272,455</b>	<b>66,900</b>	<b>581,223</b>	<b>68,512</b>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<b>99,966</b>	<b>276</b>	<b>(51,896)</b>	<b>(34,353)</b>	<b>90,130</b>	<b>134,440</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of land						
Transfers in					62,625	31,667
Transfers out		(85,131)		(20,000)		(32,138)
<b>Total other financing sources (uses)</b>		<b>(85,131)</b>		<b>(20,000)</b>	<b>62,625</b>	<b>(471)</b>
<b>Net change in fund balances</b>	<b>99,966</b>	<b>(84,855)</b>	<b>(51,896)</b>	<b>(54,353)</b>	<b>152,755</b>	<b>133,969</b>
<b>FUND BALANCES:</b>						
Beginning of year	704,234	84,855	121,069	55,988	1,076,389	68,233
Prior period adjustment	(649,059)					
Beginning of year, as restated	55,175	84,855	121,069	55,988	1,076,389	68,233
End of year	\$ 155,141	\$	\$ 69,173	\$ 1,635	\$ 1,229,144	\$ 202,202

Debt Service		Capital Projects					
Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers	McComb's Youth Center
\$	\$	\$	\$	\$	\$	\$	\$
		204,300		26,265			
21,218	133	1,337,029	4,910	118,916	406	3,391	43
21,218	133	1,541,329	4,910	145,181	406	3,391	43
92,733							
92,733		384,566	268,265	699,028	34	61,415	
130,000							
62,148							
284,881		384,566	268,265	699,028	34	61,415	
(263,663)	133	1,156,763	(263,355)	(553,847)	372	(58,024)	43
1,277,170							
		283,199	405,472	2,488,142			
(250,000)			(250,000)	(115,000)			
1,027,170		283,199	155,472	2,373,142			
763,507	133	1,439,962	(107,883)	1,819,295	372	(58,024)	43
1,351,551	6,162	1,129,502	286,530	484,869	21,646	195,654	2,013
1,351,551	6,162	1,129,502	286,530	484,869	21,646	195,654	2,013
\$ 2,115,058	\$ 6,295	\$ 2,569,464	\$ 178,647	\$ 2,304,164	\$ 22,018	\$ 137,630	\$ 2,056

(Continued)

# City of Merced

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

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2005

	Capital Projects		
	PCE	Fire	Total
	Remediation	Station #55	
<b>REVENUES:</b>			
Taxes	\$	\$	\$ 112,532
Intergovernmental			3,324,403
Service charges			1,542,014
Fines, forfeitures and penalties			506,847
Other	252	23,705	3,007,776
Total revenues	252	23,705	8,493,572
<b>EXPENDITURES:</b>			
Current operating:			
General government			1,816,654
Public safety			154,892
Public works			3,297,296
Parks			2,416,431
Administrative shared expenditures			503,929
Total current operating			8,189,202
Capital outlay	672	205,275	2,342,592
Debt service:			
Principal			130,000
Interest			77,857
Total expenditures	672	205,275	10,739,651
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(420)	(181,570)	(2,246,079)
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of land			1,277,170
Transfers in		1,442,397	9,673,638
Transfers out			(4,006,226)
Total other financing sources (uses)		1,442,397	6,944,582
Net change in fund balances	(420)	1,260,827	4,698,503
<b>FUND BALANCES:</b>			
Beginning of year	11,966	1,096,966	9,299,893
Prior period adjustment			(376,059)
Beginning of year, as restated	11,966	1,096,966	8,923,834
End of year	\$ 11,546	\$ 2,357,793	\$ 13,622,337

(Concluded)



# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
In-lieu parking	\$ 53,305	\$ 53,305	\$ 111,865	\$ 58,560
Leased parking spaces	3,240	3,240	4,810	1,570
Investment earnings	300	300	2,148	1,848
<b>Total revenues</b>	<b>56,845</b>	<b>56,845</b>	<b>118,823</b>	<b>61,978</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	67,696	69,781	8,220	61,561
Administrative shared expenditures	445	445	445	
<b>Total expenditures</b>	<b>68,141</b>	<b>70,226</b>	<b>8,665</b>	<b>61,561</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,296)</b>	<b>(13,381)</b>	<b>110,158</b>	<b>123,539</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(15,107)	(15,107)	(15,107)	
<b>Total other financing sources (uses)</b>	<b>(15,107)</b>	<b>(15,107)</b>	<b>(15,107)</b>	
<b>Net change in fund balances</b>	<b>\$ (26,403)</b>	<b>\$ (28,488)</b>	<b>95,051</b>	<b>\$ 123,539</b>
<b>FUND BALANCES:</b>				
Beginning of year			28,394	
End of year			<b>\$ 123,445</b>	

# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Business improvement area	\$ 88,900	\$ 88,900	\$ 108,112	\$ 19,212
Other:				
Investment earnings	400	400	844	444
Miscellaneous		7,500	7,500	
<b>Total revenues</b>	<u>89,300</u>	<u>96,800</u>	<u>116,456</u>	<u>19,656</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	60,633	89,718	66,774	22,944
Administrative shared expenditures	26,317	26,317	26,316	1
<b>Total expenditures</b>	<u>86,950</u>	<u>116,035</u>	<u>93,090</u>	<u>22,945</u>
<b>REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<u>2,350</u>	<u>(19,235)</u>	<u>23,366</u>	<u>42,601</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(4,000)	\$ (4,000)	\$ (4,000)	
<b>Total other financing sources (uses)</b>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	
<b>Net change in fund balances</b>	<u>\$ (1,650)</u>	<u>\$ (23,235)</u>	19,366	<u>\$ 42,601</u>
<b>FUND BALANCES:</b>				
Beginning of year			6,780	
End of year			<u>\$ 26,146</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State and local transportation	\$ 482,979	\$ 477,826	\$ 477,826	\$
Other:				
Investment earnings			247	247
<b>Total revenues</b>	<u>482,979</u>	<u>477,826</u>	<u>478,073</u>	<u>247</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(487,529)	(479,616)	(479,616)	
<b>Total other financing sources (uses)</b>	<u>(487,529)</u>	<u>(479,616)</u>	<u>(479,616)</u>	
<b>Net change in fund balances</b>	<u>\$ (4,550)</u>	<u>\$ (1,790)</u>	(1,543)	<u>\$ 247</u>
<b>FUND BALANCES:</b>				
Beginning of year			1,784	
End of year			<u>\$ 241</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State gas tax	\$ 1,229,500	\$ 1,229,500	\$ 1,254,538	\$ 25,038
Other:				
Investment earnings			1,336	1,336
<b>Total revenues</b>	<u>1,229,500</u>	<u>1,229,500</u>	<u>1,255,874</u>	<u>26,374</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(1,229,500)</u>	<u>(1,229,500)</u>	<u>(1,229,500)</u>	
<b>Total other financing sources (uses)</b>	<u>(1,229,500)</u>	<u>(1,229,500)</u>	<u>(1,229,500)</u>	
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	26,374	<u>\$ 26,374</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>127,124</u>	
End of year			<u>\$ 153,498</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 175,000	\$ 175,000	\$ 173,675	\$ (1,325)
Other:				
Investment earnings			19	19
<b>Total revenues</b>	<u>175,000</u>	<u>175,000</u>	<u>173,694</u>	<u>(1,306)</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	<u>175,000</u>	<u>175,000</u>	<u>174,557</u>	<u>443</u>
<b>Total expenditures</b>	<u>175,000</u>	<u>175,000</u>	<u>174,557</u>	<u>443</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$</u>	<u>\$</u>	(863)	<u>\$ (863)</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>30,266</u>	
End of year			<u>\$ 29,403</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Urban Forestry Grant	\$ 20,100	\$ 20,100	\$ 3,388	\$ (16,712)
Service charges	14,719	14,871	14,870	(1)
Other:				
Miscellaneous			13	13
<b>Total revenues</b>	<b>34,819</b>	<b>34,971</b>	<b>18,271</b>	<b>(16,700)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public works	809,465	814,870	768,596	46,274
Administrative shared expenditures	68,347	68,347	68,347	
<b>Total current operating</b>	<b>877,812</b>	<b>883,217</b>	<b>836,943</b>	<b>46,274</b>
Capital outlay	850	5,289	4,439	850
<b>Total expenditures</b>	<b>878,662</b>	<b>888,506</b>	<b>841,382</b>	<b>46,274</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b>(843,843)</b>	<b>(853,535)</b>	<b>(823,111)</b>	<b>(30,424)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	843,843	843,899	816,598	(27,301)
<b>Total other financing sources (uses)</b>	<b>843,843</b>	<b>843,899</b>	<b>816,598</b>	<b>(27,301)</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>\$ (9,636)</b>	<b>(6,513)</b>	<b>\$ 3,123</b>
<b>FUND BALANCES:</b>				
Beginning of year			10,064	
End of year			<b>\$ 3,551</b>	

# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Office of emergency services	\$	\$	\$	\$
Service charges	456,435	456,617	461,338	4,721
Other:				
Miscellaneous	100	100	7,213	7,113
Investment earnings			573	573
<b>Total revenues</b>	<b>456,535</b>	<b>456,717</b>	<b>469,124</b>	<b>12,407</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public works	2,802,579	2,676,441	2,528,700	147,741
Administrative shared expenditures	175,853	175,853	175,853	
Total current operating	2,978,432	2,852,294	2,704,553	147,741
Capital outlay	413,032	500,046	378,446	121,600
<b>Total expenditures</b>	<b>3,391,464</b>	<b>3,352,340</b>	<b>3,082,999</b>	<b>269,341</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(2,934,929)</b>	<b>(2,895,623)</b>	<b>(2,613,875)</b>	<b>281,748</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,934,929	2,893,839	2,578,263	(315,576)
<b>Total other financing sources (uses)</b>	<b>2,934,929</b>	<b>2,893,839</b>	<b>2,578,263</b>	<b>(315,576)</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>\$ (1,784)</b>	<b>(35,612)</b>	<b>\$ (33,828)</b>
<b>FUND BALANCES:</b>				
Beginning of year			86,858	
End of year			\$ 51,246	

# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State grant	\$ 1,282,352	\$ 1,282,352	\$ 40,850	\$ (1,241,502)
Other:				
Fees for services	325,353	325,353	246,665	(78,688)
Investment earnings			2,935	2,935
Donations	175,025	181,925	183,034	1,109
Miscellaneous	7,600	7,600		(7,600)
<b>Total revenues</b>	<b>1,790,330</b>	<b>1,797,230</b>	<b>473,484</b>	<b>(1,323,746)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Parks	2,322,805	2,408,355	2,145,604	262,751
Administrative shared expenditures	120,706	120,706	120,706	
<b>Total current operating</b>	<b>2,443,511</b>	<b>2,529,061</b>	<b>2,266,310</b>	<b>262,751</b>
Capital outlay	1,235,778	1,303,126	228,758	1,074,368
<b>Total expenditures</b>	<b>3,679,289</b>	<b>3,832,187</b>	<b>2,495,068</b>	<b>1,337,119</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,888,959)</b>	<b>(2,034,957)</b>	<b>(2,021,584)</b>	<b>13,373</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,888,959	1,928,937	1,569,275	(359,662)
<b>Total other financing sources (uses)</b>	<b>1,888,959</b>	<b>1,928,937</b>	<b>1,569,275</b>	<b>(359,662)</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>\$ (106,020)</b>	<b>(452,309)</b>	<b>\$ (346,289)</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			430,123	
End of year			\$ (22,186)	



**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State grants	\$ 500,000	\$ 500,000	\$ 684,460	\$ 184,460
Other:				
Investment earnings	20,000	20,000	40,666	20,666
<b>Total revenues</b>	<u>520,000</u>	<u>520,000</u>	<u>725,126</u>	<u>205,126</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in				
Transfers out	<u>(2,806,887)</u>	<u>(2,365,835)</u>	<u>(1,150,504)</u>	<u>1,215,331</u>
<b>Total other financing sources (uses)</b>	<u>(2,806,887)</u>	<u>(2,365,835)</u>	<u>(1,150,504)</u>	<u>1,215,331</u>
<b>Net change in fund balances</b>	<u>\$ (2,286,887)</u>	<u>\$ (1,845,835)</u>	<u>(425,378)</u>	<u>\$ 1,420,457</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,841,690</u>	
End of year			<u>\$ 1,416,312</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Public safety funding	\$ 225,000	\$ 225,000	\$ 278,727	\$ 53,727
Other:				
Investment earnings			356	356
<b>Total revenues</b>	<u>225,000</u>	<u>225,000</u>	<u>279,083</u>	<u>54,083</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(243,235)</u>	<u>(243,235)</u>	<u>(243,235)</u>	
<b>Total other financing sources (uses)</b>	<u>(243,235)</u>	<u>(243,235)</u>	<u>(243,235)</u>	
<b>Net change in fund balances</b>	<u>\$ (18,235)</u>	<u>\$ (18,235)</u>	35,848	<u>\$ 54,083</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>43,242</u>	
End of year			<u>\$ 79,090</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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Service charges	\$ 1,065,806	\$ 1,065,806	\$ 1,065,806	\$
Other:				
Investment earnings	3,000	3,000	8,551	5,551
Miscellaneous	1,200	1,200	909	(291)
<b>Total revenues</b>	<u>1,070,006</u>	<u>1,070,006</u>	<u>1,075,266</u>	<u>5,260</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,032,741	882,633	871,065	11,568
<b>Total current operating</b>	<u>1,032,741</u>	<u>882,633</u>	<u>871,065</u>	<u>11,568</u>
Capital outlay	10,600	165,100	44,794	120,306
<b>Total expenditures</b>	<u>1,043,341</u>	<u>1,047,733</u>	<u>915,859</u>	<u>131,874</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 26,665</u>	<u>\$ 22,273</u>	159,407	<u>\$ 137,134</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>227,450</u>	
End of year			<u>\$ 386,857</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, 2005

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

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 104	\$ 104
<b>Total revenues</b>			<b>104</b>	<b>104</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(31,907)	(31,907)	(31,995)	(88)
<b>Total other financing sources (uses)</b>	<b>(31,907)</b>	<b>(31,907)</b>	<b>(31,995)</b>	<b>(88)</b>
<b>Net change in fund balances</b>	<b>\$ (31,907)</b>	<b>\$ (31,907)</b>	<b>(31,891)</b>	<b>\$ 16</b>
<b>FUND BALANCES:</b>				
Beginning of year			31,891	
End of year			\$	

**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, 2005**

	Budget		Final	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 100,000	\$ 102,512	\$ 2,512
Other:				
Investment earnings			656	656
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>103,168</u>	<u>3,168</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
<b>Total other financing sources (uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	3,168	<u>\$ 3,168</u>
<b>FUND BALANCES:</b>				
Beginning of year				
End of year			<u>\$ 3,168</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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures and penalties:				
Parking fines	\$ 240,000	\$ 240,000	\$ 333,172	\$ 93,172
Other:				
Investment earnings	2,000	2,000	1,599	(401)
<b>Total revenues</b>	<b>242,000</b>	<b>242,000</b>	<b>334,771</b>	<b>92,771</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public safety	167,151	168,212	154,892	13,320
Administrative shared expenditures	64,204	64,204	64,204	
<b>Total current operating</b>	<b>231,355</b>	<b>232,416</b>	<b>219,096</b>	<b>13,320</b>
Capital outlay	15,713	15,713	15,709	4
<b>Total expenditures</b>	<b>247,068</b>	<b>248,129</b>	<b>234,805</b>	<b>13,324</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(5,068)</b>	<b>(6,129)</b>	<b>99,966</b>	<b>106,095</b>
<b>Net change in fund balances</b>	<b>\$ (5,068)</b>	<b>\$ (6,129)</b>	<b>99,966</b>	<b>\$ 106,095</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			55,175	
End of year			<b>\$ 155,141</b>	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 276	\$ 276
<b>Total revenues</b>			276	276
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(233,280)	(84,979)	(85,131)	(152)
<b>Total other financing sources (uses)</b>	(233,280)	(84,979)	(85,131)	(152)
<b>Net change in fund balances</b>	<u>\$ (233,280)</u>	<u>\$ (84,979)</u>	(84,855)	<u>\$ 124</u>
<b>FUND BALANCES:</b>				
Beginning of year			84,855	
End of year			<u>\$</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, 2005

	Budget		Final	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
YEP Grant	\$ 199,566	\$ 204,376	\$ 219,365	\$ 14,989
Other:				
Investment earnings			1,194	1,194
<b>Total revenues</b>	<u>199,566</u>	<u>204,376</u>	<u>220,559</u>	<u>16,183</u>
<b>EXPENDITURES:</b>				
Current operating:				
Parks	261,093	335,191	270,827	64,364
Administrative shared expenditures	1,996	2,044	1,628	416
<b>Total expenditures</b>	<u>263,089</u>	<u>337,235</u>	<u>272,455</u>	<u>64,780</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$ (63,523)</u>	<u>\$ (132,859)</u>	(51,896)	<u>\$ 80,963</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>121,069</u>	
End of year			<u>\$ 69,173</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Law Enforcement Grant	\$ 45,000	\$ 32,172	\$ 32,172	\$
Other:				
Investment earnings			375	375
<b>Total revenues</b>	<u>45,000</u>	<u>32,172</u>	<u>32,547</u>	<u>375</u>
<b>EXPENDITURES:</b>				
Capital outlay	85,830	107,848	66,900	40,948
<b>Total expenditures</b>	<u>85,830</u>	<u>107,848</u>	<u>66,900</u>	<u>40,948</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(40,830)</u>	<u>(75,676)</u>	<u>(34,353)</u>	<u>41,323</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(20,000)	(20,000)	(20,000)	
<b>Total other financing sources (uses)</b>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	
<b>Net change in fund balances</b>	<u>\$ (60,830)</u>	<u>\$ (95,676)</u>	<u>(54,353)</u>	<u>\$ 41,323</u>
<b>FUND BALANCES:</b>				
Beginning of year			55,988	
End of year			<u>\$ 1,635</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Assessments	\$ 580,852	\$ 580,852	\$ 578,929	\$ (1,923)
Service charges	3,318	3,318	3,318	
Miscellaneous	22,023	28,023	67,044	39,021
Investment earnings			22,062	22,062
<b>Total revenues</b>	<b>606,193</b>	<b>612,193</b>	<b>671,353</b>	<b>59,160</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	658,938	683,571	539,309	144,262
Administrative shared expenditures	41,914	41,914	41,914	
<b>Total current operating</b>	<b>700,852</b>	<b>725,485</b>	<b>581,223</b>	<b>144,262</b>
Capital outlay	238,765	238,765		238,765
<b>Total expenditures</b>	<b>939,617</b>	<b>964,250</b>	<b>581,223</b>	<b>383,027</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(333,424)</b>	<b>(352,057)</b>	<b>90,130</b>	<b>442,187</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	62,625	62,625	62,625	
Transfers out		(41,530)		41,530
<b>Total other financing sources (uses)</b>	<b>62,625</b>	<b>21,095</b>	<b>62,625</b>	<b>41,530</b>
<b>Net change in fund balances</b>	<b>\$ (270,799)</b>	<b>\$ (330,962)</b>	<b>152,755</b>	<b>\$ 483,717</b>
<b>FUND BALANCES:</b>				
Beginning of year			1,076,389	
End of year			<b>\$ 1,229,144</b>	

**City of Merced**

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

**CFD Special Revenue Fund**

**For the year ended June 30, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Special Tax	\$	\$ 4,438	\$ 4,420	\$ (18)
Investment earnings		187,500	3,032	
Miscellaneous		187,500	195,500	8,000
<b>Total revenues</b>		<b>379,438</b>	<b>202,952</b>	<b>7,982</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government		322,990	56,080	266,910
Administrative shared expenditures		4,517	4,516	1
<b>Total current operating</b>		<b>327,507</b>	<b>60,596</b>	<b>266,911</b>
Capital outlay				
<b>Total expenditures</b>		<b>327,507</b>	<b>60,596</b>	<b>266,911</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>		<b>51,931</b>	<b>142,356</b>	<b>274,893</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		31,668	31,667	(1)
Transfers out		(41,530)	(40,054)	1,476
<b>Total other financing sources (uses)</b>		<b>(9,862)</b>	<b>(8,387)</b>	<b>1,475</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>\$ 42,069</b>	<b>133,969</b>	<b>\$ 276,368</b>
<b>FUND BALANCES:</b>				
Beginning of year			68,233	
End of year			<b>\$ 202,202</b>	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 21,218	\$ 20,218
<b>Total revenues</b>	<u>1,000</u>	<u>1,000</u>	<u>21,218</u>	<u>20,218</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	43,475	180,077	92,733	87,344
<b>Total current operating</b>	<u>43,475</u>	<u>180,077</u>	<u>92,733</u>	<u>87,344</u>
Debt service:				
Principal	130,000	130,000	130,000	
Interest	62,148	62,148	62,148	
<b>Total debt service</b>	<u>192,148</u>	<u>192,148</u>	<u>192,148</u>	
<b>Total expenditures</b>	<u>235,623</u>	<u>372,225</u>	<u>284,881</u>	<u>87,344</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(234,623)</u>	<u>(371,225)</u>	<u>(263,663)</u>	<u>107,562</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from the sale of land	700,000	1,657,680	1,277,170	(380,510)
Transfer out		(250,000)	(250,000)	
<b>Total other financing sources (uses)</b>	<u>700,000</u>	<u>1,407,680</u>	<u>1,027,170</u>	<u>(380,510)</u>
<b>Net change in fund balances</b>	<u>\$ 465,377</u>	<u>\$ 1,036,455</u>	<u>763,507</u>	<u>\$ (272,948)</u>
<b>FUND BALANCES:</b>				
Beginning of year			1,351,551	
End of year			<u>\$ 2,115,058</u>	

**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, 2005**

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	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 133	\$ 133
<b>Total revenues</b>			<u>133</u>	<u>133</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>			<u>133</u>	<u>133</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	133	<u>\$ 133</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>6,162</u>	
End of year			<u>\$ 6,295</u>	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Federal grants	\$ 513,856	\$ 513,856	\$ 99,346	\$ (414,510)
State grants	563,608	563,608	104,954	(458,654)
Other:				
Park planning zones 1-5	315,533	315,533	1,307,250	991,717
Investment earnings	43,862	43,862	29,779	(14,083)
Miscellaneous	77,657	77,657		(77,657)
<b>Total revenues</b>	<b>1,514,516</b>	<b>1,514,516</b>	<b>1,541,329</b>	<b>26,813</b>
<b>EXPENDITURES:</b>				
Capital outlay	2,399,986	2,735,568	384,566	2,351,002
<b>Total expenditures</b>	<b>2,399,986</b>	<b>2,735,568</b>	<b>384,566</b>	<b>2,351,002</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(885,470)</b>	<b>(1,221,052)</b>	<b>1,156,763</b>	<b>2,377,815</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		283,199	283,199	
<b>Total other financing sources (uses)</b>		<b>283,199</b>	<b>283,199</b>	
<b>Net change in fund balances</b>	<b>\$ (885,470)</b>	<b>\$ (937,853)</b>	<b>1,439,962</b>	<b>\$ 2,377,815</b>
<b>FUND BALANCES:</b>				
Beginning of year			1,129,502	
End of year			<b>\$ 2,569,464</b>	

# 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, 2005

	Budget		Final	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 4,910	\$ 3,910
<b>Total revenues</b>	<b>1,000</b>	<b>1,000</b>	<b>4,910</b>	<b>3,910</b>
<b>EXPENDITURES:</b>				
Capital outlay	256,980	431,361	268,265	163,096
<b>Total expenditures</b>	<b>256,980</b>	<b>431,361</b>	<b>268,265</b>	<b>163,096</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(255,980)</b>	<b>(430,361)</b>	<b>(263,355)</b>	<b>167,006</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	155,472	405,472	405,472	
Transfers out		(250,000)	(250,000)	
<b>Total other financing sources (uses)</b>	<b>155,472</b>	<b>155,472</b>	<b>155,472</b>	
<b>Net change in fund balances</b>	<b>\$ (100,508)</b>	<b>\$ (274,889)</b>	<b>(107,883)</b>	<b>\$ 167,006</b>
<b>FUND BALANCES:</b>				
Beginning of year			286,530	
End of year			\$ 178,647	



# 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, 2005

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
CMAQ grants	\$ 269,130	\$ 269,130	\$ 26,265	\$ (242,865)
State grants	2,000	2,000		(2,000)
Other:				
Investment earnings			2,916	2,916
Miscellaneous	165,500	165,500	116,000	(49,500)
<b>Total revenues</b>	<u>436,630</u>	<u>436,630</u>	<u>145,181</u>	<u>(291,449)</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>7,136,943</u>	<u>6,689,035</u>	<u>699,028</u>	<u>5,990,007</u>
<b>Total expenditures</b>	<u>7,136,943</u>	<u>6,689,035</u>	<u>699,028</u>	<u>5,990,007</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(6,700,313)</u>	<u>(6,252,405)</u>	<u>(553,847)</u>	<u>5,698,558</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,700,313	6,259,261	2,488,142	(3,771,119)
Transfers out		(115,000)	(115,000)	
<b>Total other financing sources (uses)</b>	<u>6,700,313</u>	<u>6,144,261</u>	<u>2,373,142</u>	<u>(3,771,119)</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$ (108,144)</u>	<u>1,819,295</u>	<u>\$ 1,927,439</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>484,869</u>	
End of year			<u>\$ 2,304,164</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$ 3,100	\$ 3,100	\$ 406	\$ (2,694)
Total revenues	3,100	3,100	406	(2,694)
<b>EXPENDITURES:</b>				
Capital outlay	27,687	22,430	34	22,396
Total expenditures	27,687	22,430	34	22,396
<b>REVENUES OVER (UNDER)</b>				
EXPENDITURES	(24,587)	(19,330)	372	19,702
Net change in fund balances	\$ (24,587)	\$ (19,330)	372	\$ 19,702
<b>FUND BALANCES:</b>				
Beginning of year			21,646	
End of year			\$ 22,018	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 3,391	\$ 3,391
<b>Total revenues</b>			<b>3,391</b>	<b>3,391</b>
<b>EXPENDITURES:</b>				
Capital outlay	195,658	197,285	61,415	135,870
<b>Total expenditures</b>	<b>195,658</b>	<b>197,285</b>	<b>61,415</b>	<b>135,870</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(195,658)</b>	<b>(197,285)</b>	<b>(58,024)</b>	<b>139,261</b>
<b>Net change in fund balances</b>	<b>\$ (195,658)</b>	<b>\$ (197,285)</b>	<b>(58,024)</b>	<b>\$ 139,261</b>
<b>FUND BALANCES:</b>				
Beginning of year			195,654	
End of year			\$ 137,630	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 43	\$ 43
<b>Total revenues</b>			<b>43</b>	<b>43</b>
<b>EXPENDITURES:</b>				
Capital outlay	1,361			
<b>Total expenditures</b>	<b>1,361</b>			
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,361)</b>		<b>43</b>	<b>43</b>
<b>Net change in fund balances</b>	<b>\$ (1,361)</b>	<b>\$</b>	<b>43</b>	<b>\$ 43</b>
<b>FUND BALANCES:</b>				
Beginning of year			2,013	
End of year			<u>\$ 2,056</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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 252	\$ 252
<b>Total revenues</b>			252	252
<b>EXPENDITURES:</b>				
Current operating:				
General government	741	741		741
<b>Total current operating</b>	741	741		741
Capital outlay		8,141	672	7,469
<b>Total expenditures</b>	741	8,882	672	8,210
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(741)	(8,882)	(420)	8,462
<b>Net change in fund balances</b>	\$ (741)	\$ (8,882)	(420)	\$ 8,462
<b>FUND BALANCES:</b>				
Beginning of year			11,966	
End of year			\$ 11,546	

**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, 2005**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 23,705	\$ 23,705
<b>Total revenues</b>			<u>23,705</u>	<u>23,705</u>
<b>EXPENDITURES:</b>				
Capital outlay	1,257,680	2,536,153	205,275	2,330,878
<b>Total expenditures</b>	<u>1,257,680</u>	<u>2,536,153</u>	<u>205,275</u>	<u>2,330,878</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(1,257,680)</u>	<u>(2,536,153)</u>	<u>(181,570)</u>	<u>2,354,583</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	188,781	1,442,397	1,442,397	
<b>Total other financing sources (uses)</b>	<u>188,781</u>	<u>1,442,397</u>	<u>1,442,397</u>	
<b>Net change in fund balances</b>	<u>\$ (1,068,899)</u>	<u>\$ (1,093,756)</u>	1,260,827	<u>\$ 2,354,583</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,096,966</u>	
End of year			<u>\$ 2,357,793</u>	

## ENTERPRISE FUND

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

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

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

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

*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 pipelines, and 4 elevated storage tanks.

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

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

*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, 2005**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 5,205,856	\$ 13,196,891	\$ 121,648	\$ 18,524,395	\$ 5,250,585
Cash held with fiscal agent	14,676,016			14,676,016	8,516,361
Receivables	787,648	856,289	685	1,644,622	760,113
Due from other governments	4,122,361			4,122,361	3,948,244
Prepaid items					
Inventory	1,560			1,560	65,908
<b>Total current assets</b>	<b>24,793,441</b>	<b>14,053,180</b>	<b>122,333</b>	<b>38,968,954</b>	<b>18,541,211</b>
Noncurrent assets:					
Notes receivable-private parties	10,168	17,444	83	27,695	2,683
Advances to other funds	12,565	47,933		60,498	318
Deferred charges	527,680			527,680	195,450
Capital assets:					
Nondepreciable	4,335,382	16,449,910		20,785,292	6,911,617
Depreciable, net of accumulated depreciation	9,281,641	1,103,138	17,153	10,401,932	10,670,819
<b>Total capital assets</b>	<b>13,617,023</b>	<b>17,553,048</b>	<b>17,153</b>	<b>31,187,224</b>	<b>17,582,436</b>
<b>Total noncurrent assets</b>	<b>14,167,436</b>	<b>17,618,425</b>	<b>17,236</b>	<b>31,803,097</b>	<b>17,780,887</b>
<b>Total assets</b>	<b>38,960,877</b>	<b>31,671,605</b>	<b>139,569</b>	<b>70,772,051</b>	<b>36,322,098</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	202,546	428,338		630,884	583,850
Payroll liabilities					
Deposits	51,552			51,552	612,290
Deferred revenue	762,535		83	762,618	696,225
Due to other funds					
Accrued interest payable	354,494			354,494	160,945
Long-term debt due within one year	1,021,487			1,021,487	298,128
<b>Total current liabilities</b>	<b>2,392,614</b>	<b>428,338</b>	<b>83</b>	<b>2,821,035</b>	<b>2,351,438</b>
Long-term liabilities:					
Advances from other funds			27,817	27,817	
Other liabilities	57,982	347,111		405,093	46,152
Compensated absences payable	267,427			267,427	83,793
Long-term debt due in more than one year	27,062,388			27,062,388	12,783,142
<b>Total long-term liabilities</b>	<b>27,387,797</b>	<b>347,111</b>	<b>27,817</b>	<b>27,762,725</b>	<b>12,913,087</b>
<b>Total liabilities</b>	<b>29,780,411</b>	<b>775,449</b>	<b>27,900</b>	<b>30,583,760</b>	<b>15,264,525</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	(14,466,852)	17,553,048	17,153	3,103,349	4,501,166
Restricted for:					
Special projects and programs	1,717,229	7,541,476		9,258,705	3,048,123
Debt service	94,549			94,549	93,724
Capital projects					
Unrestricted	21,835,540	5,801,632	94,516	27,731,688	13,414,560
<b>Total net assets</b>	<b>\$ 9,180,466</b>	<b>\$ 30,896,156</b>	<b>\$ 111,669</b>	<b>\$ 40,188,291</b>	<b>\$ 21,057,573</b>



Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 19,532,974	\$ 2,860,905	\$ 27,644,464	\$ 4,086,817	\$ 674,340	\$ 4,761,157	\$ 245,984	\$ 51,176,000
		8,516,361					23,192,377
882,005	161,280	1,803,398	499,102	60,626	559,728	2,495	4,010,243
		3,948,244				11,287	8,081,892
		65,908					67,468
20,414,979	3,022,185	41,978,375	4,585,919	734,966	5,320,885	259,766	86,527,980
18,871	3,699	25,253		2,128	2,128		55,076
9,273	1,819	11,410					71,908
		195,450					723,130
2,901,741	198,498	10,011,856	871,910		871,910	49,302	31,718,360
931,785	872,662	12,475,266	6,476,820		6,476,820	1,231,610	30,585,628
3,833,526	1,071,160	22,487,122	7,348,730		7,348,730	1,280,912	62,303,988
3,861,670	1,076,678	22,719,235	7,348,730	2,128	7,350,858	1,280,912	63,154,102
24,276,649	4,098,863	64,697,610	11,934,649	737,094	12,671,743	1,540,678	149,682,082
92,157		676,007	312,303		312,303	2,923	1,622,117
			61,648		61,648	5,616	67,264
		612,290	66,200		66,200	19,552	749,594
		696,225	469,952		469,952		1,928,795
		160,945	33,048		33,048	69,248	69,248
18,127		316,255					548,487
110,284		2,461,722	943,151		943,151	97,339	1,337,742
			1,135,591		1,135,591		1,163,408
		46,152				7,372	458,617
		83,793	149,119		149,119	12,049	512,388
149,498		12,932,640					39,995,028
149,498		13,062,585	1,284,710		1,284,710	19,421	42,129,441
259,782		15,524,307	2,227,861		2,227,861	116,760	48,452,688
3,665,901	1,071,160	9,238,227	7,348,730		7,348,730	1,280,912	20,971,218
2,612,658	1,740	5,662,521	280,068	208,027	488,095	351,888	15,761,209
		93,724					188,273
17,738,308	3,025,963	34,178,831	2,077,990	529,067	2,607,057	(208,882)	64,308,694
\$ 24,016,867	\$ 4,098,863	\$ 49,173,303	\$ 9,706,788	\$ 737,094	\$ 10,443,882	\$ 1,423,918	\$ 101,229,394

**City of Merced**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Supplementary Information - Enterprise Funds**  
**June 30, 2005**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 8,501,840	\$ 5,434,386	\$	\$ 13,936,226	\$ 7,403,586
<b>Total operating revenues</b>	<b>8,501,840</b>	<b>5,434,386</b>		<b>13,936,226</b>	<b>7,403,586</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	2,095,600			2,095,600	1,406,677
Materials, supplies and other services	3,782,156			3,782,156	4,650,729
Depreciation	698,264	71,801	8,575	778,640	819,671
Administrative shared expenses	542,586			542,586	468,805
Costs applied - labor, materials, supplies and services	696,602			696,602	704,055
<b>Total operating expenses</b>	<b>7,815,208</b>	<b>71,801</b>	<b>8,575</b>	<b>7,895,584</b>	<b>8,049,937</b>
<b>OPERATING INCOME (LOSS)</b>	<b>686,632</b>	<b>5,362,585</b>	<b>(8,575)</b>	<b>6,040,642</b>	<b>(646,351)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest and investment earnings	518,523	192,980	2,667	714,170	278,817
Interest and related expenses	(1,209,941)			(1,209,941)	(495,380)
Developer contribution					1,588,153
Other	3,011,884		757	3,012,641	28,262
<b>Total nonoperating revenues (expenses)</b>	<b>2,320,466</b>	<b>192,980</b>	<b>3,424</b>	<b>2,516,870</b>	<b>1,399,852</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>3,007,098</b>	<b>5,555,565</b>	<b>(5,151)</b>	<b>8,557,512</b>	<b>753,501</b>
<b>OPERATING TRANSFERS:</b>					
Transfers in	24,365	2,904,509		2,928,874	577,940
Transfers out	(2,918,874)	(10,000)		(2,928,874)	(13,801)
<b>Total operating transfers</b>	<b>(2,894,509)</b>	<b>2,894,509</b>			<b>564,139</b>
<b>Change in net assets</b>	<b>112,589</b>	<b>8,450,074</b>	<b>(5,151)</b>	<b>8,557,512</b>	<b>1,317,640</b>
<b>NET ASSETS:</b>					
Beginning of year	9,214,719	22,446,082	116,820	31,777,621	19,892,769
Prior period adjustment	(146,842)			(146,842)	(152,836)
Beginning of year, as restated	9,067,877	22,446,082	116,820	31,630,779	19,739,933
End of year	\$ 9,180,466	\$ 30,896,156	\$ 111,669	\$ 40,188,291	\$ 21,057,573

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 5,650,002	\$ 1,074,761	\$ 14,128,349	\$ 8,788,053	\$ 394,437	\$ 9,182,490	\$ 258,675	\$ 37,505,740
5,650,002	1,074,761	14,128,349	8,788,053	394,437	9,182,490	258,675	37,505,740
		1,406,677	2,406,349		2,406,349	202,228	6,110,854
93,304	62,645	4,806,678	4,559,911	117,509	4,677,420	230,012	13,496,266
164,648	81,091	1,065,410	477,459		477,459	129,143	2,450,652
		468,805	587,947		587,947	38,145	1,637,483
		704,055	666,233		666,233		2,066,890
257,952	143,736	8,451,625	8,697,899	117,509	8,815,408	599,528	25,762,145
5,392,050	931,025	5,676,724	90,154	276,928	367,082	(340,853)	11,743,595
408,529	53,313	740,659	83,221	12,049	95,270	1,002	1,551,101
		(495,380)	(33,047)		(33,047)		(1,738,368)
		1,588,153	797,666		797,666		2,385,819
(7,586)		20,676	85,652		85,652		3,118,969
400,943	53,313	1,854,108	933,492	12,049	945,541	1,002	5,317,521
5,792,993	984,338	7,530,832	1,023,646	288,977	1,312,623	(339,851)	17,061,116
		577,940				361,071	3,867,885
(564,139)		(577,940)				(155,472)	(3,662,286)
(564,139)						205,599	205,599
5,228,854	984,338	7,530,832	1,023,646	288,977	1,312,623	(134,252)	17,266,715
18,953,013	3,114,525	41,960,307	8,683,142	448,117	9,131,259	1,558,170	84,427,357
(165,000)		(317,836)					(464,678)
18,788,013	3,114,525	41,642,471	8,683,142	448,117	9,131,259	1,558,170	83,962,679
\$ 24,016,867	\$ 4,098,863	\$ 49,173,303	\$ 9,706,788	\$ 737,094	\$ 10,443,882	\$ 1,423,918	\$ 101,229,394

**City of Merced**  
**Combining Statement of Cash Flows**  
**Supplementary Information - Enterprise Funds**  
**June 30, 2005**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers, including cash deposits	\$ 8,701,239	\$ 5,383,585	\$ (756)	\$ 14,084,068	\$ 7,720,849
Cash paid to suppliers	(6,763,634)	397,075		(6,366,559)	(6,910,233)
Cash paid to employees	(2,072,281)			(2,072,281)	(1,416,635)
<b>Net cash provided (used) by operating activities</b>	<b>(134,676)</b>	<b>5,780,660</b>	<b>(756)</b>	<b>5,645,228</b>	<b>(606,019)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Advances from other funds			(4,008)	(4,008)	
Advances to other funds	5,918	13,481		19,399	150
Transfers from other funds	24,365	2,904,509		2,928,874	577,940
Transfers to other funds	(2,918,874)	(10,000)		(2,928,874)	(13,801)
Other	3,025,575	(549,732)	757	2,476,600	46,269
<b>Net cash provided (used) by noncapital financing activities</b>	<b>136,984</b>	<b>2,358,258</b>	<b>(3,251)</b>	<b>2,491,991</b>	<b>610,558</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of fixed assets	(1,378,602)	(1,964,497)		(3,343,099)	(1,768,850)
Payment of long-term debt	(4,304,019)			(4,304,019)	(4,195,024)
Proceeds of long-term debt	5,700,050			5,700,050	5,932,705
Interest payments	(957,125)			(957,125)	(331,136)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(939,696)</b>	<b>(1,964,497)</b>		<b>(2,904,193)</b>	<b>(362,305)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings	491,846	157,173	2,378	651,397	267,159
Notes to private parties	2,055	3,523	756	6,334	542
<b>Net cash provided (used) by investing activities</b>	<b>493,901</b>	<b>160,696</b>	<b>3,134</b>	<b>657,731</b>	<b>267,701</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(443,487)</b>	<b>6,335,117</b>	<b>(873)</b>	<b>5,890,757</b>	<b>(90,065)</b>
Cash and cash equivalents at beginning of year	20,325,359	6,861,774	122,521	27,309,654	13,857,011
Cash and cash equivalents at end of year	\$ 19,881,872	\$ 13,196,891	\$ 121,648	\$ 33,200,411	\$ 13,766,946

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 5,474,268 (41,674)	\$ 1,042,661 (62,645)	\$ 14,237,778 (7,014,552) (1,416,635)	\$ 8,824,170 (5,701,310) (2,376,345)	\$ 391,580 (117,509)	\$ 9,215,750 (5,818,819) (2,376,345)	\$ 261,686 (172,695) (195,297)	\$ 37,799,282 (19,372,625) (6,060,558)
5,432,594	980,016	5,806,591	746,515	274,071	1,020,586	(106,306)	12,366,099
			(346,018)		(346,018)		(350,026)
337,700	857	338,707 577,940 (577,940)				361,071 (155,472)	358,106 3,867,885 (3,662,286)
(564,139) (7,586)		38,683	883,318		883,318	(1,633)	3,396,968
(234,025)	857	377,390	537,300		537,300	203,966	3,610,647
(1,606,247) (17,413)	(85,592)	(3,460,689) (4,212,437) 5,932,705 (331,136)	(1,421,252)		(1,421,252)	(39,559)	(8,264,599) (8,516,456) 11,632,755 (1,331,688)
(1,623,660)	(85,592)	(2,071,557)	(1,464,679)		(1,464,679)	(39,559)	(6,479,988)
345,749 3,812	43,372 748	656,280 5,102	74,444	9,511 430	83,955 430	5,820	1,397,452 11,866
349,561	44,120	661,382	74,444	9,941	84,385	5,820	1,409,318
3,924,470	939,401	4,773,806	(106,420)	284,012	177,592	63,921	10,906,076
15,608,504	1,921,504	31,387,019	4,193,237	390,328	4,583,565	182,063	63,462,301
\$ 19,532,974	\$ 2,860,905	\$ 36,160,825	\$ 4,086,817	\$ 674,340	\$ 4,761,157	\$ 245,984	\$ 74,368,377

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**City of Merced**  
**Combining Statement of Cash Flows, Continued**  
**Supplementary Information - Enterprise Funds**  
**June 30, 2005**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	Total Wastewater System	Water Operations
<b>RECONCILIATION OF OPERATING</b>					
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>					
<b>(USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 686,632	\$ 5,362,585	\$ (8,575)	\$ 6,040,642	\$ (646,351)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	698,264	71,801	8,575	778,640	819,671
Service charges receivable	25,500	(50,801)		(25,301)	116,427
Prepaid items					
Inventory	1,008			1,008	43,791
Due from other governments	(1,627,972)			(1,627,972)	(1,484,512)
Accounts payable	(115,326)	397,075		281,749	354,077
Payroll liabilities					
Deposits	19,543			19,543	197,008
Deferred revenue	154,356		(756)	153,600	3,828
Compensated absences	23,319			23,319	(9,958)
Total adjustments	(821,308)	418,075	7,819	(395,414)	40,332
Net cash provided (used) by operating activities	\$ (134,676)	\$ 5,780,660	\$ (756)	\$ 5,645,228	\$ (606,019)

Restricted Water Wells	Restricted Water Mains	Total Water System	Refuse Collection	Refuse Capital Equipment	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
\$ 5,392,050	\$ 931,025	\$ 5,676,724	\$ 90,154	\$ 276,928	\$ 367,082	\$ (340,853)	\$ 11,743,595
164,648	81,091	1,065,410	477,459		477,459	129,143	2,450,652
(175,734)	(32,100)	(91,407)	(7,964)	(2,857)	(10,821)	(2,345)	(129,874)
		43,791					44,799
		(1,484,512)				92,539	(3,019,945)
51,630		405,707	112,781		112,781	2,923	803,160
			19,474		19,474	2,280	21,754
		197,008	18,849		18,849	5,356	240,756
		3,828	25,232		25,232		182,660
		(9,958)	10,530		10,530	4,651	28,542
40,544	48,991	129,867	656,361	(2,857)	653,504	234,547	622,504
\$ 5,432,594	\$ 980,016	\$ 5,806,591	\$ 746,515	\$ 274,071	\$ 1,020,586	\$ (106,306)	\$ 12,366,099

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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.

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

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

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

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

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

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

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

*Support Services Fund* - This fund contains the Personnel, Information Systems, Records and 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, 2005**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash, cash equivalents and investments	\$ 2,012,430	\$ 788,355	\$ 22,822	\$ 1,820,481	\$ 712,632
Receivables	25,312	28,768		12,985	3,998
Prepaid items		21,945			
Inventory					64,741
Total current assets	<u>2,037,742</u>	<u>839,068</u>	<u>22,822</u>	<u>1,833,466</u>	<u>781,371</u>
<b>Non-current assets:</b>					
Advances to other funds	192,640				
<b>Capital assets:</b>					
Nondepreciable					
Depreciable, net of accumulated depreciation					172,148
Total capital assets					<u>172,148</u>
Total noncurrent assets	<u>192,640</u>				<u>172,148</u>
Total assets	<u>2,230,382</u>	<u>839,068</u>	<u>22,822</u>	<u>1,833,466</u>	<u>953,519</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts payable	16,116	15,900			41,511
Payroll liabilities					
Total current liabilities	<u>16,116</u>	<u>15,900</u>			<u>41,511</u>
Other liabilities				2,983	18,440
Insurance claims	3,894,145	740,440			
Compensated absences payable					78,988
Total liabilities	<u>3,910,261</u>	<u>756,340</u>		<u>2,983</u>	<u>138,939</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt					172,148
Unrestricted	(1,679,879)	82,728	22,822	1,830,483	642,432
Total net assets	<u>\$ (1,679,879)</u>	<u>\$ 82,728</u>	<u>\$ 22,822</u>	<u>\$ 1,830,483</u>	<u>\$ 814,580</u>

Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 8,952,453	\$ 291,566	\$ 793,525	\$ 943,440	\$ 16,337,704
83,469	3,486	3,969	5,314	167,301
				21,945
				64,741
9,035,922	295,052	797,494	948,754	16,591,691
1,135,591				1,328,231
	257,553			257,553
2,725,484	297,976	567,948	367,576	4,131,132
2,725,484	555,529	567,948	367,576	4,388,685
3,861,075	555,529	567,948	367,576	5,716,916
12,896,997	850,581	1,365,442	1,316,330	22,308,607
5,191	44,691	54,325	9,097	186,831
	16,372	37,671		54,043
5,191	61,063	91,996	9,097	240,874
				21,423
				4,634,585
	57,702	118,818		255,508
5,191	118,765	210,814	9,097	5,152,390
2,725,484	555,529	567,948	367,576	4,388,685
10,166,322	176,287	586,680	939,657	12,767,532
\$ 12,891,806	\$ 731,816	\$ 1,154,628	\$ 1,307,233	\$ 17,156,217

**City of Merced**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2005**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 1,505,900	\$ 984,533	\$ 6,855	\$ 6,307,189	\$ 2,731,400
Other	144,969	552			4,702
<b>Total operating revenues</b>	<b>1,650,869</b>	<b>985,085</b>	<b>6,855</b>	<b>6,307,189</b>	<b>2,736,102</b>
<b>OPERATING EXPENSES:</b>					
Personnel services					692,491
Materials, supplies and other services	345,346	222,658	2,166	148,351	1,711,466
Depreciation					20,304
Administrative shared expenses	57,047	37,211	1,434	79,788	155,930
Insurance	486,470	1,393,863	85,610	5,550,962	
<b>Total operating expenses</b>	<b>888,863</b>	<b>1,653,732</b>	<b>89,210</b>	<b>5,779,101</b>	<b>2,580,191</b>
<b>OPERATING INCOME (LOSS)</b>	<b>762,006</b>	<b>(668,647)</b>	<b>(82,355)</b>	<b>528,088</b>	<b>155,911</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest and investment earnings	57,270	16,703	1	37,191	14,914
Gain (loss) on sale of equipment					43,140
<b>Total nonoperating revenues (expenses)</b>	<b>57,270</b>	<b>16,703</b>	<b>1</b>	<b>37,191</b>	<b>58,054</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>819,276</b>	<b>(651,944)</b>	<b>(82,354)</b>	<b>565,279</b>	<b>213,965</b>
<b>OPERATING TRANSFERS:</b>					
Transfers in			105,151		
Transfers out				(105,151)	
<b>Total operating transfers</b>			<b>105,151</b>	<b>(105,151)</b>	
<b>NET INCOME (LOSS)</b>	<b>819,276</b>	<b>(651,944)</b>	<b>22,797</b>	<b>460,128</b>	<b>213,965</b>
<b>NET ASSETS:</b>					
Beginning of the year	(2,499,155)	734,672	25	1,370,355	600,615
End of the year	<u>\$ (1,679,879)</u>	<u>\$ 82,728</u>	<u>\$ 22,822</u>	<u>\$ 1,830,483</u>	<u>\$ 814,580</u>

Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 2,166,551	\$ 1,632,886	\$ 2,937,567	\$ 386,157	\$ 18,659,038
1,145	12	2,853		154,233
<u>2,167,696</u>	<u>1,632,898</u>	<u>2,940,420</u>	<u>386,157</u>	<u>18,813,271</u>
	672,869	1,364,781		2,730,141
83,771	683,205	932,444	26,233	4,155,640
1,404,972	20,823	189,763	130,414	1,766,276
		163,431		494,841
	22,579	35,370		7,574,854
<u>1,488,743</u>	<u>1,399,476</u>	<u>2,685,789</u>	<u>156,647</u>	<u>16,721,752</u>
<u>678,953</u>	<u>233,422</u>	<u>254,631</u>	<u>229,510</u>	<u>2,091,519</u>
219,602	9,273	20,501	19,208	394,663
	580	2,383		46,103
<u>219,602</u>	<u>9,853</u>	<u>22,884</u>	<u>19,208</u>	<u>440,766</u>
<u>898,555</u>	<u>243,275</u>	<u>277,515</u>	<u>248,718</u>	<u>2,532,285</u>
		88,794		193,945
(8,794)	(8,075)			(122,020)
<u>(8,794)</u>	<u>(8,075)</u>	<u>88,794</u>		<u>71,925</u>
889,761	235,200	366,309	248,718	2,604,210
<u>12,002,045</u>	<u>496,616</u>	<u>788,319</u>	<u>1,058,515</u>	<u>14,552,007</u>
<u>\$ 12,891,806</u>	<u>\$ 731,816</u>	<u>\$ 1,154,628</u>	<u>\$ 1,307,233</u>	<u>\$ 17,156,217</u>

**City of Merced**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2005**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers, including cash deposits	\$ 1,501,552	\$ 981,449	\$ 6,855	\$ 6,305,913	\$ 2,731,400
Cash paid to suppliers	(1,531,950)	(1,371,231)	(89,210)	(5,779,101)	(1,892,063)
Cash paid to employees					(680,003)
Cash receipts (payments) other	144,969	552		(2,758)	9,171
<b>Net cash provided (used) by operating activities</b>	<b>114,571</b>	<b>(389,230)</b>	<b>(82,355)</b>	<b>524,054</b>	<b>168,505</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Due from other governments					
Due to other governments					
Advances from other funds					
Advances to other funds	59,608				
Transfers from other funds			105,151		
Transfers to other funds				(105,151)	
<b>Net cash provided (used) by noncapital     financing activities</b>	<b>59,608</b>		<b>105,151</b>	<b>(105,151)</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of fixed assets					(5,335)
Interest payments					
Proceeds from disposal of equipment					43,140
<b>Net cash provided (used) by capital and     related financing activities</b>					<b>37,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings	51,706	16,014	1	31,237	12,511
Notes to private parties					
<b>Net cash provided (used) by investing activities</b>	<b>51,706</b>	<b>16,014</b>	<b>1</b>	<b>31,237</b>	<b>12,511</b>
<b>Net increase (decrease) in cash     cash and cash equivalents</b>	<b>225,885</b>	<b>(373,216)</b>	<b>22,797</b>	<b>450,140</b>	<b>218,821</b>
Cash and cash equivalents at beginning of year	1,786,545	1,161,571	25	1,370,341	493,811
Cash and cash equivalents at end of year	<b>\$ 2,012,430</b>	<b>\$ 788,355</b>	<b>\$ 22,822</b>	<b>\$ 1,820,481</b>	<b>\$ 712,632</b>

Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 2,166,551	\$ 1,639,192	\$ 2,937,567	\$ 386,157	\$ 18,656,636
(108,740)	(683,484)	(1,111,950)	(40,830)	(12,608,559)
	(672,887)	(1,373,266)		(2,726,156)
1,145	12	2,853		155,944
<u>2,058,956</u>	<u>282,833</u>	<u>455,204</u>	<u>345,327</u>	<u>3,477,865</u>
346,018				405,626
		88,794		193,945
(8,794)	(8,075)			(122,020)
<u>337,224</u>	<u>(8,075)</u>	<u>88,794</u>		<u>477,551</u>
(1,184,989)	(257,605)	(555,544)	(202,905)	(2,206,378)
	580	2,383		46,103
<u>(1,184,989)</u>	<u>(257,025)</u>	<u>(553,161)</u>	<u>(202,905)</u>	<u>(2,160,275)</u>
203,903	8,488	19,064	16,427	359,351
<u>203,903</u>	<u>8,488</u>	<u>19,064</u>	<u>16,427</u>	<u>359,351</u>
1,415,094	26,221	9,901	158,849	2,154,492
<u>7,537,359</u>	<u>265,345</u>	<u>783,624</u>	<u>784,591</u>	<u>14,183,212</u>
<u>\$ 8,952,453</u>	<u>\$ 291,566</u>	<u>\$ 793,525</u>	<u>\$ 943,440</u>	<u>\$ 16,337,704</u>

(Continued)

**City of Merced**  
**Combining Statement of Cash Flows, Continued**  
**Internal Service Funds**  
**For the year ended June 30, 2005**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
<b>RECONCILIATION OF OPERATING</b>					
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>					
<b>(USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 762,006	\$ (668,647)	\$ (82,355)	\$ 528,088	\$ 155,911
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation					20,304
Accounts receivable	(4,348)	(3,084)		(1,276)	
Prepaid		2,918			
Inventory					(9,353)
Accounts payable	2,199	11,522			(15,314)
Payroll liabilities					
Other liabilities				(2,758)	4,469
Insurance claim payable	(645,286)	268,061			
Compensated absence payable					12,488
Total adjustments	(647,435)	279,417		(4,034)	12,594
<b>Net cash provided (used) by operating activities</b>	<b>\$ 114,571</b>	<b>\$ (389,230)</b>	<b>\$ (82,355)</b>	<b>\$ 524,054</b>	<b>\$ 168,505</b>



<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 678,953	\$ 233,422	\$ 254,631	\$ 229,510	\$ 2,091,519
1,404,972	20,823	189,763	130,414	1,766,276
	6,306			(2,402)
				2,918
				(9,353)
(24,969)	22,300	19,295	(14,597)	436
	1,795	8,577		10,372
				1,711
				(377,225)
	(1,813)	(17,062)		(6,387)
<u>1,380,003</u>	<u>49,411</u>	<u>200,573</u>	<u>115,817</u>	<u>1,386,346</u>
<u>\$ 2,058,956</u>	<u>\$ 282,833</u>	<u>\$ 455,204</u>	<u>\$ 345,327</u>	<u>\$ 3,477,865</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, 2005**

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Total
<b>ASSETS</b>							
Cash, cash equivalents and investments	\$ 16,111	\$ 36,727	\$ 225,382	\$ 8,191	\$ 168,682	\$ 8,492	\$ 463,585
Receivables	91		1,269	46	950	48	2,404
<b>Total assets</b>	<b>16,202</b>	<b>36,727</b>	<b>226,651</b>	<b>8,237</b>	<b>169,632</b>	<b>8,540</b>	<b>465,989</b>
<b>NET ASSETS</b>							
Held in trust for other purposes	16,202	36,727	226,651	8,237	169,632	8,540	465,989
<b>Total net assets</b>	<b>\$ 16,202</b>	<b>\$ 36,727</b>	<b>\$ 226,651</b>	<b>\$ 8,237</b>	<b>\$ 169,632</b>	<b>\$ 8,540</b>	<b>\$ 465,989</b>

**City of Merced**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2005**

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Total
<b>ADDITIONS:</b>							
Investment earnings	\$ 343	\$	\$ 4,805	\$ 174	\$ 3,629	\$ 145	\$ 9,096
Miscellaneous						5,279	5,279
<b>Total additions</b>	<b>343</b>		<b>4,805</b>	<b>174</b>	<b>3,629</b>	<b>5,424</b>	<b>14,375</b>
<b>DEDUCTIONS:</b>							
General government			4,000		3,807		7,807
<b>Total deductions</b>					<b>3,807</b>		<b>7,807</b>
<b>Net change in fund balances</b>	<b>343</b>		<b>805</b>	<b>174</b>	<b>(178)</b>	<b>5,424</b>	<b>6,568</b>
<b>NET ASSETS:</b>							
Beginning of year	15,859	36,727	225,846	8,063	169,810	3,116	459,421
End of year	\$ 16,202	\$ 36,727	\$ 226,651	\$ 8,237	\$ 169,632	\$ 8,540	\$ 465,989

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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, 2005**

	<u>Deposits</u>	<u>RDA Deposits</u>	<u>Payroll Clearing</u>	<u>Liberty Park</u>	<u>16th Street Assessment</u>
<b>ASSETS</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 3,017,757	\$ 111,101	\$ 418	\$ 92,885	\$ 68,632
Receivables	2,261			523	386
Deposits	77,772	66,924			
Due from other governments				947	248
Prepaid items					
Advances to other funds					
<b>Total assets</b>	<u>\$ 3,097,790</u>	<u>\$ 178,025</u>	<u>\$ 418</u>	<u>\$ 94,355</u>	<u>\$ 69,266</u>
<b>LIABILITIES</b>					
Payroll liabilities	\$	\$	\$ 418	\$	\$
Due to other funds					
Deposits	2,894,126	177,976			
Other liabilities	203,664	49			
Due to bondholders				94,355	69,266
<b>Total liabilities</b>	<u>\$ 3,097,790</u>	<u>\$ 178,025</u>	<u>\$ 418</u>	<u>\$ 94,355</u>	<u>\$ 69,266</u>



<u>Fahrens Park Debt Service</u>	<u>Fahrens Park Capital Projects</u>	<u>Bellevue Ranch East Debt Service</u>	<u>Bellevue Ranch West Debt Service</u>	<u>MM Narcotics Task Force Special Revenue</u>	<u>MMNTF Federal Sharing</u>	<u>Merced Somoto Sister City</u>	<u>Total</u>
\$ 748,094	\$ 1,432,055	\$ 36,403	\$ 61,168	\$ 300,510	\$ 12,875	\$ 3,833	\$ 5,885,731
4,213	9,062	357	210	1,691	73	22	18,798
							144,696
13,866							15,061
<u>\$ 766,173</u>	<u>\$ 1,441,117</u>	<u>\$ 36,760</u>	<u>\$ 61,378</u>	<u>\$ 302,201</u>	<u>\$ 12,948</u>	<u>\$ 3,855</u>	<u>\$ 6,064,286</u>
\$	\$	\$	\$	\$	\$	\$	\$ 418
				298,798	12,948	3,855	3,387,703
		20,585	4,680	3,403			232,381
766,173	1,441,117	16,175	56,698				2,443,784
<u>\$ 766,173</u>	<u>\$ 1,441,117</u>	<u>\$ 36,760</u>	<u>\$ 61,378</u>	<u>\$ 302,201</u>	<u>\$ 12,948</u>	<u>\$ 3,855</u>	<u>\$ 6,064,286</u>

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Fiduciary Funds - Agency Funds**  
**For the year ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b><u>Deposits</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 2,680,778	\$ 101,080,460	\$ 100,743,481	\$ 3,017,757
Advance to other funds	3,325		1,064	2,261
Deposits	79,464	622,859	624,551	77,772
<b>Total assets</b>	<b>\$ 2,763,567</b>	<b>\$ 101,703,319</b>	<b>\$ 101,369,096</b>	<b>\$ 3,097,790</b>
<b>Liabilities:</b>				
Other payables	\$ 212,209	\$ 2,023,500	\$ 2,032,045	\$ 203,664
Deposits	2,551,358	99,679,820	99,337,052	2,894,126
<b>Total liabilities</b>	<b>\$ 2,763,567</b>	<b>\$ 101,703,320</b>	<b>\$ 101,369,097</b>	<b>\$ 3,097,790</b>
<b><u>RDA Deposits</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 124,574	\$ 442,682	\$ 456,155	\$ 111,101
Deposits	166,559	1,441	101,076	66,924
<b>Total assets</b>	<b>\$ 291,133</b>	<b>\$ 444,123</b>	<b>\$ 557,231</b>	<b>\$ 178,025</b>
<b>Liabilities:</b>				
Other payables	\$ 49	\$ 143,588	\$ 143,588	\$ 49
Deposits	291,084	300,535	413,643	177,976
<b>Total liabilities</b>	<b>\$ 291,133</b>	<b>\$ 444,123</b>	<b>\$ 557,231</b>	<b>\$ 178,025</b>
<b><u>Payroll Clearing</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 1,109	\$ 13,241,918	\$ 13,242,609	\$ 418
<b>Total assets</b>	<b>\$ 1,109</b>	<b>\$ 13,241,918</b>	<b>\$ 13,242,609</b>	<b>\$ 418</b>
<b>Liabilities:</b>				
Other payables	\$ 1,109	\$ 13,241,918	\$ 13,242,609	\$ 418
<b>Total liabilities</b>	<b>\$ 1,109</b>	<b>\$ 13,241,918</b>	<b>\$ 13,242,609</b>	<b>\$ 418</b>

(Continued)

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities, Continued**  
**Fiduciary Funds**  
**For the year ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b><u>Liberty Park</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 90,847	\$ 58,840	\$ 56,802	\$ 92,885
Interest receivable	293	523	293	523
Due from other governments	2,707	947	2,707	947
<b>Total assets</b>	<b>\$ 93,847</b>	<b>\$ 60,310</b>	<b>\$ 59,802</b>	<b>\$ 94,355</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 93,848	\$ 60,310	\$ 59,803	\$ 94,355
<b>Total liabilities</b>	<b>\$ 93,848</b>	<b>\$ 60,310</b>	<b>\$ 59,803</b>	<b>\$ 94,355</b>
<b><u>16th Street Assessment</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 58,655	\$ 60,978	\$ 51,001	\$ 68,632
Interest receivable	189	386	189	386
Due from other governments	12,911	248	12,911	248
<b>Total assets</b>	<b>\$ 71,755</b>	<b>\$ 61,612</b>	<b>\$ 64,101</b>	<b>\$ 69,266</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 71,756	\$ 61,612	\$ 64,102	\$ 69,266
<b>Total liabilities</b>	<b>\$ 71,756</b>	<b>\$ 61,612</b>	<b>\$ 64,102</b>	<b>\$ 69,266</b>
<b><u>Fahrens Park Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 450,905	\$ 1,912,111	\$ 1,614,922	\$ 748,094
Interest receivable	1,456	4,213	1,456	4,213
Due from other governments	9,918	13,867	9,919	13,866
<b>Total assets</b>	<b>\$ 462,279</b>	<b>\$ 1,930,191</b>	<b>\$ 1,626,297</b>	<b>\$ 766,173</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 462,279	\$ 1,930,191	\$ 1,626,297	\$ 766,173
<b>Total liabilities</b>	<b>\$ 462,279</b>	<b>\$ 1,930,191</b>	<b>\$ 1,626,297</b>	<b>\$ 766,173</b>

(Continued)

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities, Continued**  
**Fiduciary Funds**  
**For the year ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b><u>Fahrens Park Capital Projects</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 1,379,612	\$ 56,607	\$ 4,164	\$ 1,432,055
Interest receivable	6,685	9,061	6,684	9,062
<b>Total assets</b>	<b>\$ 1,386,297</b>	<b>\$ 65,668</b>	<b>\$ 10,848</b>	<b>\$ 1,441,117</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 1,386,297	\$ 65,668	\$ 10,848	\$ 1,441,117
<b>Total liabilities</b>	<b>\$ 1,386,297</b>	<b>\$ 65,668</b>	<b>\$ 10,848</b>	<b>\$ 1,441,117</b>
<b><u>Bellevue Ranch East Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 124,237	\$ 24,528	\$ 112,362	\$ 36,403
Interest receivable	401	716	760	357
<b>Total assets</b>	<b>\$ 124,638</b>	<b>\$ 25,244</b>	<b>\$ 113,122</b>	<b>\$ 36,760</b>
<b>Liabilities:</b>				
Other Payable	\$	\$ 67,297	\$ 46,713	\$ 20,584
Due to bondholders	124,638	(42,053)	66,409	16,176
<b>Total liabilities</b>	<b>\$ 124,638</b>	<b>\$ 25,244</b>	<b>\$ 113,122</b>	<b>\$ 36,760</b>
<b><u>Bellevue Ranch West Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$	\$ 66,943	\$ 5,776	\$ 61,167
Interest receivable		359	148	211
<b>Total assets</b>	<b>\$</b>	<b>\$ 67,302</b>	<b>\$ 5,924</b>	<b>\$ 61,378</b>
<b>Liabilities:</b>				
Other payables	\$	\$ 4,680	\$	\$ 4,680
Due to bondholders		62,622	5,924	56,698
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 67,302</b>	<b>\$ 5,924</b>	<b>\$ 61,378</b>

(Continued)

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities, Continued**  
**Fiduciary Funds**  
**For the year ended June 30, 2005**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b><u>MM Narcotics Task Force Special Revenue</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 230,750	\$ 126,489	\$ 56,729	\$ 300,510
Interest receivable	742	1,692	743	1,691
<b>Total assets</b>	<b>\$ 231,492</b>	<b>\$ 128,181</b>	<b>\$ 57,472</b>	<b>\$ 302,201</b>
<b>Liabilities:</b>				
Other payables	\$	\$ 55,865	\$ 52,461	\$ 3,404
Deposits	231,492	72,316	5,011	298,797
<b>Total liabilities</b>	<b>\$ 231,492</b>	<b>\$ 128,181</b>	<b>\$ 57,472</b>	<b>\$ 302,201</b>
 <b><u>MMNTF Federal Sharing</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 12,674	\$ 238	\$ 37	\$ 12,875
Interest receivable	41	73	41	73
<b>Total assets</b>	<b>\$ 12,715</b>	<b>\$ 311</b>	<b>\$ 78</b>	<b>\$ 12,948</b>
<b>Liabilities:</b>				
Deposits	\$ 12,715	\$ 311	\$ 78	\$ 12,948
<b>Total liabilities</b>	<b>\$ 12,715</b>	<b>\$ 311</b>	<b>\$ 78</b>	<b>\$ 12,948</b>
 <b><u>Merced - Somoto Sister City</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 1,429	\$ 144,533	\$ 142,129	\$ 3,833
Interest receivable	5	22	5	22
<b>Total assets</b>	<b>\$ 1,434</b>	<b>\$ 144,555</b>	<b>\$ 142,134</b>	<b>\$ 3,855</b>
<b>Liabilities:</b>				
Deposits	\$ 1,434	\$ 144,555	\$ 142,134	\$ 3,855
<b>Total liabilities</b>	<b>\$ 1,434</b>	<b>\$ 144,555</b>	<b>\$ 142,134</b>	<b>\$ 3,855</b>

(Continued)

# City of Merced

## Statement of Changes in Fiduciary Assets and Liabilities, Continued

### Fiduciary Funds

For the year ended June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<u>All Agency Funds</u>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 5,155,570	\$ 117,216,327	\$ 116,486,167	\$ 5,885,730
Interest receivable	9,812	17,045	10,319	16,538
Deposits	246,023	624,300	725,627	144,696
Due from other governments	25,536	15,062	25,537	15,061
Advance to other funds	3,325		1,064	2,261
<b>Total assets</b>	<u>\$ 5,440,266</u>	<u>\$ 117,872,734</u>	<u>\$ 117,248,714</u>	<u>\$ 6,064,286</u>
<b>Liabilities:</b>				
Other payables	\$ 213,367	\$ 15,536,848	\$ 15,517,416	\$ 232,799
Deposits	3,088,083	100,197,537	99,897,918	3,387,702
Due to bondholders	2,138,818	2,138,350	1,833,383	2,443,785
<b>Total liabilities</b>	<u>\$ 5,440,268</u>	<u>\$ 117,872,735</u>	<u>\$ 117,248,717</u>	<u>\$ 6,064,286</u>



**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
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
2004-05	30,354,134	42,222	10,456,810	20,659,343	567,387	7,035,248	69,115,144

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
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
2004-05	15,279,216	21,523,427	4,924,123	4,213,350	1,245,814	47,185,930

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**

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Fiscal Year	Total Levy	Total Collection	Percent of Levy Collected
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%
2004-05	5,155,466	5,415,845	105%

Source: County of Merced Auditor-Controller

**City of Merced**  
**Principal Property Owners**  
**For the year ended June 30, 2005**

	Assessed Value	Percentage of Assessed Value
Total assessed value	\$ 3,279,254,312	100%
World Color Press Inc.	\$ 105,782,560	3.23%
Mater Misericordiae Hospital	76,358,011	2.33%
Conopco Inc.	53,594,237	1.63%
Danville Land Investment	49,920,000	1.52%
Safeway, Inc.	37,025,645	1.13%
Scholle Corporation	30,863,047	0.94%
Don Gagnani	22,211,330	0.68%
Village Landing	16,907,955	0.52%
Costco Wholesale Corporation	16,199,999	0.49%
Zelman Merced Marketplace	16,079,875	0.49%
<b>Total</b>	<b>\$ 424,942,659</b>	<b>12.96%</b>

Source: HDL Coren & Cone

# City of Merced

## Property Tax Rates - Direct and all Overlapping Governments

Last ten fiscal years

(Per \$100 of Assessed Value)

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<u>Fiscal Year</u>	<u>Local</u>	<u>School Districts</u>	<u>Total</u>
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%
2004-05	1.0000%	0.0718%	1.0718%

Source: Merced County Auditor

**City of Merced**  
**Computation of Bonded Debt Limit**  
**For the year ended June 30, 2005**

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Full Assessed Valuation	\$	3,279,254,312
25% of Full Assessed Value		819,813,578
Debt Limit 15% of Reduced Full Assessed Value		122,972,037
Amount of Debt Applicable to Debt Limit		
<b>Legal Debt Limit</b>	<b>\$</b>	<b>122,972,037</b>

Source: California Municipal Statistics

**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
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	1.0%	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	2.3%	223,626	30.2%	21.520	22,568
2003-04	69,805	3.2%	232,141	30.1%	22.090	23,301
2004-05	73,610	5.5%	240,162	30.7%	22.340	24,757

(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, 2005**

Jurisdiction	Percentage Applicable	Net Debt Outstanding
City of Merced 1915 Act Bonds	73.578% - 100.00%	\$ 9,267,000
Merced County Certificates of Participation	22.665%	5,665,117
Merced County Pension Obligations	22.665%	13,271,491
Merced County Office of Education Certificates of Participation	22.665%	497,497
McSwain Union School District Certificates of Participation	0.0500%	6
<b>Total</b>		<b>\$ 28,701,111 (1)</b>

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

Ratios to 2004-05 Assessed Valuation

Direct Debt	0.00%
Total Debt	1.39%

Share of State School Building Aid repayable as of June 30, 2005: \$3,833  
(Merced Union High School District)

2004-05 Adjusted Assessed Valuation

\$2,723,392,248 (after deducting \$555,862,064 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
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%
2004-05	3,049,388,695	5,016,662	224,848,955	3,279,254,312	3,279,254,312	100%

Source: (Valuations) County of Merced Auditor-Controller

Fiscal Year	Single Family/Multi Family		Commercial/Industrial		All Others	
	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation
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
2004-05	2,192	172,205,721	405	39,571,015	257	825,693

Source: City of Merced Planning and Building Departments

**City of Merced**  
**Miscellaneous Statistics**  
**For the year ended June 30, 2005**

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Date of incorporation	April 1, 1889
Form of government	Council-Manager
Area (square miles)	22.34
Miles of streets (Center Line)	276.1
Number of street lights	3,687
<b>Fire protection:</b>	
Number of stations	4
Number of firemen and officers (exclusive of volunteer firemen)	58
<b>Police protection:</b>	
Number of stations	3
Number of policemen and officers	80
<b>Education (elementary only):</b>	
Attendance centers (schools)	17
Number of classrooms	491
Number of teachers	684
Number of students	11,289
<b>Municipal water department:</b>	
Number of customer accounts	18,278
Average daily consumption (million gallons)	603.17
Water Mains (miles)	274.19
<b>Sewers:</b>	
Sanitary Sewers (miles)	420.09
Storm Sewers (miles)	84.23
<b>Building permits issued:</b>	2,854
<b>Recreation and culture:</b>	
Number of parks	29
<b>Employees:</b>	
Classified service	407
Exempt	35

Source: City of Merced and Merced City School District



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