



CITY OF MERCED, CALIFORNIA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Applegate Park Zoo was built in 1961 and is the only facility of its kind in the central San Joaquin Valley. Located next to Bear Creek at 1045 W. 25th Street, visitors can enjoy native species exhibits in a botanical garden setting. It is a favorite attraction for families and school groups in Merced and Stanislaus Counties. The City of Merced partners with the Merced Zoological Society to provide the year round attraction.

Pictured on the cover is “Boomer” a California Bobcat orphaned in the wild as a kitten and raised at Applegate Park Zoo.

Photo ©2006 Roger J. Wyan



City of Merced

Merced, California

Comprehensive Annual Financial Report

For the year ended June 30, 2006

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

**City of Merced
 Comprehensive Annual Financial Report
 For the year ended June 30, 2006**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Transmittal Letter.....	v
Organization Chart	
Responsible Officials.....	
GFOA Certificate of Achievement for Excellence in Financial Reporting	
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
 Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	
Statement of Activities and Changes in Net Assets.....	
 <i>Fund Financial Statements:</i>	
<i>Government Fund Financial Statements:</i>	
Balance Sheet	
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	
Statement of Revenues, Expenditures and Changes in Fund Balances	
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	
 <i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	
Statement of Revenues, Expenses and Changes in Net Assets	
Statement of Cash Flows	
 <i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets	
Statement of Changes in Fiduciary Net Assets.....	
Notes to Basic Financial Statements.....	

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Table of Contents, Continued

Page

FINANCIAL SECTION, Continued

Basic Financial Statements, Continued:

Required Supplementary Information:

Budgetary Control and Accounting

Public Employee Retirement Systems Schedule of Funding Progress

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

 General Fund

 Redevelopment Agency Special Revenue Fund – Major Fund

 Housing Special Revenue Fund – Major Fund

 Development Services Special Revenue Fund – Major Fund

 Public Facilities Impact Special Revenue Fund – Major Fund

Supplementary Information:

Non-Major Governmental Funds:

Combining Balance Sheet

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

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

 Redevelopment Agency Debt Service Fund – Major Fund

 Redevelopment Agency Capital Projects Fund – Major Fund

 Downtown Parking Special Revenue Fund

 Downtown Special Revenue Fund

 Local Transportation Special Revenue Fund

 Gas Tax Special Revenue Fund

 Traffic Safety Special Revenue Fund

 Street Trees Special Revenue Fund

 Streets and Street Lights Maintenance Special Revenue Fund

 Recreation and Parks Special Revenue Fund

 Surface Transportation Program Special Revenue Fund

 Proposition 172 Special Revenue Fund

 Public Works Administration Special Revenue Fund

 Federal COPS Funding Special Revenue Fund

 Traffic Safety Targeted Impoundments Special Revenue Fund

 Supplemental Law Enforcement Services Special Revenue Fund

 Parking Enforcement Special Revenue Fund

 TEA Exchange Special Revenue Fund

 Child Development Special Revenue Fund

**City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2006**

Table of Contents, Continued

Page

FINANCIAL SECTION, Continued

Supplementary Information, Continued:

Non-Major Governmental Funds Continued:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued:

Local Law Enforcement Grant Special Revenue Fund

Maintenance Districts Special Revenue Fund.....

CFD Formation Special Revenue Fund

Airport Industrial Park Debt Service Fund.....

Public Financing Authority Debt Service Fund

Park Reserve Capital Projects Fund

Airport Industrial Park Capital Projects Fund

Streets and Signals Capital Projects Fund

Fire Station Capital Projects Fund

Police Mobile Computers Capital Projects Fund

McComb's Youth Center Capital Projects Fund.....

PCE Remediation Capital Projects Fund

Fire Station #55 Fund Capital Projects Fund

Enterprise Funds:

Combining Statement of Net Assets

Combining Statement of Revenues, Expenses and Changes in Net Assets

Combining Statement of Cash Flows.....

Internal Service Funds:

Combining Statement of Net Assets

Combining Statement of Revenues, Expenses and Changes in Net Assets

Combining Statement of Cash Flows.....

Private Purpose Trust Funds:

Statement of Fiduciary Net Assets

Statement of Changes in Fiduciary Net Assets

Agency Funds:

Balance Sheet

Statement of Changes in Fiduciary Assets and Liabilities

**City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2006**

Table of Contents, Continued

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
General Revenues - By Source - Governmental Fund Types	
General Expenditures - By Activity - Governmental Fund Types	
Property Tax Levies and Collections	
Principal Property Owners	
Property Tax Rates - Direct and all Overlapping Governments.....	
Computation of Bonded Debt Limit.....	
Demographic Statistics	
Direct and Overlapping Bonded Debt	
Property Value and Construction	
Miscellaneous Statistics	

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, 2006, 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, 2006, 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, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

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

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 inquiries 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.

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

Oakland, California
September 29, 2006

City of Merced
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 98,558,770	\$ 61,950,001	\$ 160,508,771
Restricted cash held by fiscal agent	2,443,763	17,029,486	19,473,249
Receivables	5,205,679	5,753,936	10,959,615
Due from other governments	5,455,996	8,309,797	13,765,793
Prepaid items	22,056		22,056
Inventory	125,158	88,254	213,412
Total current assets	111,811,422	93,131,474	204,942,896
Noncurrent assets:			
Land held for resale	1,905,534		1,905,534
Notes receivable	26,930,670	36,539	26,967,209
Loan guarantee receivable	1,225,024		1,225,024
Internal balances, noncurrent portion	826,019	(826,019)	
Deferred charges		648,096	648,096
Subtotal noncurrent assets	30,887,247	(141,384)	30,745,863
Capital assets:			
Nondepreciable	87,729,187	21,586,109	109,315,296
Depreciable, net of accumulated depreciation	203,554,096	55,900,410	259,454,506
Total capital assets, net	291,283,283	77,486,519	368,769,802
Total noncurrent assets	322,170,530	77,345,135	399,515,665
Total assets	433,981,952	170,476,609	604,458,561
LIABILITIES			
Current liabilities:			
Accounts payable	2,179,289	1,777,067	3,956,356
Payroll liabilities	1,276,183	201,145	1,477,328
Deposits	11,000	1,050,188	1,061,188
Unearned revenue	219,345	2,396,269	2,615,614
Accrued interest payable	178,542	525,889	704,431
Other liabilities	7,480,503	195,414	7,675,917
Compensated absences, due within one year	528,119	70,655	598,774
Claims payable, due within one year	1,268,478		1,268,478
Long-term debt, due within one year	2,049,566	1,392,546	3,442,112
Total current liabilities	15,191,025	7,609,173	22,800,198
Noncurrent liabilities:			
Compensated absences, due in more than one year	2,329,359	447,318	2,776,677
Claims payable, due in more than one year	2,683,911		2,683,911
Long-term debt, due in more than one year	38,100,438	38,447,482	76,547,920
Total noncurrent liabilities	43,113,708	38,894,800	82,008,508
Total liabilities	58,304,733	46,503,973	104,808,706
NET ASSETS			
Invested in capital assets, net of related debt	256,320,458	45,873,700	302,194,158
Restricted for:			
Special projects and programs	16,945,650	7,366,137	24,311,787
Debt service	5,920,846	593,712	6,514,558
Capital projects	13,809,113		13,809,113
Total restricted	36,675,609	7,959,849	44,635,458
Unrestricted	82,681,152	70,139,087	152,820,239
Total net assets	\$ 375,677,219	\$ 123,972,636	\$ 499,649,855

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 21,610,432	\$ 28,642,848	\$ 7,558,640	\$ 168,265	\$ 36,369,753
Public safety	22,801,910	1,824,066	267,885	499,270	2,591,221
Public works	11,679,497	3,159,125	66,501	11,375,071	14,600,697
Parks	4,830,613	4,321,401	738,104		5,059,505
Interest on long-term debt	1,447,658				
Total governmental activities	62,370,109	37,947,440	8,631,130	12,042,606	58,621,176
Business-type activities:					
Wastewater system	9,772,349	17,301,835			17,301,835
Water system	7,747,807	16,303,612			16,303,612
Refuse collection system	9,649,845	10,170,367		2,342,250	12,512,617
Merced municipal airport	749,698	1,838,491			1,838,491
Total business-type activities	27,919,699	45,614,305		2,342,250	47,956,555
Total government	\$ 90,289,808	\$ 83,561,745	\$ 8,631,130	\$ 14,384,856	\$ 106,577,731

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

Transfers

Total general revenues and transfers

Changes in net assets

Net Assets:

Beginning of year

End of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 14,759,321	\$	\$ 14,759,321
(20,210,689)		(20,210,689)
2,921,200		2,921,200
228,892		228,892
(1,447,658)		(1,447,658)
(3,748,933)		(3,748,933)
	7,529,486	7,529,486
	8,555,805	8,555,805
	2,862,772	2,862,772
	1,088,793	1,088,793
	20,036,856	20,036,856
(3,748,933)	20,036,856	16,287,923
20,390,216		20,390,216
9,826,786		9,826,786
1,270,076		1,270,076
495,525		495,525
910,755		910,755
1,280,686		1,280,686
2,885,237		2,885,237
107,229		107,229
37,166,510		37,166,510
1,403,994	2,561,356	3,965,350
1,915,363		1,915,363
(145,030)	145,030	
40,340,837	2,706,386	43,047,223
36,591,904	22,743,242	59,335,146
339,085,315	101,229,394	440,314,709
\$ 375,677,219	\$ 123,972,636	\$ 499,649,855

This page intentionally left blank.

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.

City of Merced
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Service Special Revenue	Public Facilities Impact Special Revenue
ASSETS					
Cash, cash equivalents and investments	\$ 20,971,661	\$ 536,713	\$ 372,339	\$ 7,697,868	\$ 14,992,465
Cash held by fiscal agent	9,184				
Receivables	628,541	23,532	14,317	68,470	2,286,335
Due from other governments	2,785,282		926,779		
Due from other funds	42,471	115,214			
Inventory	29,414				
Land held for resale		1,591,267			
Notes receivable	30,924	8,736,237	14,099,082	9,616	
Loan guarantee receivable					
Advances to other funds	162,351				
Total assets	\$ 24,659,828	\$ 11,002,963	\$ 15,412,517	\$ 7,775,954	\$ 17,278,800
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 201,148	\$ 1,575	\$ 53,342	\$ 128,098	\$
Payroll liabilities	914,267	8,721	7,564	120,165	
Deposits		11,000			
Deferred revenue	206,580	3,767,684	14,037,221		
Due to other funds					
Advances from other funds			41,861		
Other liabilities	4,727		25,696		7,441,610
Total liabilities	1,326,722	3,788,980	14,165,684	248,263	7,441,610
Fund Balances:					
Reserved	1,014,604	6,572,613	679,284	1,678,835	
Unreserved, designated , reported in:					
General Fund	5,413,243				
Special revenue funds					
Total unreserved, designated	5,413,243				
Unreserved, undesignated reported in funds:					
General Fund	16,905,259				
Special revenue funds		641,370	567,549	5,848,856	9,837,190
Debt service funds					
Capital project funds					
Total unreserved, undesignated	16,905,259	641,370.0	567,549	5,848,856	9,837,190
Total fund balances	23,333,106	7,213,983	1,246,833	7,527,691	9,837,190
Total liabilities and fund balances	\$ 24,659,828	\$ 11,002,963	\$ 15,412,517	\$ 7,775,954	\$ 17,278,800

See accompanying Notes to Basic Financial Statements.

Major Funds			
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 1,921,648	\$ 14,398,590	\$ 18,623,945	\$ 79,515,229
2,434,579			2,443,763
170,927	178,793	1,546,685	4,917,600
576,071		1,162,757	5,450,889
			157,685
			29,414
	96,068	218,199	1,905,534
4,000,000	52,424	2,387	26,930,670
1,225,024			1,225,024
		3,648	165,999
<u>\$ 10,328,249</u>	<u>\$ 14,725,875</u>	<u>\$ 21,557,621</u>	<u>\$ 122,741,807</u>
\$ 6,126	\$ 202,291	\$ 1,262,760	\$ 1,855,340
		134,412	1,185,129
			11,000
4,148,860		16,413	22,176,758
115,214		42,471	157,685
143,706		77,312	262,879
			7,472,033
<u>4,413,906</u>	<u>202,291</u>	<u>1,533,368</u>	<u>33,120,824</u>
5,914,343	2,438,639	10,826,880	29,125,198
			5,413,243
		274,078	274,078
		274,078	5,687,321
			16,905,259
		4,674,039	21,569,004
		6,503	6,503
	12,084,945	4,242,753	16,327,698
	12,084,945	8,923,295	54,808,464
<u>5,914,343</u>	<u>14,523,584</u>	<u>20,024,253</u>	<u>89,620,983</u>
<u>\$ 10,328,249</u>	<u>\$ 14,725,875</u>	<u>\$ 21,557,621</u>	<u>\$ 122,741,807</u>

This page intentionally left blank.

City of Merced
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006

Total Fund Balances - Total Governmental Funds \$ 89,620,983

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 \$210,679	\$ 87,518,508	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$5,733,398	<u>197,820,699</u>	285,339,207

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	(2,049,566)	
Long-term debt due in more than one year	(38,100,438)	
Compensated absences, net of Internal Service Fund liability of \$252,716	<u>(2,604,762)</u>	(42,754,766)

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.

21,957,413

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.

(178,542)

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.

21,692,924

Net Assets of Governmental Activities

\$ 375,677,219

City of Merced
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
REVENUES:					
Taxes	\$ 29,982,409	\$	\$	\$	\$
Licenses and permits	45,397				
Intergovernmental	1,187,382		4,374,998		
Service charges	5,271,292			7,047,517	10,402,486
Fines, forfeitures and penalties	69,238				
Other	1,119,480	1,597,729	71,890	1,114,135	636,249
Total revenues	37,675,198	1,597,729	4,446,888	8,161,652	11,038,735
EXPENDITURES:					
Current operating:					
General government	4,357,555	1,295,096	3,700,878	4,374,610	103,037
Public safety	23,711,353				
Public works				1,637,055	
Parks	2,126,428				
Total current operating	30,195,336	1,295,096	3,700,878	6,011,665	103,037
Capital outlay	855,250	1,318		159,673	8,760,968
Debt service:					
Principal	40,000				
Interest	415,453				
Total expenditures	31,506,039	1,296,414	3,700,878	6,171,338	8,864,005
REVENUES OVER (UNDER) EXPENDITURES	6,169,159	301,315	746,010	1,990,314	2,174,730
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets					
Transfers in	986,325	1,753,181		159,883	
Transfers out	(4,001,778)	(2,382,298)	(1,190,427)	(37,800)	(7,986,326)
Total other financing sources (uses)	(3,015,453)	(629,117)	(1,190,427)	122,083	(7,986,326)
Net change in fund balances	3,153,706	(327,802)	(444,417)	2,112,397	(5,811,596)
FUND BALANCES:					
Beginning of year	20,179,400	7,541,785	1,691,250	5,415,294	15,648,786
End of year	\$ 23,333,106	\$ 7,213,983	\$ 1,246,833	\$ 7,527,691	\$ 9,837,190

See accompanying Notes to Basic Financial Statements.

Major Funds		Non-Major Governmental Funds	Total
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects		
\$ 6,340,133	\$	\$ 1,922,228	\$ 38,244,770
			45,397
	167,863	3,018,446	8,748,689
193,341		1,735,030	24,649,666
		581,056	650,294
115,444	820,646	6,038,398	11,513,971
6,648,918	988,509	13,295,158	83,852,787
888,902	461,912	3,019,005	18,200,995
		169,400	23,880,753
		3,522,444	5,159,499
		2,477,219	4,603,647
888,902	461,912	9,188,068	51,844,894
	1,687,400	10,379,171	21,843,780
1,829,063	13,329	1,360,000	3,242,392
1,058,983	6,177	30,307	1,510,920
3,776,948	2,168,818	20,957,546	78,441,986
2,871,970	(1,180,309)	(7,662,388)	5,410,801
	768,116	2,289,972	3,058,088
286,300	3,745,559	15,741,657	22,672,905
(2,433,006)	(783,000)	(3,967,325)	(22,781,960)
(2,146,706)	3,730,675	14,064,304	2,949,033
725,264	2,550,366	6,401,916	8,359,834
5,189,079	11,973,218	13,622,337	81,261,149
\$ 5,914,343	\$ 14,523,584	\$ 20,024,253	\$ 89,620,983

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, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 8,359,834
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.	20,382,138
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.	12,042,310
Capital assets transferred to business-type activities were not current financial resources and therefore, were not recorded in the fund financial statements.	(667,666)
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	(3,058,088)
Gain (loss) on sale of capital assets, net of a gain on sale of capital assets reported in Internal Service Funds of \$37,914.	3,034,808
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 \$1,676,299	(11,210,474)
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.	154,613
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	3,242,392
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.	(287,932)
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.	63,262
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.	4,536,707
Change in Net Assets of Governmental Activities	\$ 36,591,904

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, 2006

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 23,672,090	\$ 33,518,489	\$ 4,651,041	\$ 108,381	\$ 61,950,001	\$ 19,043,541
Cash held by fiscal agent	11,240,769	5,788,717			17,029,486	
Receivables	2,531,958	2,571,799	642,420	7,759	5,753,936	288,079
Due from other governments	4,170,287	3,955,928	43,674	139,908	8,309,797	5,107
Prepaid items						22,056
Inventory	1,500	86,754			88,254	95,744
Total current assets	41,616,604	45,921,687	5,337,135	256,048	93,131,474	19,454,527
Noncurrent assets:						
Notes receivable-private parties	20,531	14,764	1,244		36,539	
Advances to other funds	16,620	5,803			22,423	922,899
Deferred charges	469,006	179,090			648,096	
Capital assets:						
Nondepreciable	9,446,461	9,709,361	825,563	1,604,724	21,586,109	210,679
Depreciable, net of accumulated depreciation	26,909,238	18,682,999	9,203,198	1,104,975	55,900,410	5,733,397
Total capital assets	36,355,699	28,392,360	10,028,761	2,709,699	77,486,519	5,944,076
Total noncurrent assets	36,861,856	28,592,017	10,030,005	2,709,699	78,193,577	6,866,975
Total assets	78,478,460	74,513,704	15,367,140	2,965,747	171,325,051	26,321,502
LIABILITIES						
Current liabilities:						
Accounts payable	687,746	754,422	241,581	93,318	1,777,067	323,949
Payroll payable	72,076	50,586	72,249	6,234	201,145	91,054
Deposits	77,132	840,897	113,334	18,825	1,050,188	
Unearned revenue	1,133,267	754,031	508,971		2,396,269	
Accrued interest payable	341,806	158,574	25,509		525,889	
Compensated absences payable, due within one year	38,468	3,293	27,981	913	70,655	18,018
Insurance claims, due within one year						1,268,478
Long-term debt, due within one year	1,032,573	359,973			1,392,546	
Total current liabilities	3,383,068	2,921,776	989,625	119,290	7,413,759	1,701,499
Noncurrent liabilities:						
Advances from other funds			779,193	69,249	848,442	
Other liabilities	165,782	22,249		7,383	195,414	8,470
Compensated absences payable, due in more than one year	198,851	92,902	145,097	10,468	447,318	234,698
Insurance claims, due in more than one year						2,683,911
Long-term debt, due in more than one year	25,891,963	12,555,519			38,447,482	
Total noncurrent liabilities	26,256,596	12,670,670	924,290	87,100	39,938,656	2,927,079
Total liabilities	29,639,664	15,592,446	1,913,915	206,390	47,352,415	4,628,578
NET ASSETS						
Invested in capital assets, net of related debt	13,506,090	19,629,150	10,028,761	2,709,699	45,873,700	5,944,076
Restricted						
Special projects and programs	5,269,017	1,861,225	69,925	165,970	7,366,137	
Debt service	499,988	93,724			593,712	
Capital projects						
Unrestricted	29,563,701	37,337,159	3,354,539	(116,312)	70,139,087	15,748,848
Total net assets	\$ 48,838,796	\$ 58,921,258	\$ 13,453,225	\$ 2,759,357	\$ 123,972,636	\$ 21,692,924

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, 2006

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
OPERATING REVENUES:						
Charges for services	\$ 16,842,826	\$ 16,182,760	\$ 10,042,202	\$ 1,837,672	\$ 44,905,460	\$ 21,276,818
Other revenues	459,009	120,852	128,165	819	708,845	32,713
Total operating revenues	17,301,835	16,303,612	10,170,367	1,838,491	45,614,305	21,309,531
OPERATING EXPENSES:						
Personnel services	2,553,394	1,655,521	2,527,808	207,577	6,944,300	3,057,505
Materials, supplies and other services	2,910,225	2,768,579	5,304,869	368,313	11,351,986	4,679,261
Depreciation	1,660,028	1,407,150	547,719	128,099	3,742,996	1,676,299
Administrative shared expenses	773,020	636,181	792,209	45,709	2,247,119	628,561
Costs applied-labor, materials, supplies and services	617,770	719,673	451,731		1,789,174	7,385,414
Total operating expenses	8,514,437	7,187,104	9,624,336	749,698	26,075,575	17,427,040
OPERATING INCOME (LOSS)	8,787,398	9,116,508	546,031	1,088,793	19,538,730	3,882,491
NONOPERATING REVENUES (EXPENSES):						
Interest and investment earnings	1,121,019	1,287,188	146,571	6,578	2,561,356	652,277
Interest and related expenses	(1,257,912)	(560,703)	(25,509)		(1,844,124)	
Gain (loss) on sale of equipment						37,914
Total nonoperating revenues (expenses)	(136,893)	726,485	121,062	6,578	717,232	690,191
INCOME (LOSS) BEFORE TRANSFERS CAPITAL CONTRIBUTIONS	8,650,505	9,842,993	667,093	1,095,371	20,255,962	4,572,682
TRANSFERS AND CAPITAL CONTRIBUTIONS:						
Capital contributions			2,342,250		2,342,250	
Transfers in				365,068	365,068	43,637
Transfers out		(95,038)		(125,000)	(220,038)	(79,612)
Total transfers and capital contributions		(95,038)	2,342,250	240,068	2,487,280	(35,975)
Change in net assets	8,650,505	9,747,955	3,009,343	1,335,439	22,743,242	4,536,707
NET ASSETS:						
Beginning of year	40,188,291	49,173,303	10,443,882	1,423,918	101,229,394	17,156,217
End of year	\$ 48,838,796	\$ 58,921,258	\$ 13,453,225	\$ 2,759,357	\$ 123,972,636	\$ 21,692,924

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers, including cash deposits	\$ 16,826,352	\$ 16,134,032	\$ 10,213,516	\$ 1,704,618	\$ 44,878,518	\$ 21,343,828
Cash paid to suppliers	(4,244,093)	(4,066,864)	(6,619,531)	(324,354)	(15,254,842)	(13,269,428)
Cash paid to employees	(2,569,408)	(1,647,552)	(2,493,248)	(207,627)	(6,917,835)	(3,023,286)
Cash (paid to) received from other governments	(47,926)	(7,684)	(43,674)		(99,284)	14,653
Net cash provided (used) by operating activities	9,964,925	10,411,932	1,057,063	1,172,637	22,606,557	5,065,767
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Advances from other funds			(838,672)		(838,672)	405,332
Advances to other funds	16,061	5,607			21,668	
Transfers from other funds	338,131	362,046		365,068	1,065,245	43,637
Transfers to other funds	(338,131)	(457,083)		(125,000)	(920,214)	(79,612)
Net cash provided (used) by noncapital financing activities	16,061	(89,430)	(838,672)	240,068	(671,973)	369,357
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(6,828,504)	(7,311,647)	(403,226)	(1,556,886)	(16,100,263)	(3,300,214)
Payment of long-term debt	(1,127,851)	(338,403)			(1,466,254)	
Interest payments	(1,243,414)	(533,586)	(33,048)		(1,810,048)	
Proceeds from disposal of equipment						106,438
Net cash provided (used) by capital and related financing activities	(9,199,769)	(8,183,636)	(436,274)	(1,556,886)	(19,376,565)	(3,193,776)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment earnings	919,764	997,027	106,883	6,578	2,030,252	464,489
Payments from notes to private parties	11,467	10,489	884		22,840	
Net cash provided (used) by investing activities	931,231	1,007,516	107,767	6,578	2,053,092	464,489
Net increase (decrease) in cash and cash equivalents	1,712,448	3,146,382	(110,116)	(137,603)	4,611,111	2,705,837
Cash and cash equivalents at beginning of year	33,200,411	36,160,824	4,761,157	245,984	74,368,376	16,337,704
Cash and cash equivalents at end of year	\$ 34,912,859	\$ 39,307,206	\$ 4,651,041	\$ 108,381	\$ 78,979,487	\$ 19,043,541

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2006

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
RECONCILIATION OF OPERATING						
INCOME (LOSS) TO NET CASH PROVIDED						
(USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 8,787,398	\$ 9,116,508	\$ 546,031	\$ 1,088,793	\$ 19,538,730	\$ 3,882,491
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,660,028	1,407,150	547,719	128,099	3,742,996	1,676,299
Accounts receivable						67,010
Service charges receivable	(686,080)	(478,241)	(43,004)	(5,264)	(1,212,589)	
Prepaid items						(111)
Inventories	60	(20,846)			(20,786)	(31,003)
Due from other governments	(47,926)	(7,684)	(43,674)	(128,621)	(227,905)	(5,107)
Accounts payable	56,862	78,415	(70,722)	90,395	154,950	137,118
Payroll liabilities	14,094	(4,434)	10,601	618	20,879	37,011
Deposits	25,580	228,607	47,134	(727)	300,594	
Deferred revenue	366,346	57,806	39,019		463,171	
Other liabilities	(181,329)	22,249		12	(159,068)	(12,953)
Insurance claim payable						(682,196)
Compensated absence payable	(30,108)	12,402	23,959	(668)	5,585	(2,792)
Total adjustments	1,177,527	1,295,424	511,032	83,844	3,067,827	1,183,276
Net cash provided (used) by operating activities	\$ 9,964,925	\$ 10,411,932	\$ 1,057,063	\$ 1,172,637	\$ 22,606,557	\$ 5,065,767
NON CASH ITEMS:						
Developer contributions of capital assets	\$	\$	\$ 2,342,250	\$	\$ 2,342,250	\$

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

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, 2006

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 886,770	\$ 5,770,618
Restricted cash held by fiscal agent		12,657,899
Receivables	7,242	28,526
Deposits		143,823
Due from other governments		25,905
Total assets	894,012	\$ 18,626,771
LIABILITIES		
Accounts payable	\$ 446,558	
Deposits		2,637,027
Other liabilities		457,667
Due to bondholders		15,532,077
Total liabilities	446,558	\$ 18,626,771
NET ASSETS		
Held in trust for other purposes	447,454	
Total net assets	\$ 447,454	

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2006

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings	\$ 22,187
Miscellaneous	<u>1,506,242</u>
Total additions	<u>1,528,429</u>
DEDUCTIONS:	
General government	<u>1,546,964</u>
Total deductions	<u>1,546,964</u>
Net change in fund balances	(18,535)
NET ASSETS:	
Beginning of year	<u>465,989</u>
End of year	<u><u>\$ 447,454</u></u>

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

City of Merced
Notes to Basic Financial Statements
For the year ended June 30, 2006

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 Redevelopment Agency (Agency) of the City of Merced 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, 2006

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 five 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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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 2006, the City adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- Statement No. 44, *Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1)* – The Statement establishes the objectives of the statistical section and the five categories of information it contains: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Implementation of New GASB Pronouncements, Continued

- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* – The Statement addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47, *Accounting for Termination Benefits* – The Statement provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

2. CASH AND INVESTMENTS

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

A. Cash Deposits

At June 30, 2006, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a negative balance of \$901,951 and petty cash of \$2,350. Bank balances in the City's general checking accounts were \$702,245 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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

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, 2006:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 98,558,770	\$ 61,950,001	\$ 160,508,771	\$ 6,657,388	\$ 167,166,159
Restricted Cash and Investments	\$ 2,443,763	\$ 17,029,486	\$ 19,473,249	\$ 12,657,899	\$ 32,131,148

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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

Pooled cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2006, are shown below:

Investment Type	Fair Value	Investment Maturities (in years) <u>1 year or less</u>
Cash:		
Cash Deposits	\$ (901,951)	\$ (901,951)
Petty Cash	2,350	2,350
Total cash:	(899,601)	(899,601)
Investments:		
Money Market Fund	2,671,594	2,671,594
U.S. Government Agency Securities	134,187,270	134,187,270
Local Agency Investment Funds	31,206,896	31,206,896
Total investments	168,065,760	168,065,760
Total cash and investments	\$ 167,166,159	\$ 167,166,159
Cash with Fiscal Agents:		
Local Agency Investment	\$ 16,475,188	\$ 16,475,188
Money Market Funds	1,532,063	1,532,063
U.S. Agency Securities	2,071,000	2,071,000
Investment Contracts	12,052,897	12,052,897
Total cash with fiscal agents	\$ 32,131,148	\$ 32,131,148

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, 2006 for each investment type:

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

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, 2006 from June 30, 2005, amounted to an unrealized increase of \$512,814.

F. Investments in Local Agency Investment Fund

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2006, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2006, the City had \$31,206,896 invested in LAIF, which had invested 2.567% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998185821 was used to calculate the fair value of the investments in LAIF.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

G. Cash and Investments with Fiscal Agents

Funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated "A" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2006, cash and investments with fiscal agents totaling \$32,131,148 were recorded at fair value.

3. RECEIVABLES

A. Government Wide Financial Statements

At June 30, 2006, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Accounts receivable	\$ 4,175,300	\$ 5,222,147	\$ -	\$ 9,397,447
Interest receivable	1,030,379	531,789	35,768	1,597,936
Total	\$ 5,205,679	\$ 5,753,936	\$ 35,768	\$ 10,995,383

B. Fund Financial Statements

At June 30, 2006, the fund financial statements show the following receivables:

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2006, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 450,678
Development Service Special Revenue Fund	3,784
Public Facilities Impact Special Revenue Fund	2,109,272
Redevelopment Agency Capital Projects Fund	73,800
Nonmajor Funds	1,437,475
Total governmental funds	4,075,009
<i>Enterprise Funds:</i>	
Wastewater System	2,330,017
Water System	2,281,639
Refuse Collection System	602,732
Merced Municipal Airport	7,759
Total enterprise funds	5,222,147
<i>Internal Service Funds</i>	100,291
Total	\$ 9,397,447

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, was as follows:

	City Pooled Investments	Fiscal Agent Investments	Total
<i>Governmental Funds:</i>			
General Fund	\$ 177,863	\$ -	\$ 177,863
Redevelopment Agency Special Revenue Fund	23,532	-	23,532
Housing Special Revenue Fund	14,317	-	14,317
Development Services Special Revenue Fund	64,686	-	64,686
Public Facilities Impact Special Revenue Fund	177,063	-	177,063
Redevelopment Agency Debt Service Fund	170,927	-	170,927
Redevelopment Agency Capital Projects Fund	13,039	91,954	104,993
Nonmajor Governmental Funds	109,210	-	109,210
Total governmental funds	<u>750,637</u>	<u>91,954</u>	<u>842,591</u>
<i>Enterprise Funds:</i>			
Wastewater System	201,941	-	201,941
Water System	290,160	-	290,160
Refuse Collection System	39,688	-	39,688
Total enterprise funds	<u>531,789</u>	<u>-</u>	<u>531,789</u>
<i>Internal Service Funds:</i>			
	<u>187,788</u>	<u>-</u>	<u>187,788</u>
Total	<u>1,470,214</u>	<u>91,954</u>	<u>1,562,168</u>
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	7,569	-	7,569
Agency Funds	13,303	14,896	28,199
Total fiduciary funds	<u>20,872</u>	<u>14,896</u>	<u>35,768</u>
Total interest receivable	<u>\$ 1,491,086</u>	<u>\$ 106,850</u>	<u>\$ 1,597,936</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 219,345	\$ -	\$ 219,345
Service charges received in advance	-	1,889,464	1,889,464
Land application fees	-	506,805	506,805
	<u>\$ 219,345</u>	<u>\$ 2,396,269</u>	<u>\$ 2,615,614</u>

B. Fund Financial Statements

At June 30, 2006, 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	Redevelopment Housing Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 206,580	\$ -	\$ -	\$ -	\$ 12,765	\$ 219,345
Long-term loans receivable	-	3,767,684	14,037,221	4,148,860	3,648	21,957,413
Total	<u>\$ 206,580</u>	<u>\$ 3,767,684</u>	<u>\$ 14,037,221</u>	<u>\$ 4,148,860</u>	<u>\$ 16,413</u>	<u>\$ 22,176,758</u>

Proprietary Funds:

	Wastewater System	Water System	Collection System	Total
Service charges received in advance	\$ 626,462	\$ 754,031	\$ 508,971	\$ 1,889,464
Land application fees	506,805	-	-	506,805
Total	<u>\$ 1,133,267</u>	<u>\$ 754,031</u>	<u>\$ 508,971</u>	<u>\$ 2,396,269</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS

Fund Financial Statements

Due To, Due From

At June 30, 2006, 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	\$ -	\$ 115,214	\$ 115,214
Non-Major Funds	42,471	-	42,471
Totals	\$ 42,471	\$ 115,214	\$ 157,685

The amount due to the Redevelopment Agency Special Revenue Fund represents the 20% housing set aside due from the Redevelopment Agency Debt service Fund. Other current interfund balances arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Long-Term Advances

At June 30, 2006, 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	
<i>Governmental Activities:</i>						
Housing Special Revenue Fund	\$ 15,791	\$ 3,648	\$ 16,620	\$ 5,803	\$ -	\$ 41,862
Redevelopment Agency Debt Service	-	-	-	-	143,706	143,706
Non-major funds	77,312	-	-	-	-	77,312
<i>Business-type Activities:</i>						
Wastewater System	-	-	-	-	-	-
Merced Municipal Airport	69,248	-	-	-	-	69,248
Refuse collection	-	-	-	-	779,193	779,193
Total	\$ 162,351	\$ 3,648	\$ 16,620	\$ 5,803	\$ 922,899	\$ 1,111,321

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

Long-Term Advances, Continued

Advances to the Housing Fund represent the remaining balances advanced for the Willowbrook Development Project. Interest adjusted annually to the City's average rate of return, but not lower than 7%.

Advance to the Public Facilities Impact Fees Fund represents an advance from the General Fund for start-up costs of the Fund. Interest equals the rate of return of the City's portfolio from date of the loan. The advance is to be repaid from funds received by annual special tax.

Advance to the Airport fund represents an advance from the General Fund for operating expenses. There is no repayment schedule for this advance as of June 30, 2006.

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

- 2000 \$275,000 Redevelopment Agency advance from Workers' Compensation Fund, \$50,000 principal and interest at 7%, matures 2008, principal balance as of June 30, 2006 was \$143,706.

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, 2006 was \$417,849.
- \$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, 2006 was \$327,344.
- \$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, 2006 was \$34,000.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

Transfers

At June 30, 2006, the City had the following transfers:

		Transfers In								
		Governmental Activities						Merced	Internal	
		Redevelopment	Development	Redevelopment	Redevelopment	Nonmajor	Municipal	Service Funds	Total	
		Agency	Services	Agency	Agency	Funds	Airport			
		General	Special Revenue	Debt Service	Capital Projects					
Transfers Out	<i>Governmental Activities:</i>									
	General	\$ -	\$ -	\$ -	\$ -	\$ 3,737,384	\$ 264,394	\$ -	\$ 4,001,778	
	RDA Special Revenue	-	85,000	-	-	2,280,734	16,564	-	2,382,298	
	Housing Special Revenue	325,708	-	151,000	286,300	-	427,419	-	1,190,427	
	Development Services	37,800	-	-	-	-	-	-	37,800	
	Public Facilities	-	-	-	-	-	7,986,326	-	7,986,326	
	RDA Debt Service	-	1,668,181	-	-	764,825	-	-	2,433,006	
	RDA Capital Projects	-	-	-	-	700,000	83,000	-	783,000	
	Nonmajor Funds	597,817	-	8,883	-	-	3,262,851	91,880	5,894	3,967,325
	<i>Business-type Activities:</i>									
	Water System	-	-	-	-	-	95,038	-	-	95,038
	Airport	-	-	-	-	-	125,000	-	-	125,000
<i>Internal Service Funds</i>	25,000	-	-	-	-	8,075	8,794	37,743	79,612	
Total	\$ 986,325	\$ 1,753,181	\$ 159,883	\$ 286,300	\$ 3,745,559	\$ 15,741,657	\$ 365,068	\$ 43,637	\$ 23,081,610	

The following are explanations for the transfers in and out:

1. Transfers from the General Fund to the Special Revenue Funds were for the General Fund subsidy for various operations.
2. Transfers from the General Fund to the Capital Project Fund were for the capital outlay projects.
3. Transfers from the General Fund to the Merced Municipal Airport Fund were for the General Fund subsidy for airport operations.
4. Transfers from the General Fund to the Measure C fund were for startup costs.
5. Transfers from the Fire Station Reserve Fund were for returning the remaining balances to the General Fund.
6. Transfers from the Gas Tax Fund to the Street Maintenance Fund were for cyclical street maintenance.
7. Transfers from the Housing Fund to the General Fund represent funding for police officers.
8. Transfers from the Housing Fund to the Development Service Funds were for planning and urban development services provided to the Housing Fund.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

Transfers, Continued

9. Transfers from the Housing Fund to the Redevelopment Agency Debt Service funds were for HUD 108 debt service.
10. Transfers from the Public Facilities Impact Fund to the Capital Projects Funds were for capital outlay projects.
11. Transfers from the Redevelopment Agency Special Revenue Funds to the Redevelopment Agency Capital Projects Funds represent the funding of capital outlay projects.
12. 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.
13. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds represent the funding of capital outlay projects.
14. Transfers from the Redevelopment Agency Capital Projects Funds to the Redevelopment Agency Debt Service Funds represent the funding of capital outlay projects.
15. Transfers from the Special Revenue Funds to the General Fund represent the funding for police operation.
16. Transfers from the 2005 Sewer Revenue Bond Fund to the Wastewater Improvement Fund represent the funding of capital outlay projects.
17. Transfers from the Restricted Water Well Fund to the Water System Fund represent funding of capital outlay projects.
18. Transfers from the Airport Fund to the Capital Projects Funds were for airport hazard remediation.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LAND HELD FOR RESALE

At June 30, 2006, 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		218,199
376 S West Avenue		96,068
1823 I Street		19,050
Total governmental funds	\$	1,905,534

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2006, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 61,356,707	\$ 258,681	\$ 61,615,388
Construction in process	26,372,480	21,327,428	47,699,908
Total nondepreciable assets	87,729,187	21,586,109	109,315,296
<i>Depreciable Assets:</i>			
Buildings and structures	9,335,271	2,451,934	11,787,205
Machinery and equipment	28,722,485	3,109,140	31,831,625
Improvements other than buildings, structures, and land improvements	50,968,912	66,176,960	117,145,872
Infrastructure	323,151,920	12,659,847	335,811,767
	412,178,588	84,397,881	496,576,469
Less accumulated depreciation	(208,624,492)	(28,497,471)	(237,121,963)
Total depreciable assets, net	203,554,096	55,900,410	259,454,506
Total capital assets	\$ 291,283,283	\$ 77,486,519	\$ 368,769,802

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2005	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2006
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 61,214,602	\$ -	\$ -	\$ 142,105	\$ 61,356,707
Construction in progress	8,246,551	19,807,557	-	(1,681,625)	26,372,483
Total nondepreciable assets	<u>69,461,153</u>	<u>19,807,557</u>	<u>-</u>	<u>(1,539,520)</u>	<u>87,729,190</u>
<i>Depreciable Assets:</i>					
Buildings and structures	9,335,272	-	-	-	9,335,272
Machinery and equipment	25,462,175	3,792,199	(531,889)	-	28,722,485
Improvements other buildings, than buildings, structures, and land improvements	50,228,098	82,601	-	658,213	50,968,912
Infrastructure	310,895,969	12,042,310	-	213,641	323,151,920
Total depreciable assets	<u>395,921,514</u>	<u>15,917,110</u>	<u>(531,889)</u>	<u>871,854</u>	<u>412,178,589</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(3,515,846)	(466,075)	-	-	(3,981,921)
Machinery and equipment	(20,957,041)	(2,019,276)	440,084	-	(22,536,233)
Improvements other buildings, than buildings, structures, and land improvements	(27,984,261)	(2,485,756)	-	-	(30,470,017)
Infrastructure	(143,720,655)	(7,915,666)	-	-	(151,636,321)
Total accumulated depreciation	<u>(196,177,803)</u>	<u>(12,886,773)</u>	<u>440,084</u>	<u>-</u>	<u>(208,624,492)</u>
Total depreciable assets, net	<u>199,743,711</u>	<u>3,030,337</u>	<u>(91,805)</u>	<u>871,854</u>	<u>203,554,097</u>
Total governmental activities, net	<u>\$ 269,204,864</u>	<u>\$ 22,837,894</u>	<u>\$ (91,805)</u>	<u>\$ (667,666)</u>	<u>\$ 291,283,287</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2006 was as follows:

General Government	\$ 2,765,631
Public Safety	272,806
Public Works	9,486,214
Parks	362,122
Total depreciation expense	<u><u>\$ 12,886,773</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2005	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2006
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$ -	\$ -	\$ -	\$ 258,681
Construction in progress	31,459,679	14,744,017	-	(24,876,268)	21,327,428
Total nondepreciable assets	<u>31,718,360</u>	<u>14,744,017</u>	<u>-</u>	<u>(24,876,268)</u>	<u>21,586,109</u>
<i>Depreciable Assets:</i>					
Buildings and structures	2,451,934	-	-	-	2,451,934
Machinery and equipment	2,248,444	870,076	(9,380)	-	3,109,140
Improvements other buildings, than buildings, structures, and land improvements	40,328,848	304,178	-	25,543,934	66,176,960
Infrastructure	10,317,597	2,342,250	-	-	12,659,847
Total depreciable assets	<u>55,346,823</u>	<u>3,516,504</u>	<u>(9,380)</u>	<u>25,543,934</u>	<u>84,397,881</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,049,386)	(147,779)	-	-	(2,197,165)
Machinery and equipment	(1,533,334)	(374,441)	6,721	-	(1,901,054)
Improvements other buildings, than buildings, structures, and land improvements	(18,679,091)	(2,892,619)	-	-	(21,571,710)
Infrastructure	(2,499,384)	(328,159)	-	-	(2,827,543)
Total accumulated depreciation	<u>(24,761,195)</u>	<u>(3,742,998)</u>	<u>6,721</u>	<u>-</u>	<u>(28,497,472)</u>
Total depreciable assets, net	<u>30,585,628</u>	<u>(226,494)</u>	<u>(2,659)</u>	<u>25,543,934</u>	<u>55,900,409</u>
Total business-type activities	<u>\$ 62,303,988</u>	<u>\$ 14,517,523</u>	<u>\$ (2,659)</u>	<u>\$ 667,666</u>	<u>\$ 77,486,518</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2006, was as follows:

Wastewater System Fund	\$ 1,660,029
Water System Fund	1,407,150
Refuse Collection System	547,719
Merced Municipal Airport	128,099
Total depreciation expense	<u>\$ 3,742,997</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, the City had the following deferred charges:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
CSCDA Wastewater Revenue Bond	\$ 421,155	\$ -	\$ (35,982)	\$ 385,173
Improvement Bonds Payable	106,525	-	(22,692)	83,833
CSCDA Water Revenue Bond	195,450	-	(16,360)	179,090
Total	\$ 723,130	\$ -	\$ (75,034)	\$ 648,096

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, 2006 was \$75,034.

9. LONG-TERM DEBT

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Due in more than one year	Due within one year
Tax Allocation Bonds	\$ 29,047,825	\$ -	\$ (1,350,000)	\$ 27,697,825	\$ 26,162,825	\$ 1,535,000
Pension Obligation Bonds	7,305,000	-	(40,000)	7,265,000	7,200,000	65,000
Participation and Development Agreements	425,000	-	(150,000)	275,000	175,000	100,000
Loan Payable	5,254,274	-	(1,573,329)	3,680,945	3,466,652	214,293
Loan Guarantee	1,360,297	-	(129,063)	1,231,234	1,095,961	135,273
Total	\$ 43,392,396	\$ -	\$ (3,242,392)	\$ 40,150,004	\$ 38,100,438	\$ 2,049,566

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements

Tax Allocation Bonds Payable

Tax allocation bonds payable at June 30, 2006, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 16,410,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,280,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	<u>9,007,825</u>
Total	\$ <u>27,697,825</u>

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,590,000	446,510	2,036,510
2012-2016	<u>9,055,000</u>	<u>1,084,349</u>	<u>10,139,349</u>
Total	\$ <u>16,410,000</u>	\$ <u>3,928,750</u>	\$ <u>20,338,750</u>

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

2001 \$2,400,000 Tax Allocation Bonds, Series A, 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
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	50,000	116,848	166,848
2012-2016	285,000	543,244	828,244
2017-2021	390,000	451,223	841,223
2022-2026	510,000	325,066	835,066
2027-2031	700,000	152,953	852,953
2032	165,000	4,744	169,744
Total	\$ 2,280,000	\$ 2,084,470	\$ 4,364,470

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
2007	\$ 130,000	\$ 41,596	\$ -	\$ -	\$ -
2008	135,000	38,946	-	-	-
2009	135,000	36,077	-	-	-
2010	145,000	32,745	-	-	-
2011	145,000	28,830	-	-	-
2012-2016	795,000	70,169	-	-	-
2017-2021	-	-	5,142,956	5,407,044	10,550,000
2022-2023	-	-	2,379,869	3,950,132	6,330,001
Total	\$ 1,485,000	\$ 248,363	\$ 7,522,825	\$ 9,357,176	\$ 16,880,001

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2005, the California Statewide Communities Development Authority (Authority) issued bonds pursuant to the terms of a Trust Agreement dated June 1, 2005 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
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	170,000	396,315	566,315
2012-2016	1,435,000	1,808,528	3,243,528
2017-2021	2,735,000	1,264,397	3,999,397
2022-2024	2,520,000	307,182	2,827,182
Total	\$ 7,265,000	\$ 5,413,697	\$ 12,678,697

Participation and Development Agreements

Participation and Development Agreements at June 30, 2006, consisted of the following:

1997 \$800,000 Participation Agreement \$ 275,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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 loan was fully paid in fiscal year 2006.

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,	Principal
2007	\$ 100,000
2008	100,000
2009	75,000
Total	\$ 275,000

Loans Payable

Loans payable at June 30, 2006, consisted of the following:

2003 \$4,000,000 Loans Payable	\$ 3,600,000
2003 \$129,109 Real Estate Loan Payable	80,945
Total	\$ 3,680,945

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 were \$130,000 annually. Interest was 2.0% to 6.5% payable quarterly. The loan was fully paid off in fiscal year 2006.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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
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	200,000	139,550	339,550
2011-2015	1,000,000	560,410	1,560,410
2016-2020	1,000,000	305,150	1,305,150
2021-2024	600,000	50,960	650,960
Total	\$ 3,600,000	\$ 1,686,480	\$ 5,286,480

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
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
Total	\$ 80,945	\$ 14,959	\$ 95,904

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Guarantee

Loans guarantees at June 30, 2006, consisted of the following:

2001 Debt Service Agreement	\$ 485,984
2005 Debt Service Agreement	<u>745,250</u>
Total	<u><u>\$ 1,231,234</u></u>

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, 2006 was \$485,984. 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:

<u>For the Years</u> <u>Ending June 30,</u>		
2006	\$	60,748
2007		60,748
2008		60,748
2009		60,748
2011		60,748
2012-2014		<u>182,244</u>
Total	\$	<u><u>485,984</u></u>

2005 \$894,300 Debt Service Funding Agreement

2005 \$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, 2006 was \$813,565. An amount equal to the loan payable has been recorded as a loan guarantee receivable from the developer.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Guarantee, Continued

2005 \$894,300 Debt Service Funding Agreement, Continued

The annual debt service requirements for the 2005 \$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
2012-2016	372,625
Total	\$ 745,250

Business-Type Activities

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2006:

	Balance		Retirements	Bond Amortization	Balance		Due in	
	June 30, 2005	Additions			June 30, 2006	more than one year	Due within one year	
Revenue bonds payable	\$ 30,287,935	\$ -	\$ (965,000)	\$ (44,615)	\$ 29,278,320	\$28,244,645	\$1,033,675	
Loan payable	8,262,209	-	(35,000)	-	8,227,209	8,152,209	75,000	
Water well development agreement	167,626	-	(18,127)	-	149,499	130,628	18,871	
Improvement bonds payable	2,615,000	-	(430,000)	-	2,185,000	1,920,000	265,000	
Total	\$ 41,332,770	\$ -	\$(1,448,127)	\$ (44,615)	\$ 39,840,028	\$38,447,482	\$1,392,546	

Revenue Bonds Payable

Revenue bonds payable at June 30, 2006, consisted of the following:

CSCDA Water Revenue Bonds Payable	\$ 8,613,711
CSCDA Sewer Revenue Bonds Payable	20,664,609
Total	\$ 29,278,320

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

CSCDA Water and Wastewater Revenue Bonds Series 2005A

On June 1, 2005, 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 was 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.

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
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	335,000	363,263	698,263
2012-2016	1,935,000	1,550,188	3,485,188
2017-2021	2,480,000	992,219	3,472,219
2022-2025	2,490,000	269,851	2,759,851
	8,470,000	4,750,169	13,220,169
Add unamortization premium	143,711	-	143,711
Total	\$ 8,613,711	\$ 4,750,169	\$ 13,363,880

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

CSCDA Water and Wastewater Revenue Bonds Series 2005A, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
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	810,000	871,312	1,681,312
2012-2016	4,645,000	3,717,188	8,362,188
2017-2021	5,940,000	2,378,750	8,318,750
2022-2025	5,975,000	647,460	6,622,460
	<u>20,320,000</u>	<u>11,391,738</u>	<u>31,711,738</u>
Add Unamortization Premium	344,609	-	344,609
Total	<u><u>\$ 20,664,609</u></u>	<u><u>\$ 11,391,738</u></u>	<u><u>\$ 32,056,347</u></u>

Loan Payable

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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
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	150,000	244,953	394,953
2012-2016	900,000	1,145,513	2,045,513
2017-2021	1,275,000	975,521	2,250,521
2022-2026	1,750,000	734,998	2,484,998
2027-2031	2,225,000	418,394	2,643,394
2032-2034	1,502,209	73,088	1,575,297
Total	\$ 8,227,209	\$ 4,611,507	\$ 12,838,716

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.

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

For the Years Ending June 30,	Principal	Interest	Total
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	22,161	2,839	25,000
2012-2013	47,085	2,915	50,000
Total	\$ 149,499	\$ 25,501	\$ 175,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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
2007	\$ 265,000	\$ 110,615	\$ 375,615
2008	285,000	96,448	381,448
2009	300,000	81,088	381,088
2010	305,000	64,903	369,903
2011	325,000	47,812	372,812
2012-2013	705,000	39,458	744,458
Total	\$ 2,185,000	\$ 440,324	\$ 2,625,324

B. Fund Financial Statements

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

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

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, 2006
1998 Liberty Park Refunding Assessment District	\$ 456,000
16th Street Refunding Assessment District	376,000
Fahrens Park Refunding Assessment District	5,440,000
Bellvue Ranch East Assessment District	12,745,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, was as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Due in more than one year	Due within one year
Governmental Activities	\$ 2,572,338	\$ 793,312	\$ (508,172)	\$ 2,857,478	\$ 2,329,359	\$ 528,119
Business-type Activities	512,388	72,167	(66,582)	517,973	447,318	70,655
Total	\$ 3,084,726	\$ 865,479	\$ (574,754)	\$ 3,375,451	\$ 2,776,677	\$ 598,774

11. CLASSIFICATION OF FUND BALANCE

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

	General Fund	Redevelopment Agency Special Revenue	Housing Special Revenue	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	\$ 900,585	\$ 12,793	\$ 679,284	\$ 1,669,219	\$	\$ 120	\$ 2,290,147	\$ 7,958,233	\$ 13,510,381
Petty cash	1,875								1,875
Notes & loans receivable	13,482	4,968,553		9,616			52,424	2,387	5,046,462
Inventory	29,414								29,414
Due from other funds									
Land held for resale		1,591,267					96,068	218,199	1,905,534
Advances to other funds	69,248								69,248
Child development								129,697	129,697
Park planning zones								2,518,364	2,518,364
Debt service						5,914,223			5,914,223
Total reserved	1,014,604	6,572,613	679,284	1,678,835		5,914,343	2,438,639	10,826,880	29,125,198
<i>Unreserved, Designated:</i>									
Contingencies	4,000,000								4,000,000
Future years	1,413,243								1,413,243
<i>Reported in Special Revenue Funds:</i>									
Pump replacements									
Facilities development								274,078	274,078
Total unreserved, designated	5,413,243							274,078	5,687,321
<i>Unreserved, Undesignated</i>									
<i>Reported in:</i>									
General Fund	16,905,259								16,905,259
Special Revenue Funds		641,370	567,549	5,848,856	9,837,190			4,674,039	21,569,004
Debt Service Funds								6,503	6,503
Capital Project Funds							12,084,945	4,242,753	16,327,698
Total unreserved, undesignated	16,905,259	641,370	567,549	5,848,856	9,837,190		12,084,945	8,923,295	54,808,164
Total	\$ 23,333,106	\$ 7,213,983	\$ 1,246,833	\$ 7,527,691	\$ 9,837,190	\$ 5,914,343	\$ 14,523,584	\$ 20,024,253	\$ 89,620,983

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, claims for general liability and workers' compensation were \$427,228 and \$3,525,161 respectively.

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
2004	\$ 243,288	\$ 1,284,272	\$ (1,055,181)	\$ 472,379
2005	472,379	1,393,863	(1,125,802)	740,440
2006	740,440	569,652	(882,864)	427,228

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
2004	\$ 2,890,647	\$ 2,451,900	\$ (803,116)	\$ 4,539,431
2005	4,539,431	486,470	(1,131,756)	3,894,145
2006	3,894,145	706,193	(1,075,177)	3,525,161

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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 on behalf of the employees and for their account. This amounted to \$1,748,630 for the year ended June 30, 2006. The City employer was required to contribute for fiscal year 2005-2006 at an actuarially determined rate of 5.533% and 15.429% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer safety rate of 24.429%, 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 2005-2006, the City's annual pension cost which was equal to the City's required and actual contributions was \$2,029,206. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that range from 3.25% to 14.45% for miscellaneous and 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. 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, 2003, was 13 years for safety employees and 30 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
6/30/2004	\$ 1,070,223	100%	\$
6/30/2005	1,125,667	100%	
6/30/2006	2,029,206	100%	

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. POST-RETIREMENT HEALTH CARE BENEFITS

The City paid health care insurance for 180 retirees at an annual cost of \$1,023,945. There are approximately 530 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, 2006, 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

As of June 30, 2006, the City had the following outstanding commitments that exceeded \$500,000:

<u>Vendor Name</u>	<u>Outstanding Amount</u>
Eco: Logic	\$ 3,208,397
Merced County	774,805
Maxwell Construction, Inc.	619,968
Heritage Homes	2,723,421
Dunmore Homes	1,004,821
Commercial Construction Co.	1,211,933
Envision Land and Development Co.	2,202,704
Total	\$ 11,746,049

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

City of Merced
Required Supplementary Information
For the year ended June 30, 2006

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 \$33,727,835. Budgets are also prepared for proprietary fund types, which include debt service principal payments, capital outlay, but do 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, 2006

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 3,983,000	\$ 3,983,000	\$ 4,319,607	\$ 336,607
Unsecured	250,000	250,000	300,186	50,186
Supplemental roll:				
Prior year - unsecured	6,500	6,500	7,879	1,379
Prior year - supplemental roll	226,000	226,000	1,162,291	936,291
Sales and use	8,700,000	8,700,000	9,585,571	885,571
Transient occupancy tax	749,000	749,000	910,755	161,755
Franchise	1,242,050	1,242,050	1,270,076	28,026
Business license	1,216,000	1,216,000	1,280,686	64,686
CRIS fee	1,183,000	1,183,000	2,885,238	1,702,238
Real property transfer	512,000	512,000	565,379	53,379
Triple flip backfill	2,900,000	2,900,000	2,801,126	(98,874)
Vehicle in lieu backfill	3,724,290	3,724,290	4,893,615	1,169,325
Total taxes	24,691,840	24,691,840	29,982,409	5,290,569
Licenses and permits:				
Animal licenses	32,000	32,000	30,841	(1,159)
Bicycle licenses	570	570	250	(320)
Other licenses and permits	7,000	7,000	14,306	7,306
Total licenses and permits	39,570	39,570	45,397	5,827
Intergovernmental:				
Motor vehicle in lieu tax	665,500	665,500	495,525	(169,975)
Homeowners property tax relief	75,000	75,000	81,546	6,546
Off highway tax	1,900	1,900	1,122	(778)
Police standards and training	50,000	50,000	94,910	44,910
Other state grant	151,802	236,577	358,817	122,240
9-1-1 equipment reimbursement	262	262	-	(262)
Other federal grants	100,079	32,802	35,017	2,215
Office BJA - bullet proof vest grant	27,382	27,382	11,354	(16,028)
State mandated cost reimbursement	10,000	10,000	109,091	99,091
Total intergovernmental	1,081,925	1,099,423	1,187,382	87,959

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

	Budget		Actual	Variance
	Original	Final		
REVENUES, Continued:				
Service charges:				
Incident recovery fees	\$ 63,575	\$ 133,575	\$ 152,174	\$ 18,599
Fire department special services	86,000	86,000	44,662	(41,338)
Fire prevention	60,500	60,500	88,936	28,436
Accident reports	32,000	32,000	24,160	(7,840)
Weed and lot cleaning	21,925	21,925	(156)	(22,081)
PERS - ES share 3% at 50	407,226	407,226	392,153	(15,073)
Administrative	3,327,774	3,327,906	3,328,220	314
Cost applied	990,839	991,438	991,437	(1)
Other current service charges	214,325	214,325	249,706	35,381
Total service charges	5,204,164	5,274,895	5,271,292	(3,603)
Fines, forfeitures and penalties:				
Criminal fines	50,000	50,000	69,238	19,238
Total fines, forfeitures and penalties	50,000	50,000	69,238	19,238
Other:				
Investment earnings	204,300	204,300	577,851	373,551
Rent and concessions (other than recreation)	116,798	116,798	117,326	528
Interest on loans	24,438	24,438	23,818	(620)
Unclassified revenue	19,110	19,110	51,409	32,299
Miscellaneous	800	800	107,012	106,212
Animal control services	15,000	15,000	17,325	2,325
School police officer	60,171	57,778	61,762	3,984
Valley High School police officer	100,000	100,000	87,952	(12,048)
Woman's Place police officer			23,415	23,415
Anti-drug abuse grant	6,000	6,000	3,165	(2,835)
Cash overages (shortages)	100	100	(162)	(262)
Donations/contributions	2,000	9,100	11,600	2,500
S.M.I.P. fees	8,958	8,958	4,082	(4,876)
Repayment on loan	221,212	221,212	31,411	(189,801)
Property sales	717	717	1,514	797
Total other	779,604	784,311	1,119,480	335,169
Total revenues	31,847,103	31,940,039	37,675,198	5,735,159

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City Council	\$ 359,965	\$ 386,741	\$ 325,650	\$ 61,091
City Manager	848,468	922,481	807,516	114,965
City Attorney	724,820	799,121	743,380	55,741
Finance	2,054,671	2,102,179	1,959,887	142,292
Purchasing	286,716	291,486	285,768	5,718
Economic development	257,563	288,965	235,354	53,611
Total general government	<u>4,532,203</u>	<u>4,790,973</u>	<u>4,357,555</u>	<u>433,418</u>
Public safety:				
Police protection	16,442,138	16,496,592	15,610,584	886,008
Fire protection and weed abatement	8,543,677	8,621,955	8,100,769	521,186
Total public safety	<u>24,985,815</u>	<u>25,118,547</u>	<u>23,711,353</u>	<u>1,407,194</u>
Parks	<u>2,153,000</u>	<u>2,179,091</u>	<u>2,126,428</u>	<u>52,663</u>
Total current operating	<u>31,671,018</u>	<u>32,088,611</u>	<u>30,195,336</u>	<u>1,893,275</u>
Capital outlay:				
Purchase of machinery and equipment	426,596	817,875	681,956	135,919
Capital improvements	435,789	322,220	173,294	148,926
Total capital outlay	<u>862,385</u>	<u>1,140,095</u>	<u>855,250</u>	<u>284,845</u>
Debt service:				
Principal	40,000	40,000	40,000	
Interest	415,454	415,454	415,453	1
Total debt service	<u>455,454</u>	<u>455,454</u>	<u>455,453</u>	<u>1</u>
Total expenditures	<u>32,988,857</u>	<u>33,684,160</u>	<u>31,506,039</u>	<u>2,178,121</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,141,754)</u>	<u>(1,744,121)</u>	<u>6,169,159</u>	<u>7,913,280</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,073,408	1,273,408	986,325	(287,083)
Transfers out	(5,137,135)	(5,272,135)	(4,001,778)	1,270,357
Total other financing sources (uses)	<u>(4,063,727)</u>	<u>(3,998,727)</u>	<u>(3,015,453)</u>	<u>983,274</u>
Net change in fund balances	<u>\$ (5,205,481)</u>	<u>\$ (5,742,848)</u>	<u>3,153,706</u>	<u>\$ 8,896,554</u>
FUND BALANCES:				
Beginning of year			<u>20,179,400</u>	
End of year			<u>\$ 23,333,106</u>	

(Concluded)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Rental income	\$ 61,100	\$ 61,100	\$ 62,300	\$ 1,200
Investment earnings	16,000	16,000	75,339	59,339
Loan interest	81,426	81,426	92,576	11,150
Repayment of note	70,300	979,306	939,513	(39,793)
Housing set-aside loans	22,863	22,863	315,366	292,503
Miscellaneous	111,194	11,194	112,635	101,441
Total revenues	362,883	1,171,889	1,597,729	425,840
EXPENDITURES:				
Current operating:				
General government	1,056,043	1,066,036	964,733	101,303
Administrative shared expenditures	330,363	330,363	330,363	
Total current operating	1,386,406	1,396,399	1,295,096	101,303
Capital outlay	500	3,500	1,318	2,182
Total expenditures	1,386,906	1,399,899	1,296,414	103,485
REVENUES OVER (UNDER)				
EXPENDITURES	(1,024,023)	(228,010)	301,315	529,325
OTHER FINANCING SOURCES (USES):				
Transfers in	1,853,010	1,609,635	1,753,181	143,546
Transfers out	(1,473,292)	(2,382,298)	(2,382,298)	
Total other financing sources (uses)	379,718	(772,663)	(629,117)	143,546
Net change in fund balances	\$ (644,305)	\$ (1,000,673)	(327,802)	\$ 672,871
FUND BALANCES:				
Beginning of year			7,541,785	
End of year			\$ 7,213,983	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
CDBG Program	\$ 4,172,725	\$ 3,677,295	\$ 2,681,894	\$ (995,401)
Home Grant Program	2,387,839	1,743,460	1,480,804	(262,656)
BEGIN Program	50,000	50,000	145,341	95,341
State Rental Rehabilitation Program	30,000	30,000	66,959	36,959
Other:				
Investment earnings	15,000	15,000	52,055	37,055
Miscellaneous	67	102	19,835	19,733
Total revenues	<u>6,655,631</u>	<u>5,515,857</u>	<u>4,446,888</u>	<u>(1,068,969)</u>
EXPENDITURES:				
Current operating:				
General government	6,838,804	5,302,118	3,625,040	1,677,078
Administrative shared expenditures	75,838	75,838	75,838	
Total current operating	<u>6,914,642</u>	<u>5,377,956</u>	<u>3,700,878</u>	<u>1,677,078</u>
Capital outlay				
Total expenditures	<u>6,914,642</u>	<u>5,377,956</u>	<u>3,700,878</u>	<u>1,677,078</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(259,011)</u>	<u>137,901</u>	<u>746,010</u>	<u>608,109</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,115,394)</u>	<u>(1,699,786)</u>	<u>(1,190,427)</u>	<u>509,359</u>
Total other financing sources (uses)	<u>(1,115,394)</u>	<u>(1,699,786)</u>	<u>(1,190,427)</u>	<u>509,359</u>
Net change in fund balances	<u>\$ (1,374,405)</u>	<u>\$ (1,561,885)</u>	<u>(444,417)</u>	<u>\$ 1,117,468</u>
FUND BALANCES:				
Beginning of year			<u>1,691,250</u>	
End of year			<u>\$ 1,246,833</u>	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Development Services Special Revenue Fund - Major Fund

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
State grant	\$	\$ 102,155	\$	\$ (102,155)
Services charges	5,149,114	5,188,910	7,047,517	1,858,607
Other:				
Investment earnings	678	678	225,750	225,072
Miscellaneous	260,600	1,345,427	888,385	(457,042)
Total revenues	5,410,392	6,637,170	8,161,652	1,524,482
EXPENDITURES:				
Current operating:				
General government	3,837,260	5,431,664	3,930,450	1,501,214
Public works	1,668,598	2,027,883	1,637,055	390,828
Administrative shared expenditures	444,160	444,160	444,160	
Total current operating	5,950,018	7,903,707	6,011,665	1,892,042
Capital outlay	187,913	212,362	159,673	52,689
Total expenditures	6,137,931	8,116,069	6,171,338	1,944,731
REVENUES OVER (UNDER)				
EXPENDITURES	(727,539)	(1,478,899)	1,990,314	3,469,213
OTHER FINANCING SOURCES (USES):				
Transfers in	161,577	161,577	159,883	(1,694)
Transfer out	(37,800)	(37,800)	(37,800)	
Total other financing sources (uses)	123,777	123,777	122,083	(1,694)
Net change in fund balances	\$ (603,762)	\$ (1,355,122)	2,112,397	\$ 3,467,519
FUND BALANCES:				
Beginning of year			5,415,294	
End of year			\$ 7,527,691	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2006

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Public Facilities Impact Special Revenue Fund - Major Fund

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 6,939,094	\$ 6,939,094	\$ 10,402,486	\$ 3,463,392
Other:				
Investment earnings	163,000	163,000	636,249	473,249
Total revenues	7,102,094	7,102,094	11,038,735	3,936,641
EXPENDITURES:				
Current operating:				
General government	90,650	90,650	90,650	
Administrative shared expenditures	12,387	12,387	12,387	
Total current operating	103,037	103,037	103,037	
Capital outlay	12,095,756	7,668,817	8,760,968	(1,092,151)
Total expenditures	12,198,793	7,771,854	8,864,005	(1,092,151)
REVENUES OVER (UNDER)				
EXPENDITURES	(5,096,699)	(669,760)	2,174,730	2,844,490
OTHER FINANCING SOURCES (USES):				
Transfers out	(9,700,730)	(12,904,241)	(7,986,326)	4,917,915
Total other financing sources (uses)	(9,700,730)	(12,904,241)	(7,986,326)	4,917,915
Net change in fund balances	\$ (14,797,429)	\$ (13,574,001)	(5,811,596)	\$ 7,762,405
FUND BALANCES:				
Beginning of year			15,648,786	
End of year			\$ 9,837,190	

This page intentionally left blank.

City of Merced
 Required Supplementary Information, Continued
 For the year ended June 30, 2006

2. PUBLIC EMPLOYEE RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Actuarial Unfunded (Overfunded) Liability as Percentage of Covered Payroll
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%
6/30/2005	56,229,077	57,535,533	1,306,456	97.7%	13,617,294	9.6%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Actuarial Unfunded (Overfunded) Liability as Percentage of Covered Payroll
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%
6/30/2005	64,243,962	66,742,414	2,498,452	96.3%	7,417,751	33.7%

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

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.

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

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.

OTS Grant Fund - This fund is used to account for the Office of Traffic Safety grant funds.

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.

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.

Justice Assistance Grant Fund - This fund is used to account for the Justice Assistance Grant funds.

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) Services 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.

Measure "C" Fund - This fund accounts for the one-half cent new transaction and use tax that was approved by area voters and became effective April 1, 2006.

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.

This page intentionally left blank.

City of Merced
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
ASSETS						
Cash, cash equivalents and investments	\$ 172,425	\$ 57,584	\$ 2,251	\$ 77	\$ 9,070	\$ 27,590
Receivables:						
Account						
Interest	1,469	491	19		77	
Land held for resale						
Due from other governments				124,715	16,885	899
Notes receivable						
Advances to other funds						
Total assets	\$ 173,894	\$ 58,075	\$ 2,270	\$ 124,792	\$ 26,032	\$ 28,489
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,593	\$ 3,564	\$	\$	\$	\$ 10,954
Other payables						17,535
Deferred revenue		12,765				
Due to other funds						
Advances from other funds						
Total liabilities	2,593	16,329				28,489
Fund Balances:						
Reserved:						
Encumbrances	12	6,808				
Land held for resale						
Non-current loans						
Child development						
Park planning zones						
Total reserved	12	6,808				
Unreserved, designated						
Pump replacement						
Total unreserved, designated						
Unreserved, undesignated reported in:						
Special revenue funds	171,289	34,938	2,270	124,792	26,032	
Debt service funds						
Capital project funds						
Total unreserved, undesignated	171,289	34,938	2,270	124,792	26,032	
Total fund balances	171,301	41,746	2,270	124,792	26,032	
Total liabilities and fund balances	\$ 173,894	\$ 58,075	\$ 2,270	\$ 124,792	\$ 26,032	\$ 28,489

Special Revenue

Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Federal COPS Funding
\$ 239,506	\$ 62,685	\$ 315,063	\$ 1,393,377	\$ 56,996	\$ 505,880	\$	\$
		2,274					
2,041	1,129	2,939	14,528	485	4,310		
95,443	54,064	127,743		24,800	273	58,795	
<u>\$ 336,990</u>	<u>\$ 117,878</u>	<u>\$ 448,019</u>	<u>\$ 1,407,905</u>	<u>\$ 82,281</u>	<u>\$ 510,463</u>	<u>\$ 58,795</u>	
\$	\$ 36,274	\$ 36,825	\$	\$	\$ 3,864	\$	\$
	24,109	50,170			24,794		
						42,203	
	<u>60,383</u>	<u>86,995</u>			<u>28,658</u>	<u>42,203</u>	
	57,774	187,845			47,194	55,071	
	<u>57,774</u>	<u>187,845</u>			<u>47,194</u>	<u>55,071</u>	
336,990	(279)	173,179	1,407,905	82,281	434,611	(38,479)	
<u>336,990</u>	<u>(279)</u>	<u>173,179</u>	<u>1,407,905</u>	<u>82,281</u>	<u>434,611</u>	<u>(38,479)</u>	
<u>336,990</u>	<u>57,495</u>	<u>361,024</u>	<u>1,407,905</u>	<u>82,281</u>	<u>481,805</u>	<u>16,592</u>	
<u>\$ 336,990</u>	<u>\$ 117,878</u>	<u>\$ 448,019</u>	<u>\$ 1,407,905</u>	<u>\$ 82,281</u>	<u>\$ 510,463</u>	<u>\$ 58,795</u>	<u>\$</u>

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2006

	Special Revenue					
	Supplemental Law Enforcement Services	Justice Assistance Grant	Parking Enforcement	Child Development	Local Law Enforcement Block Grant	Maintenance Districts
ASSETS						
Cash, cash equivalents and investments	\$ 6,999	\$ 17,456	\$ 209,926	\$ 114,974	\$	\$ 1,354,501
Receivables:						
Account			92,000			
Interest	60	319	1,789	980		11,543
Land held for resale						
Due from other governments			5,036	42,479		36,715
Notes receivable						
Advances to other funds						
Total assets	\$ 7,059	\$ 17,775	\$ 308,751	\$ 158,433		\$ 1,402,759
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$ 1,508	\$ 26,485	\$	\$ 3,666
Other payables		9,049	4,252			2,973
Deferred revenue						
Due to other funds				268		
Advances from other funds						
Total liabilities		9,049	5,760	26,753		6,639
Fund Balances:						
Reserved:						
Encumbrances		739	666			21,802
Land held for resale						
Non-current loans						
Child development				129,697		
Park planning zones						
Total reserved		739	666	129,697		21,802
Unreserved, designated						
Pump replacement						274,078
Total unreserved, designated						274,078
Unreserved, undesignated reported in:						
Special revenue funds	7,059	7,987	302,325	1,983		1,100,240
Debt service funds						
Capital project funds						
Total unreserved, undesignated	7,059	7,987	302,325	1,983		1,100,240
Total fund balances	7,059	8,726	302,991	131,680		1,396,120
Total liabilities and fund balances	\$ 7,059	\$ 17,775	\$ 308,751	\$ 158,433	\$	\$ 1,402,759

Special Revenue		Debt Service		Capital Projects			
CFD Services	Measure C	Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station
\$ 521,140	\$ 241,487	\$	\$ 6,448	\$ 4,133,511	\$ 2,658,184	\$ 6,317,849	\$ 8,510
4,421	2,058		55	987,903 35,091	22,619 218,199	355,382 1,006	73
10,560				435,200 2,387 3,648		129,150	
<u>\$ 536,121</u>	<u>\$ 243,545</u>	<u>\$</u>	<u>\$ 6,503</u>	<u>\$ 5,597,740</u>	<u>\$ 2,899,002</u>	<u>\$ 6,803,387</u>	<u>\$ 8,583</u>
\$ 354 1,530	\$	\$	\$	\$ 262,948 3,648	\$ 1,289	\$ 862,673	\$ 5,733
77,312							
<u>79,196</u>				<u>266,596</u>	<u>1,289</u>	<u>862,673</u>	<u>5,733</u>
26,554	175,000			1,668,509 2,387 2,518,364	236,005 218,199	5,463,151	55
<u>26,554</u>	<u>175,000</u>			<u>4,189,260</u>	<u>454,204</u>	<u>5,463,151</u>	<u>55</u>
430,371	68,545		6,503	1,141,884	2,443,509	477,563	2,795
<u>430,371</u>	<u>68,545</u>		<u>6,503</u>	<u>1,141,884</u>	<u>2,443,509</u>	<u>477,563</u>	<u>2,795</u>
456,925	243,545		6,503	5,331,144	2,897,713	5,940,714	2,850
<u>\$ 536,121</u>	<u>\$ 243,545</u>	<u>\$</u>	<u>\$ 6,503</u>	<u>\$ 5,597,740</u>	<u>\$ 2,899,002</u>	<u>\$ 6,803,387</u>	<u>\$ 8,583</u>

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2006

	Capital Projects				
	Police Mobile Computers	McComb's Youth Center	PCE Remediation	Fire Station #55	Total
ASSETS					
Cash, cash equivalents and investments	\$ 120,708	\$ 2,107	\$ 5,726	\$ 61,915	\$ 18,623,945
Receivables:					
Account					1,437,559
Interest	1,029	18	49	528	109,126
Land held for resale					218,199
Due from other governments					1,162,757
Notes receivable					2,387
Advances to other funds					3,648
Total assets	\$ 121,737	\$ 2,125	\$ 5,775	\$ 62,443	\$ 21,557,621
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,587	\$	\$	\$ 2,443	\$ 1,262,760
Other payables					134,412
Deferred revenue					16,413
Due to other funds					42,471
Advances from other funds					77,312
Total liabilities	1,587			2,443	1,533,368
Fund Balances:					
Reserved:					
Encumbrances	4,581		5,488	979	7,958,233
Land held for resale					218,199
Non-current loans					2,387
Child development					129,697
Park planning zones					2,518,364
Total reserved	4,581		5,488	979	10,826,880
Unreserved, designated					
Pump replacement					274,078
Total unreserved, designated					274,078
Unreserved, undesignated					
reported in:					
Special revenue funds					4,674,039
Debt service funds					6,503
Capital project funds	115,569	2,125	287	59,021	4,242,753
Total unreserved, undesignated	115,569	2,125	287	59,021	8,923,295
Total fund balances	120,150	2,125	5,775	60,000	20,024,253
Total liabilities and fund balances	\$ 121,737	\$ 2,125	\$ 5,775	\$ 62,443	\$ 21,557,621

This page intentionally left blank.

City of Merced
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
REVENUES:						
Taxes	\$	\$ 107,229	\$	\$ 1,298,119	\$	\$
Intergovernmental			687,472			179
Service charges						21,840
Fines, forfeitures and penalties					207,933	
Other	77,653	6,888	2,086	1,300	103	282
Total revenues	77,653	114,117	689,558	1,299,419	208,036	22,301
EXPENDITURES:						
Current operating:						
General government	15,606	98,517			211,407	106,300
Public safety						
Public works						913,023
Parks						
Total current operating	15,606	98,517			211,407	1,019,323
Capital outlay	67					
Debt service:						
Principal						
Interest						
Total expenditures	15,673	98,517			211,407	1,019,323
REVENUES OVER (UNDER)						
EXPENDITURES	61,980	15,600	689,558	1,299,419	(3,371)	(997,022)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of land						
Transfers in						993,471
Transfers out	(14,124)		(687,529)	(1,328,125)		
Total other financing sources (uses)	(14,124)		(687,529)	(1,328,125)		993,471
Net change in fund balances	47,856	15,600	2,029	(28,706)	(3,371)	(3,551)
FUND BALANCES:						
Beginning of year	123,445	26,146	241	153,498	29,403	3,551
Prior period adjustment						
Beginning of year, as restated	123,445	26,146	241	153,498	29,403	3,551
End of year	\$ 171,301	\$ 41,746	\$ 2,270	\$ 124,792	\$ 26,032	\$

Special Revenue

Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Federal COPS Funding
\$ 331,455	\$ 54,064 356,972	\$ 46,240	\$ 616,569	\$ 310,569	\$ 273 1,356,218	\$ 80,274	
5,535	4,986	456,984	43,093	770	16,341		
336,990	416,022	503,224	659,662	311,339	1,372,832	80,274	
	248,139	159,759			1,129,335		
	2,609,421					12,539	
		2,262,772					
	2,857,560	2,422,531			1,129,335	12,539	
	96,946	150,004			148,549	51,143	
	2,954,506	2,572,535			1,277,884	63,682	
336,990	(2,538,484)	(2,069,311)	659,662	311,339	94,948	16,592	
	2,544,733	2,452,521					
			(668,069)	(308,148)			(9,600)
	2,544,733	2,452,521	(668,069)	(308,148)			(9,600)
336,990	6,249	383,210	(8,407)	3,191	94,948	16,592	(9,600)
	51,246	(22,186)	1,416,312	79,090	386,857		9,600
	51,246	(22,186)	1,416,312	79,090	386,857		9,600
\$ 336,990	\$ 57,495	\$ 361,024	\$ 1,407,905	\$ 82,281	\$ 481,805	\$ 16,592	\$

(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, 2006

	Special Revenue					
	Supplemental	Justice	Parking	Child	Local Law	Maintenance
	Law Enforcement Services	Assistance Grant	Enforcement	Development	Enforcement Block Grant	Districts
REVENUES:						
Taxes	\$	\$	\$	\$	\$	\$
Intergovernmental	106,398	81,213		275,603		
Service charges						
Fines, forfeitures and penalties			373,123			
Other	705	641	5,620	3,793	5	745,876
Total revenues	107,103	81,854	378,743	279,396	5	745,876
EXPENDITURES:						
Current operating:						
General government			74,032	2,442		635,519
Public safety			156,861			
Public works						
Parks				214,447		
Total current operating			230,893	216,889		635,519
Capital outlay		33,128			1,640	
Debt service:						
Principal						
Interest						
Total expenditures		33,128	230,893	216,889	1,640	635,519
REVENUES OVER (UNDER) EXPENDITURES	107,103	48,726	147,850	62,507	(1,635)	110,357
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of land						
Transfers in						56,619
Transfers out	(103,212)	(40,000)				
Total other financing sources (uses)	(103,212)	(40,000)				56,619
Net change in fund balances	3,891	8,726	147,850	62,507	(1,635)	166,976
FUND BALANCES:						
Beginning of year	3,168		155,141	69,173	1,635	1,229,144
Prior period adjustment						
Beginning of year, as restated	3,168		155,141	69,173	1,635	1,229,144
End of year	\$ 7,059	\$ 8,726	\$ 302,991	\$ 131,680	\$	\$ 1,396,120

Special Revenue		Debt Service			Capital Projects		
CFD	Measure C	Airport Industrial Park	Public Financing Authority	Park Reserve	Airport Industrial Park	Streets and Signals	Fire Station
\$ 275,665	\$ 241,215			\$ 416,082		\$ 12,055	
175,057	2,330		208	3,999,322	87,368	384,185	445
450,722	243,545		208	4,415,404	87,368	396,240	445
159,175		132,493			46,281		
159,175		132,493			46,281		
17,807				1,885,573	238,902	5,403,896	19,613
		1,360,000					
		30,307					
176,982		1,522,800		1,885,573	285,183	5,403,896	19,613
273,740	243,545	(1,522,800)	208	2,529,831	(197,815)	(5,007,656)	(19,168)
	175,000				2,289,972		
(19,017)	(175,000)	(592,258)		231,849	643,258	8,644,206	
					(16,349)		
(19,017)		(592,258)		231,849	2,916,881	8,644,206	
254,723	243,545	(2,115,058)	208	2,761,680	2,719,066	3,636,550	(19,168)
202,202		2,115,058	6,295	2,569,464	178,647	2,304,164	22,018
202,202		2,115,058	6,295	2,569,464	178,647	2,304,164	22,018
\$ 456,925	\$ 243,545		\$ 6,503	\$ 5,331,144	\$ 2,897,713	\$ 5,940,714	\$ 2,850

(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, 2006

	Capital Projects				Total
	Police Mobile Computers	McComb's Youth Center	PCE Remediation	Fire Station #55	
REVENUES:					
Taxes	\$	\$	\$	\$	\$ 1,922,228
Intergovernmental					3,018,446
Service charges					1,735,030
Fines, forfeitures and penalties					581,056
Other	4,149	69	181	12,423	6,038,398
Total revenues	4,149	69	181	12,423	13,295,158
EXPENDITURES:					
Current operating:					
General government					3,019,005
Public safety					169,400
Public works					3,522,444
Parks					2,477,219
Total current operating					9,188,068
Capital outlay	21,629		58	2,310,216	10,379,171
Debt service:					
Principal					1,360,000
Interest					30,307
Total expenditures	21,629		58	2,310,216	20,957,546
REVENUES OVER (UNDER) EXPENDITURES	(17,480)	69	123	(2,297,793)	(7,662,388)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of land					2,289,972
Transfers in					15,741,657
Transfers out			(5,894)		(3,967,325)
Total other financing sources (uses)			(5,894)		14,064,304
Net change in fund balances	(17,480)	69	(5,771)	(2,297,793)	6,401,916
FUND BALANCES:					
Beginning of year	137,630	2,056	11,546	2,357,793	13,622,337
Prior period adjustment					
Beginning of year, as restated	137,630	2,056	11,546	2,357,793	13,622,337
End of year	\$ 120,150	\$ 2,125	\$ 5,775	\$ 60,000	\$ 20,024,253

(Concluded)

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency Debt Service Fund - Major Fund For the year ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Tax increment	\$ 5,622,400	\$ 5,622,400	\$ 6,340,133	\$ 717,733
Service charges:				
Interdepartmental charges	193,341	193,341	193,341	
Other:				
Repayment of note				
Investment earnings	383,860	383,860	96,197	(287,663)
Miscellaneous	154,520	154,520	19,247	(135,273)
Total revenues	6,354,121	6,354,121	6,648,918	294,797
EXPENDITURES:				
Current operating:				
General government	842,693	889,023	888,902	121
Total current operating	842,693	889,023	888,902	121
Debt service:				
Principal	2,066,023	2,043,870	1,779,063	264,807
Interest	1,108,985	1,108,985	1,108,983	2
Total debt service	3,175,008	3,152,855	2,888,046	264,809
Total expenditures	4,017,701	4,041,878	3,776,948	264,930
REVENUES OVER (UNDER)				
EXPENDITURES	2,336,420	2,312,243	2,871,970	559,727
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	80,000	286,300	206,300
Transfers out	(2,533,835)	(2,433,008)	(2,433,006)	2
Total other financing sources (uses)	(2,453,835)	(2,353,008)	(2,146,706)	206,302
Net change in fund balances	\$ (117,415)	\$ (40,765)	725,264	\$ 766,029
FUND BALANCES:				
Beginning of year, as restated			5,189,079	
End of year			\$ 5,914,343	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other Federal grants	\$	\$ 200,000	\$ 676	\$ (199,324)
State clean-up funds		168,810	167,187	(1,623)
Other:				
Investment earnings	68,000	68,000	471,846	403,846
Miscellaneous			348,800	348,800
Total revenues	68,000	436,810	988,509	551,699
EXPENDITURES:				
Current operating:				
General government	490,000	512,764	461,912	50,852
Capital outlay	14,402,267	17,384,319	1,687,400	15,696,919
Total current operating	14,892,267	17,897,083	2,149,312	15,747,771
Debt service:				
Principal	13,330	13,330	13,329	1
Interest	6,177	6,177	6,177	
Total debt service	19,507	19,507	19,506	1
Total expenditures	14,911,774	17,916,590	2,168,818	15,747,772
REVENUES OVER (UNDER)				
EXPENDITURES	(14,843,774)	(17,479,780)	(1,180,309)	16,299,471
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	1,086,300	1,086,300	768,116	(318,184)
Transfers in	2,836,553	3,745,559	3,745,559	
Transfers out	(703,000)	(783,000)	(783,000)	
Total other financing sources (uses)	3,219,853	4,048,859	3,730,675	(318,184)
Net change in fund balances	\$ (11,623,921)	\$ (13,430,921)	2,550,366	\$ 15,981,287
FUND BALANCES:				
Beginning of year			11,973,218	
End of year			\$ 14,523,584	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
In-lieu parking	\$ 54,138	\$ 54,138	\$ 61,338	\$ 7,200
Leased parking spaces	10,440	10,440	11,210	770
Investment earnings			5,105	5,105
Total revenues	64,578	64,578	77,653	13,075
EXPENDITURES:				
Current operating:				
General government	167,826	147,838	14,742	133,096
Administrative shared expenditures	864	864	864	
Total current operating	168,690	148,702	15,606	133,096
Capital outlay		20,000	67	19,933
Total expenditures	168,690	168,702	15,673	153,029
REVENUES OVER				
(UNDER) EXPENDITURES	(104,112)	(104,124)	61,980	166,104
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(14,124)	(14,124)	(14,124)	
Total other financing sources (uses)	(14,124)	(14,124)	(14,124)	
Net change in fund balances	\$ (118,236)	\$ (118,248)	47,856	\$ 166,104
FUND BALANCES:				
Beginning of year			123,445	
End of year			\$ 171,301	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Business improvement area	\$ 105,000	\$ 105,000	\$ 107,229	\$ 2,229
Other:				
Investment earnings	400	400	1,888	1,488
Miscellaneous		5,000	5,000	
Total revenues	<u>105,400</u>	<u>110,400</u>	<u>114,117</u>	<u>3,717</u>
EXPENDITURES:				
Current operating:				
General government	97,896	108,985	68,587	40,398
Administrative shared expenditures	29,930	29,930	29,930	
Total expenditures	<u>127,826</u>	<u>138,915</u>	<u>98,517</u>	<u>40,398</u>
Net change in fund balances	<u>\$ (22,426)</u>	<u>\$ (28,515)</u>	15,600	<u>\$ 44,115</u>
FUND BALANCES:				
Beginning of year			<u>26,146</u>	
End of year			<u>\$ 41,746</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State and local transportation	\$ 687,473	\$ 687,473	\$ 687,472	\$ (1)
Other:				
Investment earnings			2,086	2,086
Total revenues	<u>687,473</u>	<u>687,473</u>	<u>689,558</u>	<u>2,085</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(687,529)</u>	<u>(687,529)</u>	<u>(687,529)</u>	
Total other financing sources (uses)	<u>(687,529)</u>	<u>(687,529)</u>	<u>(687,529)</u>	
Net change in fund balances	<u>\$ (56)</u>	<u>\$ (56)</u>	2,029	<u>\$ 2,085</u>
FUND BALANCES:				
Beginning of year			<u>241</u>	
End of year			<u>\$ 2,270</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State gas tax	\$ 1,288,500	\$ 1,288,500	\$ 1,298,119	\$ 9,619
Other:				
Investment earnings			1,300	1,300
Total revenues	<u>1,288,500</u>	<u>1,288,500</u>	<u>1,299,419</u>	<u>10,919</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,442,252)</u>	<u>(1,434,846)</u>	<u>(1,328,125)</u>	<u>106,721</u>
Total other financing sources (uses)	<u>(1,442,252)</u>	<u>(1,434,846)</u>	<u>(1,328,125)</u>	<u>106,721</u>
Net change in fund balances	<u>\$ (153,752)</u>	<u>\$ (146,346)</u>	<u>(28,706)</u>	<u>\$ 117,640</u>
FUND BALANCES:				
Beginning of year			<u>153,498</u>	
End of year			<u>\$ 124,792</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 182,000	\$ 182,000	\$ 207,933	\$ 25,933
Other:				
Investment earnings			106	106
Total revenues	<u>182,000</u>	<u>182,000</u>	<u>208,039</u>	<u>26,039</u>
EXPENDITURES:				
Current operating:				
General government	<u>212,276</u>	<u>211,410</u>	<u>211,410</u>	
Total expenditures	<u>212,276</u>	<u>211,410</u>	<u>211,410</u>	
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (30,276)</u>	<u>\$ (29,410)</u>	(3,371)	<u>\$ 26,039</u>
FUND BALANCES:				
Beginning of year			<u>29,403</u>	
End of year			<u>\$ 26,032</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other Federal grants	\$	\$	\$ 179	\$ 179
Service charges	21,801	21,840	21,840	
Other:				
Miscellaneous			282	282
Total revenues	<u>21,801</u>	<u>21,840</u>	<u>22,301</u>	<u>461</u>
EXPENDITURES:				
Current operating:				
Public works	980,213	985,479	913,023	72,456
Administrative shared expenditures	106,300	106,300	106,300	
Total current operating	<u>1,086,513</u>	<u>1,091,779</u>	<u>1,019,323</u>	<u>72,456</u>
Capital outlay				
Total expenditures	<u>1,086,513</u>	<u>1,091,779</u>	<u>1,019,323</u>	<u>72,456</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(1,064,712)</u>	<u>(1,069,939)</u>	<u>(997,022)</u>	<u>(72,917)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,066,472	1,066,472	993,471	(73,001)
Total other financing sources (uses)	<u>1,066,472</u>	<u>1,066,472</u>	<u>993,471</u>	<u>(73,001)</u>
Net change in fund balances	<u>\$ 1,760</u>	<u>\$ (3,467)</u>	<u>(3,551)</u>	<u>\$ (84)</u>
FUND BALANCES:				
Beginning of year			<u>3,551</u>	
End of year			<u>\$</u>	

City of Merced

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

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State - AB 2928 Traffic Congestion Relief	\$	\$	\$ 331,455	\$ 331,455
Other:				
Investment earnings			5,535	5,535
Total revenues			336,990	336,990
Net change in fund balances	\$	\$	336,990	\$ 336,990
FUND BALANCES:				
Beginning of year				
End of year			\$ 336,990	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Office of emergency services	\$	\$	\$ 54,064	\$ 54,064
Service charges	423,791	423,838	356,972	(66,866)
Other:				
Miscellaneous	100	100	3,726	3,626
Investment earnings			1,260	1,260
Total revenues	423,891	423,938	416,022	(7,916)
EXPENDITURES:				
Current operating:				
Public works	3,040,349	3,050,240	2,609,421	440,819
Administrative shared expenditures	248,139	248,139	248,139	
Total current operating	3,288,488	3,298,379	2,857,560	440,819
Capital outlay	287,446	287,975	96,946	191,029
Total expenditures	3,575,934	3,586,354	2,954,506	631,848
REVENUES OVER (UNDER) EXPENDITURES	(3,152,043)	(3,162,416)	(2,538,484)	623,932
OTHER FINANCING SOURCES (USES):				
Transfers in	3,144,565	3,137,159	2,544,733	(592,426)
Total other financing sources (uses)	3,144,565	3,137,159	2,544,733	(592,426)
Net change in fund balances	\$ (7,478)	\$ (25,257)	6,249	\$ 31,506
FUND BALANCES:				
Beginning of year			51,246	
End of year			\$ 57,495	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grant	\$ 307,341	\$ 307,341	\$ 46,240	\$ (261,101)
Other:				
Fees for services	301,776	301,776	206,461	(95,315)
Investment earnings			3,843	3,843
Donations	180,878	180,878	76,321	(104,557)
Miscellaneous	199,000	199,000	170,359	(28,641)
Total revenues	988,995	988,995	503,224	(485,771)
EXPENDITURES:				
Current operating:				
Parks	2,504,434	2,580,189	2,262,772	317,417
Administrative shared expenditures	159,759	159,759	159,759	
Total current operating	2,664,193	2,739,948	2,422,531	317,417
Capital outlay	1,414,164	1,346,396	150,004	1,196,392
Total expenditures	4,078,357	4,086,344	2,572,535	1,513,809
REVENUES OVER (UNDER)				
EXPENDITURES	(3,089,362)	(3,097,349)	(2,069,311)	1,028,038
OTHER FINANCING SOURCES (USES):				
Transfers in	2,919,362	2,994,362	2,452,521	(541,841)
Total other financing sources (uses)	2,919,362	2,994,362	2,452,521	(541,841)
Net change in fund balances	\$ (170,000)	\$ (102,987)	383,210	\$ 486,197
FUND BALANCES:				
Beginning of year, as restated			(22,186)	
End of year			\$ 361,024	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 561,787	\$ 561,787	\$ 616,569	\$ 54,782
Other:				
Investment earnings	20,000	20,000	43,093	23,093
Total revenues	<u>581,787</u>	<u>581,787</u>	<u>659,662</u>	<u>77,875</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,898,214)	(1,760,426)	(668,069)	1,092,357
Total other financing sources (uses)	<u>(2,898,214)</u>	<u>(1,760,426)</u>	<u>(668,069)</u>	<u>1,092,357</u>
Net change in fund balances	<u>\$ (2,316,427)</u>	<u>\$ (1,178,639)</u>	<u>(8,407)</u>	<u>\$ 1,170,232</u>
FUND BALANCES:				
Beginning of year			<u>1,416,312</u>	
End of year			<u>\$ 1,407,905</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Public safety funding	\$ 258,000	\$ 258,000	\$ 310,569	\$ 52,569
Other:				
Investment earnings			770	770
Total revenues	<u>258,000</u>	<u>258,000</u>	<u>311,339</u>	<u>53,339</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(308,148)</u>	<u>(308,148)</u>	<u>(308,148)</u>	
Total other financing sources (uses)	<u>(308,148)</u>	<u>(308,148)</u>	<u>(308,148)</u>	
Net change in fund balances	<u>\$ (50,148)</u>	<u>\$ (50,148)</u>	3,191	<u>\$ 53,339</u>
FUND BALANCES:				
Beginning of year			<u>79,090</u>	
End of year			<u>\$ 82,281</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other federal grants	\$	\$	\$ 273	\$ 273
Service charges	1,356,218	1,356,218	1,356,218	
Other:				
Investment earnings	3,000	3,000	15,830	12,830
Miscellaneous	1,200	1,200	511	(689)
Total revenues	<u>1,360,418</u>	<u>1,360,418</u>	<u>1,372,832</u>	<u>12,414</u>
EXPENDITURES:				
Current operating:				
General government	1,260,001	1,274,013	1,129,335	144,678
Total current operating	<u>1,260,001</u>	<u>1,274,013</u>	<u>1,129,335</u>	<u>144,678</u>
Capital outlay	186,343	158,668	148,549	10,119
Total expenditures	<u>1,446,344</u>	<u>1,432,681</u>	<u>1,277,884</u>	<u>154,797</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (85,926)</u>	<u>\$ (72,263)</u>	94,948	<u>\$ 167,211</u>
FUND BALANCES:				
Beginning of year			<u>386,857</u>	
End of year			<u>\$ 481,805</u>	

City of Merced

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

OTS Grant Special Revenue Fund

For the year ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
OTS grant	\$	\$ 275,571	\$ 80,274	\$ (195,297)
Total revenues		275,571	80,274	(195,297)
EXPENDITURES:				
Current operating:				
Public safety		65,071	12,539	52,532
Total current operating		65,071	12,539	52,532
Capital outlay		210,500	51,143	159,357
Total expenditures		275,571	63,682	211,889
REVENUES OVER (UNDER)				
EXPENDITURES	\$	\$	16,592	\$ 16,592
FUND BALANCES:				
Beginning of year				
End of year			\$ 16,592	

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, 2006

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfer out	\$ (9,600)	\$ (9,600)	\$ (9,600)	\$
Total other financing sources (uses)	<u>(9,600)</u>	<u>(9,600)</u>	<u>(9,600)</u>	
Net change in fund balances	<u>\$ (9,600)</u>	<u>\$ (9,600)</u>	<u>(9,600)</u>	<u>\$</u>
FUND BALANCES:				
Beginning of year			<u>9,600</u>	
End of year			<u>\$</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2006

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 100,000	\$ 106,398	\$ 6,398
Other:				
Investment earnings			705	705
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>107,103</u>	<u>7,103</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(103,212)	(103,212)	(103,212)	
Total other financing sources (uses)	<u>(103,212)</u>	<u>(103,212)</u>	<u>(103,212)</u>	
Net change in fund balances	<u>\$ (3,212)</u>	<u>\$ (3,212)</u>	3,891	<u>\$ 7,103</u>
FUND BALANCES:				
Beginning of year			3,168	
End of year			<u>\$ 7,059</u>	

City of Merced

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

Justice Assistance Grant Special Revenue Fund

For the year ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Justice Assistance Grant	\$	\$ 81,354	\$ 81,213	\$ (141)
Other:				
Investment earnings			641	641
Total revenues		81,354	81,854	500
EXPENDITURES:				
Capital outlay		41,354	33,128	(8,226)
Total expenditures		41,354	33,128	(8,226)
REVENUES OVER (UNDER)				
EXPENDITURES	-	40,000	48,726	8,726
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(40,000)	(40,000)	-
Total other financing sources (uses)	-	(40,000)	(40,000)	-
Net change in fund balances	\$ -	\$ -	8,726	\$ 8,726
FUND BALANCES:				
Beginning of year				
End of year			\$ 8,726	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Parking fines	\$ 288,000	\$ 288,000	\$ 373,123	\$ 85,123
Other:				
Investment earnings	2,000	2,000	5,620	3,620
Total revenues	290,000	290,000	378,743	88,743
EXPENDITURES:				
Current operating:				
Public safety	183,161	183,445	156,861	26,584
Administrative shared expenditures	74,032	74,032	74,032	
Total current operating	257,193	257,477	230,893	26,584
Capital outlay	19,175	19,175		19,175
Total expenditures	276,368	276,652	230,893	45,759
REVENUES OVER (UNDER)				
EXPENDITURES	13,632	13,348	147,850	134,502
Net change in fund balances	\$ 13,632	\$ 13,348	147,850	\$ 134,502
FUND BALANCES:				
Beginning of year, as restated			155,141	
End of year			\$ 302,991	

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, 2006

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
YEP Grant	\$ 199,566	\$ 212,833	\$ 275,603	\$ 62,770
Other:				
Investment earnings			3,793	3,793
Total revenues	<u>199,566</u>	<u>212,833</u>	<u>279,396</u>	<u>66,563</u>
EXPENDITURES:				
Current operating:				
Parks	251,564	264,385	214,447	49,938
Administrative shared expenditures	1,996	2,442	2,442	
Total expenditures	<u>253,560</u>	<u>266,827</u>	<u>216,889</u>	<u>49,938</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (53,994)</u>	<u>\$ (53,994)</u>	62,507	<u>\$ 116,501</u>
FUND BALANCES:				
Beginning of year			69,173	
End of year			<u>\$ 131,680</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 5	\$ 5
Total revenues			5	5
EXPENDITURES:				
Capital outlay	1,654	1,654	1,640	14
Total expenditures	1,654	1,654	1,640	14
REVENUES OVER (UNDER)				
EXPENDITURES	(1,654)	(1,654)	(1,635)	19
Net change in fund balances	\$ (1,654)	\$ (1,654)	(1,635)	\$ 19
FUND BALANCES:				
Beginning of year			1,635	
End of year			\$	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Assessments	\$ 662,691	\$ 662,691	\$ 663,450	\$ 759
Service charges	3,318	3,318	3,318	
Miscellaneous	22,812	22,812	39,012	16,200
Investment earnings			40,096	40,096
Total revenues	688,821	688,821	745,876	57,055
EXPENDITURES:				
Current operating:				
General government	741,603	762,232	591,328	170,904
Administrative shared expenditures	44,191	44,191	44,191	
Total current operating	785,794	806,423	635,519	170,904
Capital outlay	266,922	266,922		266,922
Total expenditures	1,052,716	1,073,345	635,519	437,826
REVENUES OVER (UNDER) EXPENDITURES	(363,895)	(384,524)	110,357	494,881
OTHER FINANCING SOURCES (USES):				
Transfers in	56,619	56,619	56,619	
Transfers out		(33,156)		33,156
Total other financing sources (uses)	56,619	23,463	56,619	33,156
Net change in fund balances	\$ (307,276)	\$ (361,061)	166,976	\$ 528,037
FUND BALANCES:				
Beginning of year			1,229,144	
End of year			\$ 1,396,120	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Special Tax	\$ 256,668	\$ 256,668	\$ 275,665	\$ 18,997
Investment earnings			14,948	14,948
Miscellaneous		160,000	160,109	109
Total revenues	<u>256,668</u>	<u>416,668</u>	<u>450,722</u>	<u>34,054</u>
EXPENDITURES:				
Current operating:				
General government	552,470	779,970	159,175	620,795
Total current operating	<u>552,470</u>	<u>779,970</u>	<u>159,175</u>	<u>620,795</u>
Capital outlay	25,000	25,000	17,807	7,193
Total expenditures	<u>577,470</u>	<u>804,970</u>	<u>176,982</u>	<u>627,988</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(320,802)</u>	<u>(388,302)</u>	<u>273,740</u>	<u>662,042</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	77,312	77,312		(77,312)
Transfers in				
Transfers out	(33,156)	(33,156)	(19,017)	14,139
Total other financing sources (uses)	<u>(33,156)</u>	<u>(33,156)</u>	<u>(19,017)</u>	<u>14,139</u>
Net change in fund balances	<u>\$ (353,958)</u>	<u>\$ (421,458)</u>	<u>254,723</u>	<u>\$ 676,181</u>
FUND BALANCES:				
Beginning of year			<u>202,202</u>	
End of year			<u>\$ 456,925</u>	

City of Merced

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

Measure C Special Revenue Fund

For the year ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
General sales and use tax	\$	\$	\$ 241,215	\$ 241,215
Investment earnings			2,330	2,330
Total revenues			243,545	243,545
EXPENDITURES:				
Current operating:				
General government		175,000		175,000
Total expenditures		175,000		175,000
REVENUES OVER (UNDER)				
EXPENDITURES		(175,000)	243,545	418,545
OTHER FINANCING SOURCES (USES):				
Transfers in		175,000	175,000	
Transfers out		(175,000)	(175,000)	
Total other financing sources (uses)				
Net change in fund balances	\$	\$ (175,000)	243,545	\$ 418,545
FUND BALANCES:				
Beginning of year				
End of year			\$ 243,545	

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, 2006

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
General government	\$ 85,496	\$ 132,494	\$ 132,493	\$ 1
Total current operating	85,496	132,494	132,493	1
Debt service:				
Principal	130,000	1,360,000	1,360,000	
Interest	58,671	30,307	30,307	
Total debt service	188,671	1,390,307	1,390,307	
Total expenditures	274,167	1,522,801	1,522,800	1
OTHER FINANCING SOURCES (USES):				
Transfer out		(592,258)	(592,258)	
Total other financing sources (uses)		(592,258)	(592,258)	
Net change in fund balances	\$ (274,167)	\$ (2,115,059)	(2,115,058)	\$ 1
FUND BALANCES:				
Beginning of year			2,115,058	
End of year			\$	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 208	\$ 208
Total revenues			208	208
Net change in fund balances	\$	\$	208	\$ 208
FUND BALANCES:				
Beginning of year			6,295	
End of year			\$ 6,503	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grants	\$ 269,344	\$ 269,344	\$ 219,099	\$ (50,245)
State grants	574,938	557,826	196,983	(360,843)
Other:				
Park planning zones 1-5	1,548,340	1,548,340	3,879,752	2,331,412
Investment earnings	16,034	16,034	119,570	103,536
Total revenues	2,408,656	2,391,544	4,415,404	2,023,860
EXPENDITURES:				
Capital outlay	4,434,422	5,965,339	1,885,573	4,079,766
Total expenditures	4,434,422	5,965,339	1,885,573	4,079,766
REVENUES OVER (UNDER)				
EXPENDITURES	(2,025,766)	(3,573,795)	2,529,831	6,103,626
OTHER FINANCING SOURCES (USES):				
Transfers in	2,121,700	2,121,700	231,849	(1,889,851)
Total other financing sources (uses)	2,121,700	2,121,700	231,849	(1,889,851)
Net change in fund balances	\$ 95,934	\$ (1,452,095)	2,761,680	\$ 4,213,775
FUND BALANCES:				
Beginning of year			2,569,464	
End of year			<u>\$ 5,331,144</u>	

City of Merced

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

Airport Industrial Park Capital Projects Fund

For the year ended June 30, 2006

	Budget		Final	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 87,368	\$ 86,368
Total revenues	1,000	1,000	87,368	86,368
EXPENDITURES:				
Current operating:				
General government		194,144	46,281	(147,863)
Capital outlay	152,330	377,617	238,902	138,715
Total expenditures	152,330	571,761	285,183	(9,148)
REVENUES OVER (UNDER)				
EXPENDITURES	(151,330)	(570,761)	(197,815)	372,946
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land		983,680	2,289,972	1,306,292
Transfers in	125,000	643,258	643,258	
Transfers out		(16,349)	(16,349)	
Total other financing sources (uses)	125,000	1,610,589	2,916,881	1,306,292
Net change in fund balances	\$ (26,330)	\$ 1,039,828	2,719,066	\$ 1,679,238
FUND BALANCES:				
Beginning of year			178,647	
End of year			\$ 2,897,713	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
CMAQ grants	\$ 280,044	\$ 280,044	\$ 12,055	\$ (267,989)
State grants				
Other:				
Investment earnings			28,690	28,690
Miscellaneous	50,000	30,000	355,495	325,495
Total revenues	<u>330,044</u>	<u>310,044</u>	<u>396,240</u>	<u>86,196</u>
EXPENDITURES:				
Capital outlay	<u>10,870,844</u>	<u>15,376,649</u>	<u>5,403,896</u>	<u>9,972,753</u>
Total expenditures	<u>10,870,844</u>	<u>15,376,649</u>	<u>5,403,896</u>	<u>9,972,753</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(10,540,800)</u>	<u>(15,066,605)</u>	<u>(5,007,656)</u>	<u>10,058,949</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>10,525,124</u>	<u>12,762,441</u>	<u>8,644,206</u>	<u>(4,118,235)</u>
Total other financing sources (uses)	<u>10,525,124</u>	<u>12,762,441</u>	<u>8,644,206</u>	<u>(4,118,235)</u>
Net change in fund balances	<u>\$ (15,676)</u>	<u>\$ (2,304,164)</u>	<u>3,636,550</u>	<u>\$ 5,940,714</u>
FUND BALANCES:				
Beginning of year			<u>2,304,164</u>	
End of year			<u>\$ 5,940,714</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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 3,100	\$ 3,100	\$ 445	\$ (2,655)
Total revenues	3,100	3,100	445	(2,655)
EXPENDITURES:				
Capital outlay	22,430	22,396	19,613	2,783
Total expenditures	22,430	22,396	19,613	2,783
REVENUES OVER (UNDER)				
EXPENDITURES	(19,330)	(19,296)	(19,168)	128
Net change in fund balances	\$ (19,330)	\$ (19,296)	(19,168)	\$ 128
FUND BALANCES:				
Beginning of year			22,018	
End of year			\$ 2,850	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 4,149	\$ 4,149
Total revenues			<u>4,149</u>	<u>4,149</u>
EXPENDITURES:				
Capital outlay	129,936	129,936	21,629	108,307
Total expenditures	<u>129,936</u>	<u>129,936</u>	<u>21,629</u>	<u>108,307</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(129,936)</u>	<u>(129,936)</u>	<u>(17,480)</u>	<u>112,456</u>
Net change in fund balances	<u>\$ (129,936)</u>	<u>\$ (129,936)</u>	<u>(17,480)</u>	<u>\$ 112,456</u>
FUND BALANCES:				
Beginning of year			<u>137,630</u>	
End of year			<u>\$ 120,150</u>	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 69	\$ 69
Total revenues			69	69
Net change in fund balances	\$	\$	69	\$ 69
FUND BALANCES:				
Beginning of year			2,056	
End of year			\$ 2,125	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 181	\$ 181
Total revenues			181	181
EXPENDITURES:				
Current operating:				
General government		5,546	58	5,488
Total expenditures		5,546	58	5,488
REVENUES OVER (UNDER)				
EXPENDITURES		(5,546)	123	5,669
OTHER FINANCING SOURCES (USES):				
Transfers out	(5,894)	(5,894)	(5,894)	
Total other financing sources (uses)	(5,894)	(5,894)	(5,894)	
Net change in fund balances	\$ (5,894)	\$ (11,440)	(5,771)	\$ 5,669
FUND BALANCES:				
Beginning of year			11,546	
End of year			\$ 5,775	

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, 2006

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 12,423	\$ 12,423
Total revenues			12,423	12,423
EXPENDITURES:				
Capital outlay	167,345	2,331,658	2,310,216	21,442
Total expenditures	167,345	2,331,658	2,310,216	21,442
REVENUES OVER (UNDER)				
EXPENDITURES	(167,345)	(2,331,658)	(2,297,793)	33,865
Net change in fund balances	\$ (167,345)	\$ (2,331,658)	(2,297,793)	\$ 33,865
FUND BALANCES:				
Beginning of year			2,357,793	
End of year			\$ 60,000	

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.

University Capital Charge - Wastewater Fund - This fund is used to account for the wastewater portion of the University Capital Charge Fund. The University Capital Charge Fund is used for the receipt of facility fee revenues and debt service payments under the Enterprise Fund Installment Sale Agreement which the city entered into on behalf of UC Merced for the repayment of the loan to fund the water and wastewater service to UC Merced.

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.

University Capital Charge - Water Fund - This fund is used to account for the water portion of the University Capital Charge Fund. The University Capital Charge Fund is used for the receipt of facility fee revenues and debt service payments under the Enterprise Fund Installment Sale Agreement which the city entered into on behalf of UC Merced for the repayment of the loan to fund the water and wastewater service to UC Merced.

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 Schedule of Net Assets
Supplementary Information - Enterprise Funds
June 30, 2006

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 8,482,195	\$ 14,914,555	\$ 120,944	\$ 154,396
Cash held with fiscal agent	11,240,769			
Receivables:				
Accounts	967,055	1,362,962		
Interest	75,262	124,334	1,031	1,314
Due from other governments	115,547			4,054,740
Inventory	1,500			
Total current assets	20,882,328	16,401,851	121,975	4,210,450
Noncurrent assets:				
Notes receivable-private parties	5,945	10,200	4,386	
Advances to other funds	6,390	38,047		
Deferred charges	469,006			
Capital assets:				
Nondepreciable	1,893,882	7,552,579		
Depreciable, net of accumulated depreciation	12,775,420	14,125,242	8,576	
Total capital assets	14,669,302	21,677,821	8,576	
Total noncurrent assets	15,150,643	21,726,068	12,962	
Total assets	36,032,971	38,127,919	134,937	4,210,450
LIABILITIES				
Current liabilities:				
Accounts payable	215,702	472,044		
Payroll liabilities	72,076			
Deposits	77,132			
Deferred revenue	1,128,881		4,386	
Accrued interest payable	341,806			
Compensated absences payable, due within one year	38,468			
Long-term debt due within one year	995,823			36,750
Total current liabilities	2,869,888	472,044	4,386	36,750
Long-term liabilities:				
Advances from other funds			27,817	
Other liabilities	27	165,755		
Compensated absences payable, due in more than one year	198,851			
Long-term debt due in more than one year	21,853,786			4,038,177
Total long-term liabilities	22,052,664	165,755	27,817	4,038,177
Total liabilities	24,922,552	637,799	32,203	4,074,927
NET ASSETS				
Invested in capital assets, net of related debt	(8,180,307)	21,677,821	8,576	
Restricted for:				
Special projects and programs	1,075,051	4,193,966		
Debt service	402,438			97,550
Capital projects				
Unrestricted	17,813,237	11,618,333	94,158	37,973
Total net assets	\$ 11,110,419	\$ 37,490,120	\$ 102,734	\$ 135,523

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 23,672,090	\$ 5,701,231	\$ 23,587,856	\$ 4,081,060	\$ 148,342	\$ 33,518,489	\$ 4,495,518	\$ 155,523
11,240,769	5,788,717				5,788,717		
2,330,017	757,525	1,278,984	245,130		2,281,639	514,020	88,712
201,941	53,089	201,032	34,774	1,265	290,160	38,363	1,325
4,170,287	60,198			3,895,730	3,955,928	43,674	
1,500	86,754				86,754		
41,616,604	12,447,514	25,067,872	4,360,964	4,045,337	45,921,687	5,091,575	245,560
20,531	1,569	11,033	2,162		14,764		1,244
44,437	162	4,716	925		5,803		
469,006	179,090				179,090		
9,446,461	6,932,860	2,735,858	40,643		9,709,361	825,563	
26,909,238	14,682,264	3,059,168	941,567		18,682,999	8,748,065	455,133
36,355,699	21,615,124	5,795,026	982,210		28,392,360	9,573,628	455,133
36,889,673	21,795,945	5,810,775	985,297		28,592,017	9,573,628	456,377
78,506,277	34,243,459	30,878,647	5,346,261	4,045,337	74,513,704	14,665,203	701,937
687,746	577,927	176,495			754,422	241,581	
72,076	50,586				50,586	72,249	
77,132	840,897				840,897	113,334	
1,133,267	754,031				754,031	508,971	
341,806	158,574				158,574	25,509	
38,468	3,293				3,293	27,981	
1,032,573	302,852	18,871		38,250	359,973		
3,383,068	2,688,160	195,366		38,250	2,921,776	989,625	
27,817						779,193	
165,782	22,249				22,249		
198,851	92,902				92,902	145,097	
25,891,963	8,310,859	130,628		4,114,032	12,555,519		
26,284,413	8,426,010	130,628		4,114,032	12,670,670	924,290	
29,667,481	11,114,170	325,994		4,152,282	15,592,446	1,913,915	
13,506,090	13,001,413	5,645,527	982,210		19,629,150	9,573,628	455,133
5,269,017	1,062,748	798,477			1,861,225	69,925	
499,988				93,724	93,724		
29,563,701	9,065,128	24,108,649	4,364,051	(200,669)	37,337,159	3,107,735	246,804
\$ 48,838,796	\$ 23,129,289	\$ 30,552,653	\$ 5,346,261	\$ (106,945)	\$ 58,921,258	\$ 12,751,288	\$ 701,937

City of Merced
Combining Schedule of Net Assets, Continued
Supplementary Information - Enterprise Funds
June 30, 2006

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 4,651,041	\$ 108,381	\$ 61,950,001
Cash held with fiscal agent			17,029,486
Receivables			
Accounts	602,732	7,759	5,222,147
Interest	39,688		531,789
Due from other governments	43,674	139,908	8,309,797
Inventory			88,254
Total current assets	<u>5,337,135</u>	<u>256,048</u>	<u>93,131,474</u>
Noncurrent assets:			
Notes receivable-private parties	1,244		36,539
Advances to other funds			50,240
Deferred charges			648,096
Capital assets:			
Nondepreciable	825,563	1,604,724	21,586,109
Depreciable, net of accumulated depreciation	9,203,198	1,104,975	55,900,410
Total capital assets	<u>10,028,761</u>	<u>2,709,699</u>	<u>77,486,519</u>
Total noncurrent assets	<u>10,030,005</u>	<u>2,709,699</u>	<u>78,221,394</u>
Total assets	<u>15,367,140</u>	<u>2,965,747</u>	<u>171,352,868</u>
LIABILITIES			
Current liabilities:			
Accounts payable	241,581	93,318	1,777,067
Payroll liabilities	72,249	6,234	201,145
Deposits	113,334	18,825	1,050,188
Deferred revenue	508,971		2,396,269
Accrued interest payable	25,509		525,889
Compensated absences payable, due within one year	27,981	913	70,655
Long-term debt due within one year			1,392,546
Total current liabilities	<u>989,625</u>	<u>119,290</u>	<u>7,413,759</u>
Long-term liabilities:			
Advances from other funds	779,193	69,249	876,259
Other liabilities		7,383	195,414
Compensated absences payable, due in more than one year	145,097	10,468	447,318
Long-term debt due in more than one year			38,447,482
Total long-term liabilities	<u>924,290</u>	<u>87,100</u>	<u>39,966,473</u>
Total liabilities	<u>1,913,915</u>	<u>206,390</u>	<u>47,380,232</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,028,761	2,709,699	45,873,700
Restricted for:			
Special projects and programs	69,925	165,970	7,366,137
Debt service			593,712
Capital projects			
Unrestricted	3,354,539	(116,312)	70,139,087
Total net assets	<u>\$ 13,453,225</u>	<u>\$ 2,759,357</u>	<u>\$ 123,972,636</u>

This page intentionally left blank.

City of Merced

Combining Schedule of Revenues, Expenses and Changes in Net Assets

Supplementary Information - Enterprise Funds

For the year ended June 30, 2006

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
OPERATING REVENUES:				
Charges for services	\$ 10,120,347	\$ 6,576,546	\$	\$ 145,933
Other revenues	443,992		652	14,365
Total operating revenues	10,564,339	6,576,546	652	160,298
OPERATING EXPENSES:				
Personnel services	2,553,394			
Materials, supplies and other services	2,893,845	11,424	4,956	
Depreciation	890,498	760,954	8,576	
Administrative shared expenses	773,020			
Costs applied - labor, materials, supplies and services	617,770			
Total operating expenses	7,728,527	772,378	13,532	
OPERATING INCOME (LOSS)	2,835,812	5,804,168	(12,880)	160,298
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	658,419	451,665	3,945	6,990
Interest and related expenses	(1,111,979)			(145,933)
Total nonoperating revenues (expenses)	(453,560)	451,665	3,945	(138,943)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	2,382,252	6,255,833	(8,935)	21,355
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Capital contributions				
Transfers in		338,131		
Transfers out	(338,131)			
Total transfers and capital contributions	(338,131)	338,131		
Change in net assets	2,044,121	6,593,964	(8,935)	21,355
NET ASSETS:				
Beginning of year	9,180,466	30,896,156	111,669	
Reclassification of funds	(114,168)			114,168
Beginning of year, as restated	9,066,298	30,896,156	111,669	114,168
End of year	\$ 11,110,419	\$ 37,490,120	\$ 102,734	\$ 135,523

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 16,842,826	\$ 8,463,429	\$ 6,365,448	\$ 1,213,672	\$ 140,211	\$ 16,182,760	\$ 9,610,576	\$ 431,626
459,009	37,947	69,103		13,802	120,852	128,165	
17,301,835	8,501,376	6,434,551	1,213,672	154,013	16,303,612	9,738,741	431,626
2,553,394	1,655,521				1,655,521	2,527,808	
2,910,225	2,768,579				2,768,579	4,851,236	453,633
1,660,028	1,037,760	280,406	88,984		1,407,150	520,578	27,141
773,020	636,181				636,181	792,209	
617,770	719,673				719,673	451,731	
8,514,437	6,817,714	280,406	88,984		7,187,104	9,143,562	480,774
8,787,398	1,683,662	6,154,145	1,124,688	154,013	9,116,508	595,179	(49,148)
1,121,019	414,074	743,687	122,710	6,716	1,287,187	132,580	13,991
(1,257,912)	(420,492)			(140,211)	(560,703)	(25,509)	
(136,893)	(6,418)	743,687	122,710	(133,495)	726,484	107,071	13,991
8,650,505	1,677,244	6,897,832	1,247,398	20,518	9,842,992	702,250	(35,157)
338,131	362,046				362,046	2,342,250	
(338,131)	(95,037)	(362,046)			(457,083)		
	267,009	(362,046)			(95,037)	2,342,250	
8,650,505	1,944,253	6,535,786	1,247,398	20,518	9,747,955	3,044,500	(35,157)
40,188,291	21,057,573	24,016,867	4,098,863		49,173,303	9,706,788	737,094
	127,463			(127,463)			
40,188,291	21,185,036	24,016,867	4,098,863	(127,463)	49,173,303	9,706,788	737,094
\$ 48,838,796	\$ 23,129,289	\$ 30,552,653	\$ 5,346,261	\$ (106,945)	\$ 58,921,258	\$ 12,751,288	\$ 701,937

City of Merced

Combining Schedule of Revenues, Expenses and Changes in Net Assets, Continued

Supplementary Information - Enterprise Funds

For the year ended June 30, 2006

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 10,042,202	\$ 1,837,672	\$ 44,905,460
Other revenues	128,165	819	708,845
Total operating revenues	10,170,367	1,838,491	45,614,305
OPERATING EXPENSES:			
Personnel services	2,527,808	207,577	6,944,300
Materials, supplies and other services	5,304,869	368,313	11,351,986
Depreciation	547,719	128,099	3,742,996
Administrative shared expenses	792,209	45,709	2,247,119
Costs applied - labor, materials, supplies and services	451,731		1,789,174
Total operating expenses	9,624,336	749,698	26,075,575
OPERATING INCOME (LOSS)	546,031	1,088,793	19,538,730
NONOPERATING REVENUES (EXPENSES):			
Interest and investment earnings	146,571	6,578	2,561,355
Interest and related expenses	(25,509)		(1,844,124)
Total nonoperating revenues (expenses)	121,062	6,578	717,231
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	667,093	1,095,371	20,255,961
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital contributions	2,342,250		2,342,250
Transfers in		365,068	1,065,245
Transfers out		(125,000)	(920,214)
Total transfers and capital contributions	2,342,250	240,068	2,487,281
Change in net assets	3,009,343	1,335,439	22,743,242
NET ASSETS:			
Beginning of year	10,443,882	1,423,918	101,229,394
Reclassification of funds			
Beginning of year, as restated	10,443,882	1,423,918	101,229,394
End of year	\$ 13,453,225	\$ 2,759,357	\$ 123,972,636

This page intentionally left blank.

City of Merced
Combining Schedule of Cash Flows
Supplementary Information - Enterprise Funds
For the year ended June 30, 2006

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 10,755,160	\$ 5,888,517	\$ 652	\$ 182,023
Cash paid to suppliers	(4,271,419)	32,282	(4,956)	
Cash paid to employees	(2,569,408)			
Cash (paid to) received from other governments	(102,583)			54,657
Net cash provided (used) by operating activities	3,811,750	5,920,799	(4,304)	236,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds				
Advances to other funds	6,175	9,886		
Transfers from other funds		338,131		
Transfers to other funds	(338,131)			
Net cash provided (used) by noncapital financing activities	(331,956)	348,017		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,942,777)	(4,885,727)		
Payment of long-term debt	(1,110,000)			(17,851)
Interest payments	(1,097,481)			(145,933)
Net cash provided (used) by capital and related financing activities	(4,150,258)	(4,885,727)		(163,784)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	583,157	327,331	3,600	5,676
Payments from notes to private parties	4,223	7,244		
Net cash provided (used) by investing activities	587,380	334,575	3,600	5,676
Net increase (decrease) in cash cash and cash equivalents	(83,084)	1,717,664	(704)	78,572
Cash and cash equivalents at beginning of year	19,806,048	13,196,891	121,648	75,824
Cash and cash equivalents at end of year	<u>\$ 19,722,964</u>	<u>\$ 14,914,555</u>	<u>\$ 120,944</u>	<u>\$ 154,396</u>

Total Wastewater System	Water Operations	Restricted Water Wells *	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 16,826,352	\$ 8,791,752	\$ 6,037,572	\$ 1,129,822	\$ 174,886	\$ 16,134,032	\$ 9,809,976	\$ 403,540
(4,244,093)	(4,151,202)	84,338			(4,066,864)	(6,165,898)	(453,633)
(2,569,408)	(1,647,552)				(1,647,552)	(2,493,248)	
(47,926)	(60,198)			52,514	(7,684)	(43,674)	
9,964,925	2,932,800	6,121,910	1,129,822	227,400	10,411,932	1,107,156	(50,093)
						(356,398)	(482,274)
16,061	156	4,557	894		5,607		
338,131	362,046				362,046		
(338,131)	(95,037)	(362,046)			(457,083)		
16,061	267,165	(357,489)	894		(89,430)	(356,398)	(482,274)
(6,828,504)	(5,069,708)	(2,241,905)	(34)		(7,311,647)	(403,226)	
(1,127,851)	(303,127)	(18,127)		(17,149)	(338,403)		
(1,243,414)	(393,375)			(140,211)	(533,586)	(33,048)	
(9,199,769)	(5,766,210)	(2,260,032)	(34)	(157,360)	(8,183,636)	(436,274)	
919,764	360,985	542,655	87,936	5,451	997,027	94,217	12,666
11,467	1,114	7,838	1,537		10,489		884
931,231	362,099	550,493	89,473	5,451	1,007,516	94,217	13,550
1,712,448	(2,204,146)	4,054,882	1,220,155	75,491	3,146,382	408,701	(518,817)
33,200,411	13,694,094	19,532,974	2,860,905	72,851	36,160,824	4,086,817	674,340
\$ 34,912,859	\$ 11,489,948	\$ 23,587,856	\$ 4,081,060	\$ 148,342	\$ 39,307,206	\$ 4,495,518	\$ 155,523

City of Merced
Combining Schedule of Cash Flows, Continued
Supplementary Information - Enterprise Funds
For the year ended June 30, 2006

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers, including cash deposits	\$ 10,213,516	\$ 1,704,618	\$ 44,878,518
Cash paid to suppliers	(6,619,531)	(324,354)	(15,254,842)
Cash paid to employees	(2,493,248)	(207,627)	(6,917,835)
Cash (paid to) received from other governments	(43,674)		(99,284)
Net cash provided (used) by operating activities	1,057,063	1,172,637	22,606,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	(838,672)		(838,672)
Advances to other funds			21,668
Transfers from other funds		365,068	1,065,245
Transfers to other funds		(125,000)	(920,214)
Net cash provided (used) by noncapital financing activities	(838,672)	240,068	(671,973)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(403,226)	(1,556,886)	(16,100,263)
Payment of long-term debt			(1,466,254)
Interest payments	(33,048)		(1,810,048)
Net cash provided (used) by capital and related financing activities	(436,274)	(1,556,886)	(19,376,565)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings received (paid)	106,883	6,578	2,030,252
Payments from notes to private parties	884		22,840
Net cash provided (used) by investing activities	107,767	6,578	2,053,092
Net increase (decrease) in cash cash and cash equivalents	(110,116)	(137,603)	4,611,111
Cash and cash equivalents at beginning of year	4,761,157	245,984	74,368,376
Cash and cash equivalents at end of year	\$ 4,651,041	\$ 108,381	\$ 78,979,487

City of Merced
Combining Schedule of Cash Flows, Continued
Supplementary Information - Enterprise Funds
For the year ended June 30, 2006

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,835,812	\$ 5,804,168	\$ (12,880)	\$ 160,298
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	890,498	760,954	8,576	
Receivables	(201,132)	(506,673)		21,725
Inventory	60			
Due from other governments	(102,583)			54,657
Accounts payable	13,156	43,706		
Payroll liabilities	14,094			
Deposits	25,580			
Deferred revenue	366,346			
Other liabilities	27	(181,356)		
Compensated absences	(30,108)			
Total adjustments	<u>975,938</u>	<u>116,631</u>	<u>8,576</u>	<u>76,382</u>
Net cash provided (used) by operating activities	<u>\$ 3,811,750</u>	<u>\$ 5,920,799</u>	<u>\$ (4,304)</u>	<u>\$ 236,680</u>
NON CASH ITEMS:				
Developer contributions of capital assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Total Wastewater System	Water Operations	Restricted * Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 8,787,398	\$ 1,683,662	\$ 6,154,145	\$ 1,124,688	\$ 154,013	\$ 9,116,508	\$ 595,179	\$ (49,148)
1,660,028	1,037,760	280,406	88,984		1,407,150	520,578	27,141
(686,080)	(18,285)	(396,979)	(83,850)	20,873	(478,241)	(14,918)	(28,086)
60	(20,846)				(20,846)		
(47,926)	(60,198)			52,514	(7,684)	(43,674)	
56,862	(5,923)	84,338			78,415	(70,722)	
14,094	(4,434)				(4,434)	10,601	
25,580	228,607				228,607	47,134	
366,346	57,806				57,806	39,019	
(181,329)	22,249				22,249		
(30,108)	12,402				12,402	23,959	
<u>1,177,527</u>	<u>1,249,138</u>	<u>(32,235)</u>	<u>5,134</u>	<u>73,387</u>	<u>1,295,424</u>	<u>511,977</u>	<u>(945)</u>
<u>\$ 9,964,925</u>	<u>\$ 2,932,800</u>	<u>\$ 6,121,910</u>	<u>\$ 1,129,822</u>	<u>\$ 227,400</u>	<u>\$ 10,411,932</u>	<u>\$ 1,107,156</u>	<u>\$ (50,093)</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,342,250</u>	<u>\$</u>

City of Merced
Combining Schedule of Cash Flows, Continued
Supplementary Information - Enterprise Funds
For the year ended June 30, 2006

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
RECONCILIATION OF OPERATING			
INCOME (LOSS) TO NET CASH PROVIDED			
(USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 546,031	\$ 1,088,793	\$ 19,538,730
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	547,719	128,099	3,742,996
Receivables	(43,004)	(5,264)	(1,212,589)
Inventory			(20,786)
Due from other governments	(43,674)	(128,621)	(227,905)
Accounts payable	(70,722)	90,395	154,950
Payroll liabilities	10,601	618	20,879
Deposits	47,134	(727)	300,594
Deferred revenue	39,019		463,171
Other liabilities		12	(159,068)
Compensated absences	23,959	(668)	5,585
Total adjustments	<u>511,032</u>	<u>83,844</u>	<u>3,067,827</u>
Net cash provided (used) by operating activities	<u>\$ 1,057,063</u>	<u>\$ 1,172,637</u>	<u>\$ 22,606,557</u>
NON CASH ITEMS:			
Developer contributions of capital assets	<u>\$ 2,342,250</u>	<u>\$</u>	<u>\$ 2,342,250</u>

This page intentionally left blank.

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, 2006

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 1,775,137	\$ 1,347,063	\$ 211	\$ 3,121,664	\$ 876,973
Receivables					
Accounts	4,190	90,519		1,821	
Interest	15,125	11,478		26,599	7,472
Due from other governments					4,871
Prepaid items		22,056			
Inventory					95,744
Total current assets	1,794,452	1,471,116	211	3,150,084	985,060
Non-current assets:					
Advances to other funds	143,706				
Capital assets:					
Nondepreciable					
Depreciable, net of accumulated depreciation					177,826
Total capital assets					177,826
Total noncurrent assets	143,706				177,826
Total assets	1,938,158	1,471,116	211	3,150,084	1,162,886
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	51,698	3,204			79,340
Payroll liabilities					21,562
Insurance claims, due within one year	841,250	427,228			
Compensated absences payable, due within one year					1,354
Total current liabilities	892,948	430,432			102,256
Other liabilities				3,592	
Insurance claims, due in more than one year	2,683,911				
Compensated absences payable, due in more than one year					84,483
Total liabilities	3,576,859	430,432	-	3,592	186,739
Net Assets:					
Invested in capital assets, net of related debt					177,826
Unrestricted	(1,638,701)	1,040,684	211	3,146,492	798,321
Total net assets	\$ (1,638,701)	\$ 1,040,684	\$ 211	\$ 3,146,492	\$ 976,147

Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 9,280,197	\$ 507,989	\$ 1,020,497	\$ 1,113,810	\$ 19,043,541
	3,761			100,291
104,582	4,347	8,695	9,490	187,788
	236			5,107
				22,056
				95,744
9,384,779	516,333	1,029,192	1,123,300	19,454,527
779,193				922,899
	210,679			210,679
3,998,377	572,916	454,784	529,494	5,733,397
3,998,377	783,595	454,784	529,494	5,944,076
4,777,570	783,595	454,784	529,494	6,866,975
14,162,349	1,299,928	1,483,976	1,652,794	26,321,502
86,429	45,878	47,346	10,054	323,949
	20,550	48,942		91,054
				1,268,478
	3,667	12,997		18,018
86,429	70,095	109,285	10,054	1,701,499
	4,878			8,470
				2,683,911
	40,892	109,323		234,698
86,429	115,865	218,608	10,054	4,628,578
3,998,377	783,595	454,784	529,494	5,944,076
10,077,543	400,468	810,584	1,113,246	15,748,848
\$ 14,075,920	\$ 1,184,063	\$ 1,265,368	\$ 1,642,740	\$ 21,692,924

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2006

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
OPERATING REVENUES:					
Charges for services	\$ 1,010,153	\$ 1,720,421	\$ 7,293	\$ 7,572,707	\$ 2,992,509
Other	901	258			27,754
Total operating revenues	1,011,054	1,720,679	7,293	7,572,707	3,020,263
OPERATING EXPENSES:					
Personnel services					742,791
Materials, supplies and other services	265,403	196,984	2,091	213,906	1,958,121
Depreciation					18,418
Administrative shared expenses	72,074	37,210	2,041	148,431	205,373
Insurance	706,193	569,652	63,672	5,954,227	
Total operating expenses	1,043,670	803,846	67,804	6,316,564	2,924,703
OPERATING INCOME (LOSS)	(32,616)	916,833	(60,511)	1,256,143	95,560
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	73,794	35,229	157	97,609	29,793
Gain (loss) on sale of equipment					36,214
Total nonoperating revenues (expenses)	73,794	35,229	157	97,609	66,007
INCOME (LOSS) BEFORE TRANSFERS	41,178	952,062	(60,354)	1,353,752	161,567
TRANSFERS:					
Transfers in		5,894	37,743		
Transfers out				(37,743)	
Total transfers		5,894	37,743	(37,743)	
NET INCOME (LOSS)	41,178	957,956	(22,611)	1,316,009	161,567
NET ASSETS:					
Beginning of the year	(1,679,879)	82,728	22,822	1,830,483	814,580
End of the year	\$ (1,638,701)	\$ 1,040,684	\$ 211	\$ 3,146,492	\$ 976,147

<u>Fleet</u> <u>Replacement</u>	<u>Facility</u> <u>Maintenance</u>	<u>Support</u> <u>Services</u>	<u>Personal</u> <u>Computer</u> <u>Maintenance</u>	<u>Total</u>
\$ 2,295,014	\$ 1,827,952	\$ 3,375,906	\$ 474,863	\$ 21,276,818
1,135	238	2,427		32,713
<u>2,296,149</u>	<u>1,828,190</u>	<u>3,378,333</u>	<u>474,863</u>	<u>21,309,531</u>
	731,091	1,583,623		3,057,505
109,374	581,994	1,306,792	44,596	4,679,261
1,324,820	33,616	169,364	130,081	1,676,299
		163,432		628,561
	<u>38,763</u>	<u>52,907</u>		<u>7,385,414</u>
<u>1,434,194</u>	<u>1,385,464</u>	<u>3,276,118</u>	<u>174,677</u>	<u>17,427,040</u>
<u>861,955</u>	<u>442,726</u>	<u>102,215</u>	<u>300,186</u>	<u>3,882,491</u>
330,953	17,137	32,284	35,321	652,277
	459	1,241		37,914
<u>330,953</u>	<u>17,596</u>	<u>33,525</u>	<u>35,321</u>	<u>690,191</u>
<u>1,192,908</u>	<u>460,322</u>	<u>135,740</u>	<u>335,507</u>	<u>4,572,682</u>
				43,637
<u>(8,794)</u>	<u>(8,075)</u>	<u>(25,000)</u>		<u>(79,612)</u>
<u>(8,794)</u>	<u>(8,075)</u>	<u>(25,000)</u>		<u>(35,975)</u>
1,184,114	452,247	110,740	335,507	4,536,707
<u>12,891,806</u>	<u>731,816</u>	<u>1,154,628</u>	<u>1,307,233</u>	<u>17,156,217</u>
<u>\$ 14,075,920</u>	<u>\$ 1,184,063</u>	<u>\$ 1,265,368</u>	<u>\$ 1,642,740</u>	<u>\$ 21,692,924</u>

City of Merced
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2006

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits	Fleet Management
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 1,031,275	\$ 1,658,670	\$ 7,293	\$ 7,583,871	\$ 2,996,507
Cash paid to suppliers	(1,377,072)	(1,129,865)	(67,804)	(6,316,564)	(2,156,668)
Cash paid to employees	-	-	-	-	(714,380)
Cash receipts (payments) other	901	258	-	609	4,443
Net cash provided (used) by operating activities	(344,896)	529,063	(60,511)	1,267,916	129,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances from other funds	48,934	-	-	-	-
Transfers from other funds	-	5,894	37,743	-	-
Transfers to other funds	-	-	-	(37,743)	-
Net cash provided (used) by noncapital financing activities	48,934	5,894	37,743	(37,743)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	-	-	-	-	(24,096)
Proceeds from disposal of equipment	-	-	-	-	36,214
Net cash provided (used) by capital and related financing activities	-	-	-	-	12,118
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	58,669	23,751	157	71,010	22,321
Net cash provided (used) by investing activities	58,669	23,751	157	71,010	22,321
Net increase (decrease) in cash and cash equivalents	(237,293)	558,708	(22,611)	1,301,183	164,341
Cash and cash equivalents at beginning of year	2,012,430	788,355	22,822	1,820,481	712,632
Cash and cash equivalents at end of year	\$ 1,775,137	\$ 1,347,063	\$ 211	\$ 3,121,664	\$ 876,973

Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 2,378,483	\$ 1,827,677	\$ 3,379,875	\$ 480,177	\$ 21,343,828
(28,136)	(619,570)	(1,530,110)	(43,639)	(13,269,428)
-	(740,056)	(1,568,850)	-	(3,023,286)
1,135	4,880	2,427	-	14,653
<u>2,351,482</u>	<u>472,931</u>	<u>283,342</u>	<u>436,538</u>	<u>5,065,767</u>
356,398	-	-	-	405,332
-	-	-	-	43,637
(8,794)	(8,075)	(25,000)	-	(79,612)
<u>347,604</u>	<u>(8,075)</u>	<u>(25,000)</u>	<u>-</u>	<u>369,357</u>
(2,601,137)	(261,682)	(72,550)	(340,749)	(3,300,214)
3,424	459	17,591	48,750	106,438
<u>(2,597,713)</u>	<u>(261,223)</u>	<u>(54,959)</u>	<u>(291,999)</u>	<u>(3,193,776)</u>
226,371	12,790	23,589	25,831	464,489
<u>226,371</u>	<u>12,790</u>	<u>23,589</u>	<u>25,831</u>	<u>464,489</u>
327,744	216,423	226,972	170,370	2,705,837
8,952,453	291,566	793,525	943,440	16,337,704
<u>\$ 9,280,197</u>	<u>\$ 507,989</u>	<u>\$ 1,020,497</u>	<u>\$ 1,113,810</u>	<u>\$ 19,043,541</u>

City of Merced
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2006

	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Fleet Management</u>
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (32,616)	\$ 916,833	\$ (60,511)	\$ 1,256,143	\$ 95,560
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation					18,418
Accounts receivable	21,122	(61,751)		11,164	3,998
Due from other governments					(4,871)
Prepaid		(111)			
Inventory					(31,003)
Accounts payable	35,582	(12,696)			37,829
Payroll liabilities					21,562
Other liabilities				609	(18,440)
Insurance claim payable	(368,984)	(313,212)			
Compensated absence payable					6,849
Total adjustments	<u>(312,280)</u>	<u>(387,770)</u>		<u>11,773</u>	<u>34,342</u>
Net cash provided (used) by operating activities	<u>\$ (344,896)</u>	<u>\$ 529,063</u>	<u>\$ (60,511)</u>	<u>\$ 1,267,916</u>	<u>\$ 129,902</u>

<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 861,955	\$ 442,726	\$ 102,215	\$ 300,186	\$ 3,882,491
1,324,820	33,616	169,364	130,081	1,676,299
83,469	(275)	3,969	5,314	67,010
	(236)			(5,107)
				(111)
				(31,003)
81,238	1,187	(6,979)	957	137,118
	4,178	11,271		37,011
	4,878			(12,953)
				(682,196)
	(13,143)	3,502		(2,792)
<u>1,489,527</u>	<u>30,205</u>	<u>181,127</u>	<u>136,352</u>	<u>1,183,276</u>
<u>\$ 2,351,482</u>	<u>\$ 472,931</u>	<u>\$ 283,342</u>	<u>\$ 436,538</u>	<u>\$ 5,065,767</u>

This page intentionally left blank.

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.

Regional Transportation Improvement Trust Fund - This fund was established by the City Council to account for regional transportation impact fees. The fees are collected by the City of Merced on behalf of Merced County Association of Governments (MCAG). MCAG determines improvement projects to construct to accommodate traffic that will be generated by new development within the cities and County of Merced.

City of Merced
Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
June 30, 2006

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ASSETS								
Cash, cash equivalents and investments	\$ 36,157	\$ 36,764	\$ 172,628	\$ 8,437	\$ 168,517	\$ 10,033	\$ 454,234	\$ 886,770
Receivables	308		1,471	72	1,436	85	3,870	7,242
Total assets	36,465	36,764	174,099	8,509	169,953	10,118	458,104	894,012
LIABILITIES								
Accounts payable							446,558	446,558
Total liabilities							446,558	446,558
NET ASSETS								
Held in trust for other purposes	36,465	36,764	174,099	8,509	169,953	10,118	11,546	447,454
Total net assets	\$ 36,465	\$ 36,764	\$ 174,099	\$ 8,509	\$ 169,953	\$ 10,118	\$ 11,546	\$ 447,454

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2006

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ADDITIONS:								
Investment earnings	\$ 1,124	\$ 37	\$ 6,478	\$ 272	\$ 5,499	\$ 313	\$ 8,464	\$ 22,187
Miscellaneous	35,350		110,970			1,265	1,358,657	1,506,242
Total additions	36,474	37	117,448	272	5,499	1,578	1,367,121	1,528,429
DEDUCTIONS:								
General government	16,211		170,000		5,178		1,355,575	1,546,964
Total deductions	16,211		170,000		5,178		1,355,575	1,546,964
Net change in fund balances	20,263	37	(52,552)	272	321	1,578	11,546	(18,535)
NET ASSETS:								
Beginning of year	16,202	36,727	226,651	8,237	169,632	8,540		465,989
End of year	<u>\$ 36,465</u>	<u>\$ 36,764</u>	<u>\$ 174,099</u>	<u>\$ 8,509</u>	<u>\$ 169,953</u>	<u>\$ 10,118</u>	<u>\$ 11,546</u>	<u>\$ 447,454</u>

This page intentionally left blank.

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, 2006

	<u>Deposits</u>	<u>RDA Deposits</u>	<u>Payroll Clearing</u>	<u>Liberty Park</u>	<u>16th Street Assessment</u>	<u>Fahrens Park Debt Service</u>
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 2,308,680	\$ 366,329	\$ 423	\$ 55,137	\$ 41,883	\$ 730,475
Restricted cash held by fiscal agent						
Receivables				470	356	6,224
Deposits	74,878	68,945				
Due from other governments					3,879	19,392
Total assets	\$ 2,383,558	\$ 435,274	\$ 423	\$ 55,607	\$ 46,118	\$ 756,091
LIABILITIES						
Other payables	\$ 261,432	\$ 145,277	\$ 423			
Deposits	2,122,126	289,997				
Due to bondholders				55,607	46,118	756,091
Total liabilities	\$ 2,383,558	\$ 435,274	\$ 423	\$ 55,607	\$ 46,118	\$ 756,091

Fahrens Park Capital Projects	Bellevue Ranch East Debt Service	Bellevue Ranch East Capital Projects	Bellevue Ranch West Debt Service	Moraga Development Debt Service	MM Narcotics Task Force Special Revenue	MMNTF Federal Sharing	Merced Somoto Sister City	Total
\$ 1,495,328	\$ 443,139	\$	\$ 14,047	\$ 89,844	\$ 173,246	\$ 13,262	\$ 38,825	\$ 5,770,618
	933,485	11,724,414						12,657,899
14,897	3,775		120	766	1,474	113	331	28,526
	2,634							143,823
								25,905
<u>\$ 1,510,225</u>	<u>\$ 1,383,033</u>	<u>\$ 11,724,414</u>	<u>\$ 14,167</u>	<u>\$ 90,610</u>	<u>\$ 174,720</u>	<u>\$ 13,375</u>	<u>\$ 39,156</u>	<u>\$ 18,626,771</u>
\$	\$	\$ 46,105	\$ 1,602	\$ 481	\$ 2,347	\$	\$	\$ 457,667
					172,373	13,375	39,156	2,637,027
1,510,225	1,383,033	11,678,309	12,565	90,129				15,532,077
<u>\$ 1,510,225</u>	<u>\$ 1,383,033</u>	<u>\$ 11,724,414</u>	<u>\$ 14,167</u>	<u>\$ 90,610</u>	<u>\$ 174,720</u>	<u>\$ 13,375</u>	<u>\$ 39,156</u>	<u>\$ 18,626,771</u>

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,017,758	\$ 197,234,629	\$ 197,943,707	\$ 2,308,680
Advance to other funds	2,261	2,261	4,522	
Deposits	77,771	148,000	150,893	74,878
Total assets	\$ 3,097,790	\$ 197,384,890	\$ 198,099,122	\$ 2,383,558
Liabilities:				
Other payables	\$ 203,664	\$ 2,817,200	\$ 2,759,432	\$ 261,432
Deposits	2,894,126	194,567,690	195,339,690	2,122,126
Total liabilities	\$ 3,097,790	\$ 197,384,890	\$ 198,099,122	\$ 2,383,558
<u>RDA Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 111,101	\$ 450,456	\$ 195,228	\$ 366,329
Deposits	66,924	17,021	15,000	68,945
Total assets	\$ 178,025	\$ 467,477	\$ 210,228	\$ 435,274
Liabilities:				
Other payables	\$ 49	\$ 300,456	\$ 155,228	\$ 145,277
Deposits	177,976	167,021	55,000	289,997
Total liabilities	\$ 178,025	\$ 467,477	\$ 210,228	\$ 435,274
<u>Payroll Clearing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 418	\$ 14,837,687	\$ 14,837,682	\$ 423
Total assets	\$ 418	\$ 14,837,687	\$ 14,837,682	\$ 423
Liabilities:				
Other payables	\$ 418	\$ 14,837,687	\$ 14,837,682	\$ 423
Total liabilities	\$ 418	\$ 14,837,687	\$ 14,837,682	\$ 423

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Liberty Park</u>				
Assets:				
Cash, cash equivalents and investments	\$ 92,885	\$ 76,083	\$ 113,831	\$ 55,137
Interest receivable	523	470	523	470
Due from other governments	947		947	
Total assets	\$ 94,355	\$ 76,553	\$ 115,301	\$ 55,607
Liabilities:				
Due to bondholders	\$ 94,355	\$ 76,553	\$ 115,301	\$ 55,607
Total liabilities	\$ 94,355	\$ 76,553	\$ 115,301	\$ 55,607
<u>16th Street Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 68,632	\$ 47,900	\$ 74,649	\$ 41,883
Interest receivable	386	357	387	356
Due from other governments	247	3,880	248	3,879
Total assets	\$ 69,265	\$ 52,137	\$ 75,284	\$ 46,118
Liabilities:				
Due to bondholders	\$ 69,265	\$ 52,137	\$ 75,284	\$ 46,118
Total liabilities	\$ 69,265	\$ 52,137	\$ 75,284	\$ 46,118
<u>Fahrens Park Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 748,094	\$ 528,296	\$ 545,915	\$ 730,475
Interest receivable	4,213	6,224	4,213	6,224
Due from other governments	13,866	19,393	13,867	19,392
Total assets	\$ 766,173	\$ 553,913	\$ 563,995	\$ 756,091
Liabilities:				
Due to bondholders	\$ 766,173	\$ 553,913	\$ 563,995	\$ 756,091
Total liabilities	\$ 766,173	\$ 553,913	\$ 563,995	\$ 756,091

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Fahrens Park Capital Projects</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,432,055	\$ 66,574	\$ 3,301	\$ 1,495,328
Interest receivable	9,062	14,896	9,061	14,897
Total assets	\$ 1,441,117	\$ 81,470	\$ 12,362	\$ 1,510,225
Liabilities:				
Due to bondholders	\$ 1,441,117	\$ 81,470	\$ 12,362	\$ 1,510,225
Total liabilities	\$ 1,441,117	\$ 81,470	\$ 12,362	\$ 1,510,225
<u>Bellevue Ranch East Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 36,403	\$ 12,902,304	\$ 12,495,568	\$ 443,139
Restricted cash held by fiscal agent		933,485		933,485
Interest receivable	357	3,986	568	3,775
Due from other governments		2,634		2,634
Total assets	\$ 36,760	\$ 13,842,409	\$ 12,496,136	\$ 1,383,033
Liabilities:				
Other Payable	\$ 20,585	\$ 6,530	\$ 27,115	\$
Due to bondholders	16,175	13,835,879	12,469,021	1,383,033
Total liabilities	\$ 36,760	\$ 13,842,409	\$ 12,496,136	\$ 1,383,033
<u>Bellevue Ranch East Capital Project</u>				
Assets:				
Restricted cash held by fiscal agent	\$	\$ 11,725,049	\$ 635	\$ 11,724,414
Total assets	\$	\$ 11,725,049	\$ 635	\$ 11,724,414
Liabilities:				
Other Payable	\$	\$ 46,105	\$	\$ 46,105
Due to bondholders		11,678,944	635	11,678,309
Total liabilities	\$	\$ 11,725,049	\$ 635	\$ 11,724,414

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Bellevue Ranch West Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 61,168	\$ 7,606	\$ 54,727	\$ 14,047
Interest receivable	210	119	209	120
Total assets	\$ 61,378	\$ 7,725	\$ 54,936	\$ 14,167
Liabilities:				
Other payables	\$ 4,680	\$ 7,725	\$ 10,803	\$ 1,602
Due to bondholders	56,698		44,133	12,565
Total liabilities	\$ 61,378	\$ 7,725	\$ 54,936	\$ 14,167
<u>Moraga Development Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 101,106	\$ 11,262	\$ 89,844
Interest receivable		766		766
Total assets	\$	\$ 101,872	\$ 11,262	\$ 90,610
Liabilities:				
Other payables	\$	\$ 11,555	\$ 11,074	\$ 481
Due to bondholders		90,317	188	90,129
Total liabilities	\$	\$ 101,872	\$ 11,262	\$ 90,610
<u>MM Narcotics Task Force Special Revenue</u>				
Assets:				
Cash, cash equivalents and investments	\$ 300,510	\$ 47,100	\$ 174,364	\$ 173,246
Interest receivable	1,691	1,475	1,692	1,474
Total assets	\$ 302,201	\$ 48,575	\$ 176,056	\$ 174,720
Liabilities:				
Other payables	\$ 3,403	\$ 48,575	\$ 49,631	\$ 2,347
Deposits	298,798		126,425	172,373
Total liabilities	\$ 302,201	\$ 48,575	\$ 176,056	\$ 174,720

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>MMNTF Federal Sharing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 12,875	\$ 415	\$ 28	\$ 13,262
Interest receivable	73	113	73	113
Total assets	\$ 12,948	\$ 528	\$ 101	\$ 13,375
Liabilities:				
Deposits	\$ 12,948	\$ 528	\$ 101	\$ 13,375
Total liabilities	\$ 12,948	\$ 528	\$ 101	\$ 13,375
<u>Merced - Somoto Sister City</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,833	\$ 126,150	\$ 91,158	\$ 38,825
Interest receivable	22	331	22	331
Total assets	\$ 3,855	\$ 126,481	\$ 91,180	\$ 39,156
Liabilities:				
Deposits	\$ 3,855	\$ 126,481	\$ 91,180	\$ 39,156
Total liabilities	\$ 3,855	\$ 126,481	\$ 91,180	\$ 39,156
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 5,885,732	\$ 226,426,306	\$ 226,541,420	\$ 5,770,618
Restricted cash held by fiscal agents		12,658,534	635	12,657,899
Interest receivable	16,537	28,737	16,748	28,526
Deposits	144,695	165,021	165,893	143,823
Due from other governments	15,060	25,907	15,062	25,905
Advance to other funds	2,261	2,261	4,522	
Total assets	\$ 6,064,285	\$ 239,306,766	\$ 226,744,280	\$ 18,626,771
Liabilities:				
Other payables	\$ 232,799	\$ 18,075,833	\$ 17,850,965	\$ 457,667
Deposits	3,387,703	194,861,720	195,612,396	2,637,027
Due to bondholders	2,443,783	26,369,213	13,280,919	15,532,077
Total liabilities	\$ 6,064,285	\$ 239,306,766	\$ 226,744,280	\$ 18,626,771

This page intentionally left blank.