



# CITY OF MERCED, CALIFORNIA

## *Comprehensive Annual Financial Report*

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



For 27 years the City of Merced has received the “Tree City USA” designation. Its many tree-lined streets are a result of this program.

The Tree City USA program, sponsored by The Arbor Day Foundation in cooperation with the USDA Forest Service and the National Association of State Foresters, provides direction, technical assistance, public attention, and national recognition for urban and community forestry programs in thousands of towns and cities that more than 93 million Americans call home. Gaining and retaining Tree City USA recognition is an award to the tree workers, managers, volunteers, tree board members and others who work on behalf of better care of a community’s trees. Non-involved citizens, too, often share a sense of pride that their City is a Tree City USA.

Photo by Roger J. Wyan

# City of Merced

Merced, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2007*

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

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



**City of Merced**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2007**

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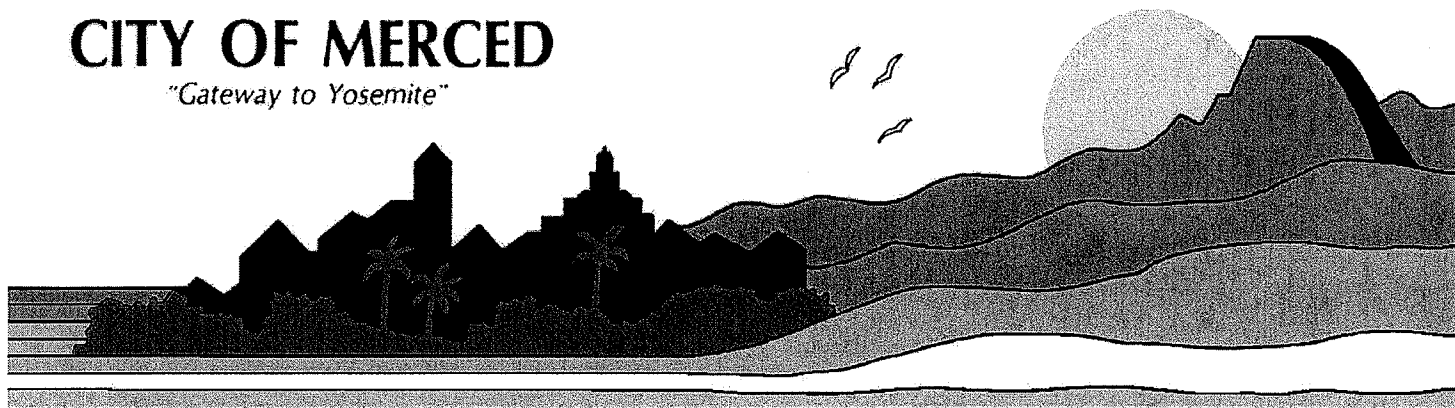
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# CITY OF MERCED

"Gateway to Yosemite"



December 7, 2007

Honorable Mayor and  
Members of the City Council  
of the City of Merced:

The Comprehensive Annual Financial Report (CAFR) of the City of Merced for the fiscal year ending June 30, 2007 is hereby submitted in accordance with the City Charter. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute, assurance that the financial statements are free of any material misstatements.

Caporicci & Larson, Certified Public Accountants, have audited the City's financial statements. The auditors have issued an unqualified ("clean") opinion on the City of Merced's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## REPORTING ENTITY AND ITS SERVICES

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

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

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

## ECONOMIC CONDITION AND OUTLOOK

The City of Merced is located in the Central Valley of California. The City is situated approximately 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles. The City has a population of approximately 79,715 and serves as the county seat. Merced is located on Highway 99, the dominant north-south freeway in California, and is served also by Highways 140 and 59. Two railroads, Union Pacific and Burlington Northern Santa Fe, have main lines that pass through the City.

Merced serves as the region's trade center. The economy has been based upon traditional industries such as food processing and manufacturing but with increasing diversification and expansion in commercial services. A new 86,000 square foot neighborhood shopping in southeast Merced, The Playa Merced, is under construction. Phase one of the shopping center included Rancho San Miguel Grocery Store, which opened in May 2007. Long's Drugs will be the next store in the shopping center to open in the fall of 2007. Other commercial investments include a drive-thru Starbucks and Subway Sandwiches at the Highway 99 and Childs Avenue Interchange. A 5,000 square foot addition to the Merced MarketPlace is complete and includes Country Waffle, Port of Subs, and Great Clips for Hair as tenants. Courtyard by Marriott, Merced's first new hotel in more than a decade, opened its doors in June.

Other retailers recently opening in Merced include PetsMart, Aaron's Furniture Rentals and Sales, Carniceria Vallarta, Cool Hand Luke's Steakhouse, Big Bubba's Bad to the Bone BBQ. Four shopping centers are in the planning and design phases totaling over 2 million square feet of new retail opportunities.

Industrial expansion continues to be strong. Merced's industrial base includes printing, fiberglass boat building, warehousing and distribution, and plastic and packaging industries. Expansions of local firms have continued, with a few new companies entering the area. Auto parts manufacturer Arvin Sango completed construction on its expansion project. A new Economic Development Strategy was adopted in December 2006 laying the groundwork to transition from a traditional industrial based economy to a technology led economy.

Downtown revitalization continues, with nearly \$30 million in private investment completed and new projects under construction within the City's Downtown Core. Restoration of the commercial and residential units attached to the historic Merced Theater is complete. Private investment in Downtown Merced remains strong with the rehabilitation of two buildings and construction of two commercial facilities. An update of the 1999 Downtown Strategy is underway and is expected to be completed by December 2007.

University of California Merced (UC) is now in its second year with an enrollment of approximately 1,330 students. UC Merced is designated as the research university for the 21<sup>st</sup> Century. Federal and State funds have been committed to the University of California campus for transportation improvements and planning costs. A new interchange on Highway 99 at Mission Avenue is under construction. Campus Parkway, a planned four-lane expressway, will eventually connect the new interchange to Yosemite Avenue and will run to the UC campus.

Economic indicators such as increasing employment opportunities, major investments in capital improvement projects, and recent designation as an Enterprise Zone community clearly point out the City of Merced is headed for further long-term economic development and community prosperity.

## **CURRENT EVENTS**

Key events for fiscal year 2006-07 are highlighted as follows:

### **General Government**

A committee was established to review and recommend changes to the City's Charter, which has not been rewritten since its initial adoption in 1949. The charter revisions are on the ballot for the November 2007 election.

### **Support Services**

A vote was passed by the Miscellaneous Employees PERS group to increase the retirement benefit from 2% at 55 to 2.5% at 55.

A Section 125 Cafeteria Plan for employee benefits was implemented in January 2007.

### **Recreation and Parks**

Current parks under development include regional parks Willowbrook, Sandcastle, and Compass Point, as well as neighborhood parks, bike lanes, and bike corridors.

### **Public Safety**

The Merced Fire Department worked with the Merced Community College and State of California Fire Marshal's Fire Technology and Academy programs by scheduling Level one and Level two officer development courses. Additionally, efforts are underway to provide various National Fire Academy field courses locally within the next calendar year.

### **Public Works**

Phase IV of the Wastewater Treatment Plant Improvement project continues. The EIR was approved by the City Council in December. The project is expected to go to bid in January 2008 and the application for SFR financing is expected to be submitted in the fall of 2007.

### **Transportation and Housing**

The City received over \$1.2 million in Community Development Block Grant funds and \$621,447 in Federal HOME funds. These funds are used primarily to benefit low and moderate-income residents.

In June, the City received notice of an award in the amount of \$600,000 from the State of California's Department of Housing and Community Development under the 2007 CalHome Program. The funds are available due to the passing of Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006. The funds will be used to assist first time homebuyers.

### **Community Development**

The Community Facilities District No. 2006-1 (Moraga of Merced) was established. A special election was held, which approved bonded indebtedness in an amount not to exceed \$6.5 million for providing public facilities within and for the Community Facilities District. The actual bond issue was for \$5.8 million.

Four improvement areas were annexed into the 2003-2 (Services) Community Facilities District in 2006-07.

The Interactive Voice Response system for the Building Division is now available for customers to use to request inspections.

The City Council approved a draft Specific Urban Development Plan (SUDP) boundary update that will be used to complete the General Plan update. The draft SUDP contained over 40,000 acres.

### **Redevelopment Agency**

Two new hotels are underway. The Courtyard by Marriott, a 90-unit hotel on Motel Drive, is complete and construction has started on the Hampton Inn and Suites on Parsons avenue just north of highway 99. It is expected to be complete in the fall of 2007.

Phase one of the Merced Theatre project is complete which includes the lease of three residential units.

The Martin Luther King Jr. Way Beautification project is expected to be completed by September 2007. The improvements include: partial road reconstruction, installation of medians, signalization, landscaping, and installation of decorative streetlights.

The Merced Center project is under construction. This project includes a parking garage, Merced College Administrative building and hotel. Construction on the parking structure is expected to be complete in December 2007. In addition, construction on the Merced College building is expected to be complete in January 2008. This development includes Merced's first green hotel, and 75,000 square feet of office buildings. The hotel project is currently in the planning stage.

A new neighborhood shopping center, The Playa Merced Shopping Center anchored by Rancho San Miguel grocery store and Long's Drugs, is under construction. The Rancho San Miguel grocery store was completed and opened in May. Long's Drugs is expected to open in the fall of 2007.

## **FINANCIAL INFORMATION**

### **Internal Controls**

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

the evaluation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

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

### **Budgetary Controls**

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

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

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

### **Cash Management**

Cash temporarily idle during the year was invested in Certificate of Deposits, Government Obligations, Mutual Funds, and the State Treasurer's Investment Pool. The maturities of the investments generally range from 1 month to 24 months, with the average maturity being 63 days. The average yield on investments was 5.19 percent.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all of the investments held by the government at June 30, 2007 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

### **Risk Management**

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

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merced for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2006. This was the eleventh consecutive year the City received this prestigious award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

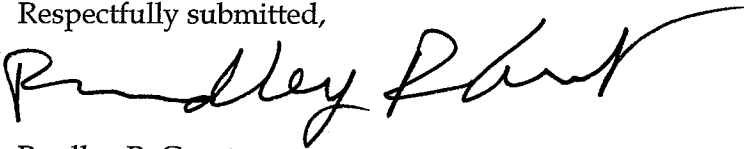
In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal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

## ACKNOWLEDGMENTS

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

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

Respectfully submitted,

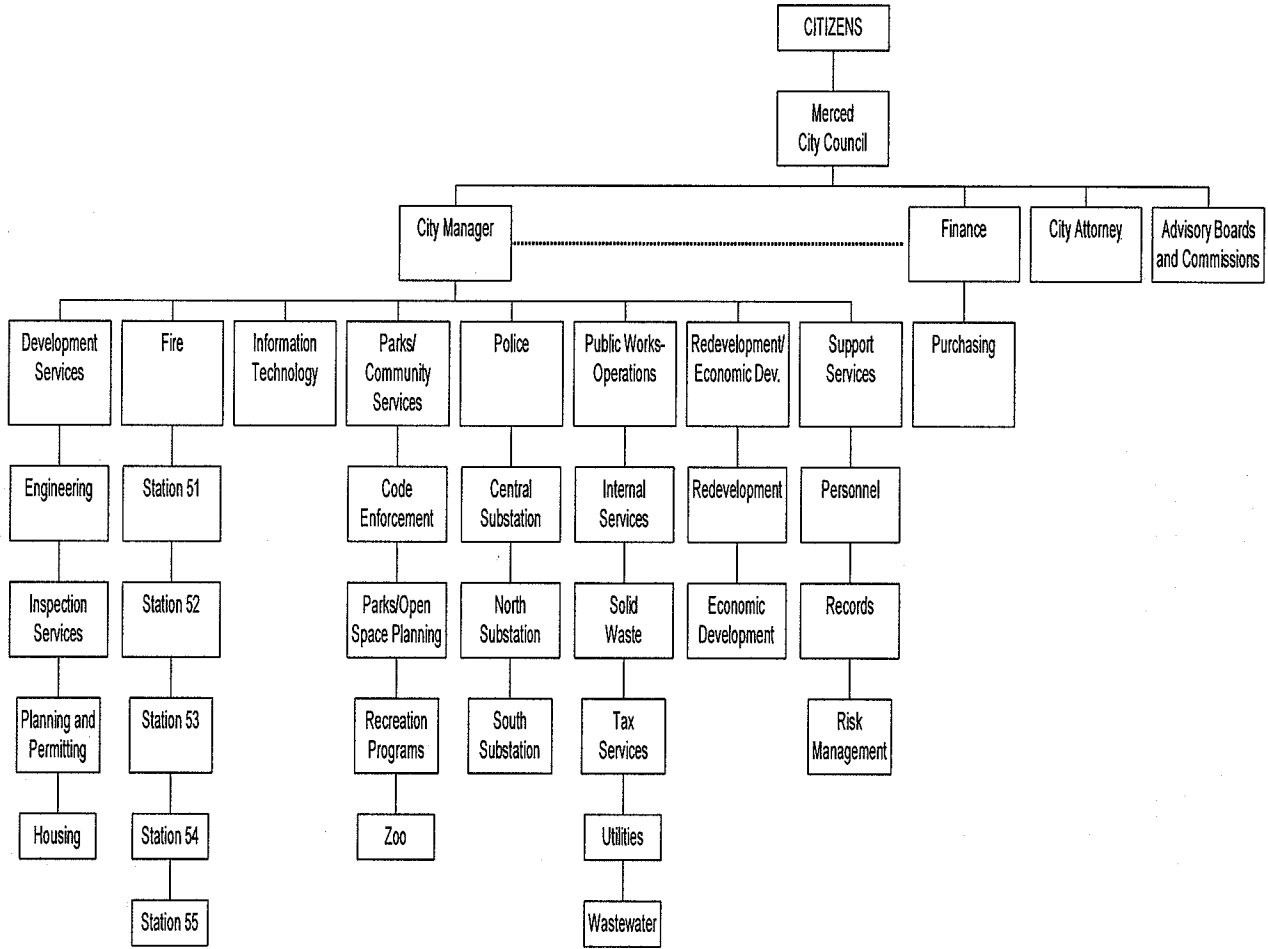


Bradley R. Grant  
Finance Officer



James Marshall  
City Manager

# City of Merced Organizational Chart June 30, 2007



CITY OF MERCED  
RESPONSIBLE OFFICIALS  
June 30, 2007

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

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

Ellie Wooten  
Joseph Cortez  
Michele Gabriault-Acosta  
Rick Osorio  
Carl Pollard  
James Sanders  
William Spriggs

James G. Marshall  
William Cahill  
Gregory Diaz  
Bradley R. Grant  
Russ L. Thomas  
Kenneth W. Mitten  
John Raggio  
Deneen Proctor  
Alexander Hall  
Jack Lesch  
Jeff Lewis



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Merced California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President

Executive Director

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced, California (City), as of and for the year ended June 30, 2007, 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, the 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, 2007, 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 December 7, 2007, 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.

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

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**

180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**

9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**

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

**San Diego**

4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of the City Council  
of the City of Merced  
Merced, California  
Page 2

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

*Capricci & Carson*

Oakland, California  
December 7, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Merced (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found in the introductory section of this report, and the City's Financial Statements, which follows this discussion.

### FINANCIAL HIGHLIGHTS

- The City's net assets as shown on the Statement of Activities increased by \$58.6 million. The governmental net assets increased by \$39.5 million and the business-type net assets increased by \$19.1 million.
- As shown on the Statement of Net Assets, the assets of the City exceeded its liabilities at the close of the fiscal year by \$557 million.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was \$16.1 million, or 71% percent of the General Fund fund balance.
- The net decrease to governmental activity long-term debt was \$2 million. There was no new debt issued during the year.
- The net decrease to the business-type activity long-term debt was \$1.3 million. There was no new debt issued during the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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

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

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

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

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a governments' financial position. In the case of the City, assets exceeded liabilities by \$557 million at the close of the most recent fiscal year.

### Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 142,168,586	\$ 142,698,669	\$ 97,145,765	\$ 92,990,090	\$ 239,314,351	\$ 235,688,759
Capital assets	331,533,504	291,283,283	91,281,461	77,486,519	422,814,965	368,769,802
Total assets	<u>473,702,090</u>	<u>433,981,952</u>	<u>188,427,226</u>	<u>170,476,609</u>	<u>662,129,316</u>	<u>604,458,561</u>
Current liabilities	18,780,878	15,191,025	7,989,755	7,609,173	26,770,633	22,800,198
Noncurrent liabilities	40,991,797	43,113,708	37,333,339	38,894,800	78,325,136	82,008,508
Total liabilities	<u>59,772,675</u>	<u>58,304,733</u>	<u>45,323,094</u>	<u>46,503,973</u>	<u>105,095,769</u>	<u>104,808,706</u>
Net assets:						
Invested in capital assets, net of debt	298,036,557	256,320,458	52,964,607	45,873,700	351,001,164	302,194,158
Restricted	38,115,079	36,675,609	19,382,097	7,959,849	57,497,176	44,635,458
Unrestricted	77,777,779	82,681,152	70,757,428	70,139,087	148,535,207	152,820,239
Total net assets	<u>\$ 413,929,415</u>	<u>\$ 375,677,219</u>	<u>\$ 143,104,132</u>	<u>\$ 123,972,636</u>	<u>\$ 557,033,547</u>	<u>\$ 499,649,855</u>

The largest portion of the City's net assets (63%) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and structures, machinery and equipment, and improvements other than buildings, structures and land improvements), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$57.4 million or 10.3%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$148.5 million is the unrestricted net assets that may be used to meet the City's ongoing operating and capital needs depending on the type of the fund. The Business-Type Activities unrestricted net assets of \$70.7 million includes \$56.4 million earmarked for capital projects.

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



**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

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

**Statement of Activities**

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 31,249,949	\$ 37,947,440	\$ 37,656,028	\$ 45,614,305	\$ 68,905,977	\$ 83,561,745
Operating grants and contributions	9,440,351	8,631,130			9,440,351	8,631,130
Capital grants and contributions	20,804,576	12,042,606		2,342,250	20,804,576	14,384,856
General revenues and transfers:						
Property taxes	23,987,156	20,390,216			23,987,156	20,390,216
Sales taxes	16,104,789	9,826,786			16,104,789	9,826,786
Franchise taxes	1,363,288	1,270,076			1,363,288	1,270,076
Motor vehicle	502,480	495,525			502,480	495,525
Transient occupancy tax	816,855	910,755			816,855	910,755
Business license tax	1,234,700	1,280,686			1,234,700	1,280,686
Cost recovery impact study	659,980	2,885,237			659,980	2,885,237
Business improvement area	100,166	107,229			100,166	107,229
Other	3,986,018	3,319,358	4,092,081	2,561,356	8,078,099	5,880,714
<b>Total revenues</b>	<b>110,250,308</b>	<b>99,107,044</b>	<b>41,748,109</b>	<b>50,517,911</b>	<b>151,998,417</b>	<b>149,624,955</b>
<b>Expenses</b>						
Governmental activities:						
General government	24,535,552	21,610,432			24,535,552	21,610,432
Public Safety	25,733,837	22,801,910			25,733,837	22,801,910
Public Works	12,657,996	11,679,497			12,657,996	11,679,497
Parks	5,779,350	4,830,613			5,779,350	4,830,613
Other	1,477,834	1,447,658			1,477,834	1,447,658
Business-type activities:						
Wastewater system			7,803,288	9,772,349	7,803,288	9,772,349
Water system			6,725,616	7,747,807	6,725,616	7,747,807
Refuse collection			7,945,319	9,649,845	7,945,319	9,649,845
Merced municipal airport			738,941	749,698	738,941	749,698
<b>Total expenses</b>	<b>70,184,570</b>	<b>62,370,110</b>	<b>23,213,164</b>	<b>27,919,699</b>	<b>93,397,733</b>	<b>90,289,809</b>
Increase in net assets before transfers	40,065,738	36,736,934	18,534,945	22,598,212	58,600,683	59,335,146
Transfers	(596,551)	(145,030)	596,551	145,030	0	
Increase in net assets	39,469,187	36,591,904	19,131,496	22,743,242	58,600,683	59,335,146
Net assets beginning of year	374,460,228	339,085,315	123,972,636	101,229,394	498,432,864	440,314,709
<b>Net assets ending of year</b>	<b>\$ 413,929,415</b>	<b>\$ 375,677,219</b>	<b>\$ 143,104,132</b>	<b>\$ 123,972,636</b>	<b>\$ 557,033,547</b>	<b>\$ 499,649,855</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Governmental Activities-** Governmental Activities increased the City's net assets by \$39.4 million. Taxes provided 41% of the revenue, charges for services provided 28% of the revenue, and capital grants and contributions provided 19% of the revenue received during the year.

The major factors that contributed to the increase in net assets are the acquisition of capital assets and developer contributions of infrastructure due to the growth in the City.

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

### Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2007

	Total Cost of Services	Net Cost of Services
General Government	\$ 24,535,552	\$ 5,117,414
Public Safety	25,733,837	(22,678,746)
Public Works	12,657,996	10,526,984
Parks	5,779,350	(177,511)
Other	1,477,834	(1,477,834)
Total	<u>\$ 70,184,570</u>	<u>\$ (8,689,694)</u>

The costs for all governmental activities during the year were \$70.1 million, which is 75% of total expenses. The City's taxpayers paid for \$44.7 million of these costs. Fees, grants and contributions funded the balance of the cost.

**Business-type Activities-**Business-type activities increased the City's net assets by \$19.1 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities total \$41.7 million. Program revenues of the City's business-type activities total \$37.6 million. Expenses of business-type activities were \$23.2 million. Transfers of the City's business-type activities were \$596,551.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The City's governmental funds reported a combined fund balance at June 30, 2007 of \$79.5 million, a decrease of \$8.8 million.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$22.8 million and the unreserved, undesignated fund balance was \$16.1 million. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The unreserved fund balance represents 46% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$531,186 during the fiscal year. The decrease in the General Fund is attributable to the continued need to provide services to a community that had a growth spurt in the past few years but is currently dealing with a slowdown in the housing market and a reduction in the related revenue such as sales tax and CRIS fees.

Other changes in fund balances include the following:

### Redevelopment Agency Special Revenue Fund-

- This major fund decreased by \$356,649 due to current operating expenditures and transfers out exceeding revenue.

### Development Services Special Revenue Fund-

- This major fund decreased by \$1.6 million due to a reduction in growth related revenues and the use of accumulated funds received in previous years used to fund operations.

### Public Facilities Impact Fees Special Revenue Fund-

- This major fund decreased by \$2.4 million due to using accumulated funds received in previous years to finance public facilities.

### Redevelopment Agency Debt Service Fund-

- This major fund decreased by \$204,327 due to using accumulated funds received in previous years to finance housing and capital projects.

### Park Reserve Capital Projects Fund-

- This major fund decreased by \$3 million due to using accumulated funds received in previous years to finance capital projects.

### Redevelopment Agency Capital Projects Fund-

- This major fund decreased by \$2.5 million due to using accumulated funds received in previous years to finance capital projects.

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

The unrestricted net assets of the Governmental Activities Internal Service Funds were \$21 million. The unrestricted net assets of the enterprise funds were \$70.7 million. The total change in net assets for the Governmental Activities Internal Service Funds and the Enterprise Funds were \$5.5 million and \$19.1 million, respectively. Other factors concerning the finances of the Proprietary funds have been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between the General Fund original budget and the final budget was an increase of \$2.1 million, which includes interfund transactions, machinery and equipment, professional services, utilities and personnel related expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**-The City of Merced's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$422.8 million. This investment in capital assets includes land and improvements, construction in progress, buildings and structures, machinery and equipment, improvements other than buildings, structures, and land improvement. Additional information on the City of Merced's capital assets can be found in the footnotes of this report.

### Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Non-depreciable Assets:						
Land and improvements	\$ 61,356,707	\$ 61,356,707	\$ 258,681	\$ 258,681	\$ 61,615,388	\$ 61,615,388
Construction in progress	47,002,936	26,372,483	27,563,618	21,327,428	74,566,554	47,699,911
Total non-depreciable assets	108,359,643	87,729,190	27,822,299	21,586,109	136,181,942	109,315,299
Depreciable Assets:						
Building and structures	9,335,272	9,335,272	2,451,934	2,451,934	11,787,206	11,787,206
Machinery and equipment	30,960,542	28,722,485	3,206,799	3,109,140	34,167,341	31,831,625
Improvements other than buildings, structures and land improvements	59,702,260	50,968,912	69,423,412	66,176,960	129,125,672	117,145,872
Infrastructure	344,728,866	323,151,920	20,719,471	12,659,847	365,448,337	335,811,767
Sub-total depreciable assets						
Accumulated depreciation	(221,553,079)	(208,624,492)	(32,342,454)	(28,497,471)	(253,895,533)	(237,121,963)
Total depreciable assets, net	223,175,861	203,554,097	63,459,162	55,900,410	286,633,023	259,454,507
Total capital assets	\$ 331,533,504	\$ 291,283,287	\$ 91,281,461	\$ 77,486,519	\$ 422,814,965	\$ 368,769,806

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

- o The purchase of parkland for \$8.6 million.
- o The construction of the Merced Center for \$5.4 million.
- o Phase IV of the Wastewater Treatment Plant renovation with \$3.3 million in construction costs.
- o The construction of the R Street/Fahrens Bridge for \$2.3 million.
- o The construction of streets and traffic signal on Yosemite Ave and Parson Ave Corridor for \$2.1 million.
- o The construction of new water wells for \$1.6 million.
- o The Merced Theater Restoration project for \$1.4 million.
- o Water well site improvements of \$684,000.
- o The land acquisition of Fire Station 56 for \$607,000.

## CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

**Long-term debt-**At the end of the current fiscal year, the City had \$76.5 million in outstanding debt consisting of tax allocation bonds, pension obligation bonds, revenue bonds, improvement bonds, participation and development agreements, loans payable and loan guarantees payable. All of the debt was secured by specific revenue sources. Additional information on the City of Merced's debt can be found in the Notes to the Basic Financial Statements of this report.

### Outstanding Debt June 30, 2007

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Tax allocation bonds payable	\$ 26,162,825	\$ 27,697,825			\$ 26,162,825	\$ 27,697,825
Pension obligation bonds	7,200,000	7,265,000			7,200,000	7,265,000
Participation and development agreements	175,000	275,000			175,000	275,000
Loan payable	3,466,653	3,680,945			3,466,653	3,680,945
Loan guarantee	1,095,961	1,231,234			1,095,961	1,231,234
Revenue bonds payable			28,244,645	29,427,819	28,244,645	29,427,819
Loan payable			8,282,837	8,227,209	8,282,837	8,227,209
Improvement bonds payable			1,920,000	2,185,000	1,920,000	2,185,000
<b>Total</b>	<b>\$ 38,100,439</b>	<b>\$ 40,150,004</b>	<b>\$ 38,447,482</b>	<b>\$ 39,840,028</b>	<b>\$ 76,547,921</b>	<b>\$ 79,990,032</b>

During the current fiscal year, the City's total debt decreased by \$3.4 million or 4.3% due to scheduled principal payments.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The slowdown in the housing market has caused a leveling or slight decrease in some revenues compared to the prior two years. The slowdown in the housing market has reduced the building activity and caused a decrease in employment opportunities.
- Single-family building permits dropped from approximately 1,200 in 2005-06 to around 350 in 2006-07. The City's 2007-08 budget forecast is based on 400 single-family units and 250 multiple-family dwelling units.
- There has been an increase of retail commercial centers in surrounding communities, which has created less dependence on the regional nature of the retail commercial opportunities.
- The development of the University of California Merced continues with enrollment in the second year somewhat lower than expected with about 1,330 students and 80 professors on campus. Even with the slowdown in housing, Merced should see leveling of retail driven revenues with future development of the University. As shopping patterns shift regionally, the University and its student population will help keep Merced stable.
- Fiscal year 2006-07 was the first full fiscal year for collecting revenue from Measure C, a one half cent tax applied to retail transactions that are completed inside the city limits. Revenues generated from the transaction tax were 31% over the budget estimate. The 2007-08 budget continues to fund all the positions created in fiscal year 2006-07 budget plus patrol vehicles and equipment, road maintenance and street capital improvement projects.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued**

- During the 2006-07 fiscal year, the City Council approved utility rate increases for water and sewer based on a rate study.
- A refuse rate study is underway.
- Fiscal year 2007-08 will be impacted by the beginning of the retirements from the Baby Boom generation. It is anticipated that 27 employees will retire during the year.
- With the issuance of Government Accounting Standards Board Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (OPEB). The City has contracted with an actuary to prepare an actuarial valuation. The City has negotiated post employment benefits out of the MOU's for employees hired after dates specified in the various MOU's. The fiscal year 2007-08 continues to fund retirement health insurance benefits on a pay-as-you-go basis.

## **REQUEST FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Merced**  
**Statement of Net Assets**  
**June 30, 2007**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 97,727,445	\$ 67,478,072	\$ 165,205,517
Restricted cash held by fiscal agent	2,437,155	13,447,110	15,884,265
Receivables	5,366,818	6,705,791	12,072,609
Condemnation deposits	92,000		92,000
Due from other governments	7,164,914	8,331,133	15,496,047
Prepaid items	23,488		23,488
Inventory	134,106	87,417	221,523
<b>Total current assets</b>	<b>112,945,926</b>	<b>96,049,523</b>	<b>208,995,449</b>
Noncurrent assets:			
Land held for resale	1,481,975		1,481,975
Notes receivable	27,142,219	22,107	27,164,326
Loan guarantee receivable	1,095,961		1,095,961
Internal balances, noncurrent portion	(497,495)	497,495	
Deferred charges		576,640	576,640
<b>Subtotal noncurrent assets</b>	<b>29,222,660</b>	<b>1,096,242</b>	<b>30,318,902</b>
Capital assets:			
Nondepreciable	108,359,643	27,822,299	136,181,942
Depreciable, net of accumulated depreciation	223,173,861	63,459,162	286,633,023
<b>Total capital assets, net</b>	<b>331,533,504</b>	<b>91,281,461</b>	<b>422,814,965</b>
<b>Total noncurrent assets</b>	<b>360,756,164</b>	<b>92,377,703</b>	<b>453,133,867</b>
<b>Total assets</b>	<b>473,702,090</b>	<b>188,427,226</b>	<b>662,129,316</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	3,091,983	1,808,279	4,900,262
Payroll liabilities	1,130,438	236,735	1,367,173
Deposits	13,350	1,225,376	1,238,726
Unearned revenue	238,111	2,366,113	2,606,224
Accrued interest payable	202,580	499,535	702,115
Other liabilities	9,801,429	160,872	9,962,301
Compensated absences, due within one year	1,034,789	222,526	1,257,315
Claims payable, due within one year	1,142,599		1,142,599
Long-term debt, due within one year	2,125,599	1,468,319	3,593,918
<b>Total current liabilities</b>	<b>18,780,878</b>	<b>7,989,755</b>	<b>26,770,633</b>
Noncurrent liabilities:			
Compensated absences, due in more than one year	2,262,787	354,176	2,616,963
Claims payable, due in more than one year	2,754,170		2,754,170
Long-term debt, due in more than one year	35,974,840	36,979,163	72,954,003
<b>Total noncurrent liabilities</b>	<b>40,991,797</b>	<b>37,333,339</b>	<b>78,325,136</b>
<b>Total liabilities</b>	<b>59,772,675</b>	<b>45,323,094</b>	<b>105,095,769</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	298,036,557	52,964,607	351,001,164
Restricted for:			
Special projects and programs	20,000,788	9,472,190	29,472,978
Debt service	5,716,883	524,528	6,241,411
Capital projects	12,397,408	9,385,379	21,782,787
<b>Total restricted</b>	<b>38,115,079</b>	<b>19,382,097</b>	<b>57,497,176</b>
Unrestricted	77,777,779	70,757,428	148,535,207
<b>Total net assets</b>	<b>\$ 413,929,415</b>	<b>\$ 143,104,132</b>	<b>\$ 557,033,547</b>

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 24,535,552	\$ 20,458,780	\$ 7,794,874	\$ 1,399,312	\$ 29,652,966
Public safety	25,733,837	2,432,136	470,218	152,737	3,055,091
Public works	12,657,996	3,932,453		19,252,527	23,184,980
Parks	5,779,350	4,426,580	1,175,259		5,601,839
Interest on long-term debt	1,477,834				
<b>Total governmental activities</b>	<b>70,184,570</b>	<b>31,249,949</b>	<b>9,440,351</b>	<b>20,804,576</b>	<b>61,494,876</b>
<b>Business-type activities:</b>					
Wastewater system	7,803,288	14,891,056			14,891,056
Water system	6,725,616	11,770,342			11,770,342
Refuse collection system	7,945,319	10,447,295			10,447,295
Merced municipal airport	738,941	547,335			547,335
<b>Total business-type activities</b>	<b>23,213,164</b>	<b>37,656,028</b>			<b>37,656,028</b>
<b>Total government</b>	<b>\$ 93,397,734</b>	<b>\$ 68,905,977</b>	<b>\$ 9,440,351</b>	<b>\$ 20,804,576</b>	<b>\$ 99,150,904</b>

**General revenues:**

Taxes:

Property

Sales

Franchise taxes

Motor vehicle

Transient occupancy tax

Business license tax

Cost recovery impact study taxes

Business improvement area taxes

Total taxes

Interest and investment earnings

Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Changes in net assets**

**Net Assets:**

Beginning of year, as restated (Note 16)

End of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 5,117,414	\$	\$ 5,117,414
(22,678,746)		(22,678,746)
10,526,984		10,526,984
(177,511)		(177,511)
(1,477,834)		(1,477,834)
(8,689,694)		(8,689,694)
	7,087,768	7,087,768
	5,044,726	5,044,726
	2,501,976	2,501,976
	(191,606)	(191,606)
	14,442,864	14,442,864
(8,689,694)	14,442,864	5,753,170
23,987,156		23,987,156
16,104,789		16,104,789
1,363,288		1,363,288
502,480		502,480
816,855		816,855
1,234,700		1,234,700
659,980		659,980
100,166		100,166
44,769,414		44,769,414
2,699,785	4,092,081	6,791,866
1,286,233		1,286,233
(596,551)	596,551	
48,158,881	4,688,632	52,847,513
39,469,187	19,131,496	58,600,683
374,460,228	123,972,636	498,432,864
\$ 413,929,415	\$ 143,104,132	\$ 557,033,547

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

*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 Special Revenue 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 Special Revenue 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

*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.

*Park Reserve Capital Projects 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.

*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, 2007**

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 20,074,076	\$ 724,945	\$ 27,323	\$ 5,974,088	\$ 11,621,828
Cash held by fiscal agent	10,680				
Receivables	653,860	14,425	10,230	135,171	2,352,613
Condemnation deposits					
Due from other governments	3,038,706		699,462		
Due from other funds	18,652	170,909			
Inventory	33,926				
Land held for resale		1,120,508			
Notes receivable	7,607	7,361,763	15,042,630	5,426	670,968
Loan guarantee receivable					
Advances to other funds	638,038				
<b>Total assets</b>	<b>\$ 24,475,545</b>	<b>\$ 9,392,550</b>	<b>\$ 15,779,645</b>	<b>\$ 6,114,685</b>	<b>\$ 14,645,409</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 448,233	\$ 2,340	\$ 97,379	\$ 61,217	\$
Payroll liabilities	995,289	13,072			
Deposits		13,350			
Deferred revenue	224,724	3,723,449	15,022,630		
Due to other funds					
Advances from other funds					
Other liabilities	5,378		12,526	139,144	7,250,152
<b>Total liabilities</b>	<b>1,673,624</b>	<b>3,752,211</b>	<b>15,132,535</b>	<b>200,361</b>	<b>7,250,152</b>
<b>Fund Balances:</b>					
Reserved	1,224,215	4,819,360	813,952	1,046,716	
Unreserved, designated , reported in:					
General Fund	5,437,529				
Special revenue funds					
Total unreserved, designated	5,437,529				
Unreserved, undesignated reported in:					
General Fund	16,140,177				
Special revenue funds		820,979	(166,842)	4,867,608	7,395,257
Debt service funds					
Capital project funds					
Total unreserved, undesignated	16,140,177	820,979	(166,842)	4,867,608	7,395,257
<b>Total fund balances</b>	<b>22,801,921</b>	<b>5,640,339</b>	<b>647,110</b>	<b>5,914,324</b>	<b>7,395,257</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,475,545</b>	<b>\$ 9,392,550</b>	<b>\$ 15,779,645</b>	<b>\$ 6,114,685</b>	<b>\$ 14,645,409</b>

See accompanying Notes to Basic Financial Statements.



Major Funds				
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 2,484,680	\$ 3,634,611	\$ 12,747,256	\$ 15,611,296	\$ 72,900,103
2,426,475				2,437,155
381,068	716,772	212,394	571,424	5,047,957
		92,000		92,000
854,545	53,086	212,540	2,299,974	7,158,313
				189,561
				33,926
		96,068	265,399	1,481,975
4,000,000	1,348	52,477		27,142,219
1,095,961				1,095,961
				638,038
<u>\$ 11,242,729</u>	<u>\$ 4,405,817</u>	<u>\$ 13,412,735</u>	<u>\$ 18,748,093</u>	<u>\$ 118,217,208</u>
\$ 1,575	\$ 54,429	\$ 1,404,388	\$ 594,025	\$ 2,663,586
				1,008,361
				13,350
4,356,134			13,387	23,340,324
170,909			18,652	189,561
1,004,095			638,038	1,642,133
	2,083,147		300,529	9,790,876
<u>5,532,713</u>	<u>2,137,576</u>	<u>1,404,388</u>	<u>1,564,631</u>	<u>38,648,191</u>
<u>5,710,016</u>	<u>1,779,256</u>	<u>8,075,637</u>	<u>4,093,985</u>	<u>27,563,137</u>
				5,437,529
			543,379	543,379
			543,379	5,980,908
				16,140,177
			9,708,301	22,625,303
			6,867	6,867
	488,985	3,932,710	2,830,930	7,252,625
	488,985	3,932,710	12,546,098	46,024,972
<u>5,710,016</u>	<u>2,268,241</u>	<u>12,008,347</u>	<u>17,183,462</u>	<u>79,569,017</u>
<u>\$ 11,242,729</u>	<u>\$ 4,405,817</u>	<u>\$ 13,412,735</u>	<u>\$ 18,748,093</u>	<u>\$ 118,217,208</u>

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**City of Merced**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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Total Fund Balances - Total Governmental Funds \$ 79,569,017

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 \$209,861	\$ 108,149,782	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$5,962,460	<u>217,211,401</u>	325,361,183

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	(2,125,599)	
Long-term debt due in more than one year	(35,974,840)	
Compensated absences, net of Internal Service Fund liability of \$274,793	<u>(3,022,783)</u>	(41,123,222)

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.

23,102,213

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.

(202,580)

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.

27,222,804

**Net Assets of Governmental Activities**

**\$ 413,929,415**

# City of Merced

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

### Governmental Funds

For the year ended June 30, 2007

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
<b>REVENUES:</b>					
Taxes	\$ 30,034,575	\$	\$	\$	\$
Licenses and permits	47,953				
Intergovernmental	1,171,747		3,696,866	91,529	
Service charges	5,785,804			4,624,903	5,837,562
Fines, forfeitures and penalties	89,225				
Other	1,398,936	1,036,415	55,707	1,161,027	879,842
<b>Total revenues</b>	<b>38,528,240</b>	<b>1,036,415</b>	<b>3,752,573</b>	<b>5,877,459</b>	<b>6,717,404</b>
<b>EXPENDITURES:</b>					
Current operating:					
General government	5,310,338	1,337,779	3,178,174	5,535,824	79,776
Public safety	26,566,192				
Public works				1,686,853	
Parks	2,258,961				
<b>Total current operating</b>	<b>34,135,491</b>	<b>1,337,779</b>	<b>3,178,174</b>	<b>7,222,677</b>	<b>79,776</b>
Capital outlay	556,272	470,759		101,705	1,283,795
Debt service:					
Principal	65,000				
Interest	414,193				
<b>Total expenditures</b>	<b>35,170,956</b>	<b>1,808,538</b>	<b>3,178,174</b>	<b>7,324,382</b>	<b>1,363,571</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,357,284</b>	<b>(772,123)</b>	<b>574,399</b>	<b>(1,446,923)</b>	<b>5,353,833</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	802,098	1,618,160	29,000	95,996	355,382
Transfers out	(4,690,567)	(1,202,686)	(1,203,122)	(262,440)	(8,151,148)
<b>Total other financing sources (uses)</b>	<b>(3,888,469)</b>	<b>415,474</b>	<b>(1,174,122)</b>	<b>(166,444)</b>	<b>(7,795,766)</b>
<b>Net change in fund balances</b>	<b>(531,185)</b>	<b>(356,649)</b>	<b>(599,723)</b>	<b>(1,613,367)</b>	<b>(2,441,933)</b>
<b>FUND BALANCES:</b>					
Beginning of year, as restated (Note 16)	23,333,106	5,996,988	1,246,833	7,527,691	9,837,190
End of year	\$ 22,801,921	\$ 5,640,339	\$ 647,110	\$ 5,914,324	\$ 7,395,257

See accompanying Notes to Basic Financial Statements.

Major Funds				
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 7,082,383	\$	\$	\$ 8,123,948	\$ 45,240,906
				47,953
	958,072	308,399	5,140,050	11,366,663
193,208			1,989,785	18,431,262
			518,751	607,976
289,868	3,970,309	1,335,462	2,719,293	12,846,859
7,565,459	4,928,381	1,643,861	18,491,827	88,541,619
924,504			5,937,596	22,303,991
			291,547	26,857,739
			4,327,663	6,014,516
			3,280,640	5,539,601
924,504			13,837,446	60,715,847
	13,241,346	8,273,926	8,624,631	32,552,434
1,970,272		14,293		2,049,565
1,034,390		5,213		1,453,796
3,929,166	13,241,346	8,293,432	22,462,077	96,771,642
3,636,293	(8,312,965)	(6,649,571)	(3,970,250)	(8,230,023)
228,050	5,250,062	4,137,333	10,971,647	23,487,728
(4,068,670)		(3,000)	(4,511,046)	(24,092,679)
(3,840,620)	5,250,062	4,134,333	6,460,601	(604,951)
(204,327)	(3,062,903)	(2,515,238)	2,490,351	(8,834,974)
5,914,343	5,331,144	14,523,585	14,693,111	88,403,991
\$ 5,710,016	\$ 2,268,241	\$ 12,008,347	\$ 17,183,462	\$ 79,569,017

# 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, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (8,834,974)
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.	32,552,434
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.	19,252,218
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 \$1,715,586.	(11,667,699)
Loss on disposal of capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the loss was not reported as expenditures in governmental funds.	(114,977)
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.	1,144,800
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	2,049,565
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.	(418,022)
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.	(24,038)
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.	5,529,880
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 39,469,187</b>

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, 2007**

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
<b>ASSETS</b>						
Current assets:						
Cash, cash equivalents and investments	\$ 26,873,933	\$ 35,992,329	\$ 4,362,856	\$ 248,954	\$ 67,478,072	\$ 24,827,342
Cash held by fiscal agent	9,787,817	3,659,293			13,447,110	
Receivables	3,318,705	2,581,559	796,020	9,507	6,705,791	318,861
Due from other governments	4,255,439	4,047,345		28,349	8,331,133	6,601
Prepaid items						23,488
Inventory	1,500	85,917			87,417	100,180
<b>Total current assets</b>	<b>44,237,394</b>	<b>46,366,443</b>	<b>5,158,876</b>	<b>286,810</b>	<b>96,049,523</b>	<b>25,276,472</b>
Noncurrent assets:						
Notes receivable-private parties	13,079	8,326	702		22,107	
Advances to other funds		900,000			900,000	506,600
Deferred charges	413,567	163,073			576,640	
Capital assets:						
Nondepreciable	12,853,698	12,270,464	781,323	1,916,814	27,822,299	209,861
Depreciable, net of accumulated depreciation	28,679,279	22,007,216	11,757,357	1,015,310	63,459,162	5,962,460
<b>Total capital assets</b>	<b>41,532,977</b>	<b>34,277,680</b>	<b>12,538,680</b>	<b>2,932,124</b>	<b>91,281,461</b>	<b>6,172,321</b>
<b>Total noncurrent assets</b>	<b>41,959,623</b>	<b>35,349,079</b>	<b>12,539,382</b>	<b>2,932,124</b>	<b>92,780,208</b>	<b>6,678,921</b>
<b>Total assets</b>	<b>86,197,017</b>	<b>81,715,522</b>	<b>17,698,258</b>	<b>3,218,934</b>	<b>188,829,731</b>	<b>31,955,393</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	890,323	893,412	10,021	14,523	1,808,279	428,397
Payroll payable	81,020	62,150	83,739	9,826	236,735	122,077
Deposits	108,280	954,685	147,472	14,939	1,225,376	
Unearned revenue	784,137	945,657	638,319		2,368,113	
Accrued interest payable	331,517	155,943	12,075		499,535	
Compensated absences payable, due within one year	141,734	18,346	48,550	13,896	222,526	38,874
Insurance claims, due within one year						1,142,599
Long-term debt, due within one year	1,085,315	383,004			1,468,319	
<b>Total current liabilities</b>	<b>3,422,326</b>	<b>3,413,197</b>	<b>940,176</b>	<b>53,184</b>	<b>7,828,883</b>	<b>1,731,947</b>
Noncurrent liabilities:						
Advances from other funds			402,505		402,505	
Other liabilities	126,088	23,148		11,636	160,872	10,553
Compensated absences payable, due in more than one year	119,447	88,329	146,400		354,176	235,919
Insurance claims, due in more than one year						2,754,170
Long-term debt, due in more than one year	24,806,243	12,172,920			36,979,163	
<b>Total noncurrent liabilities</b>	<b>25,051,778</b>	<b>12,284,397</b>	<b>548,905</b>	<b>11,636</b>	<b>37,896,716</b>	<b>3,000,642</b>
<b>Total liabilities</b>	<b>28,474,104</b>	<b>15,697,594</b>	<b>1,489,081</b>	<b>64,820</b>	<b>45,725,599</b>	<b>4,732,589</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	15,641,419	21,852,384	12,538,680	2,932,124	52,964,607	6,172,321
Restricted						
Special projects and programs	5,364,674	4,107,516			9,472,190	
Debt service	524,528				524,528	
Capital projects	9,385,379				9,385,379	
Unrestricted	26,806,913	40,058,028	3,670,497	221,990	70,757,428	21,050,483
<b>Total net assets</b>	<b>\$ 57,722,913</b>	<b>\$ 66,017,928</b>	<b>\$ 16,209,177</b>	<b>\$ 3,154,114</b>	<b>\$ 143,104,132</b>	<b>\$ 27,222,804</b>

See accompanying Notes to Basic Financial Statements.



**City of Merced**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2007**

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 14,103,136	\$ 11,725,591	\$ 10,354,708	\$ 547,335	\$ 36,730,770	\$ 23,517,364
Other revenues	787,920	44,751	92,587		925,258	144,957
<b>Total operating revenues</b>	<b>14,891,056</b>	<b>11,770,342</b>	<b>10,447,295</b>	<b>547,335</b>	<b>37,656,028</b>	<b>23,662,321</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	2,782,601	2,021,480	2,918,488	283,102	8,005,671	3,731,196
Materials, supplies and other services	630,424	1,281,043	3,061,369	310,511	5,283,347	5,248,150
Depreciation	1,666,511	1,400,233	674,803	108,040	3,849,587	1,715,586
Administrative shared expenses	778,484	607,885	672,296	37,288	2,095,953	532,391
Costs applied-labor, materials, supplies and services	695,172	861,426	606,285		2,162,883	8,274,198
<b>Total operating expenses</b>	<b>6,553,192</b>	<b>6,172,067</b>	<b>7,933,241</b>	<b>738,941</b>	<b>21,397,441</b>	<b>19,501,521</b>
<b>OPERATING INCOME (LOSS)</b>	<b>8,337,864</b>	<b>5,598,275</b>	<b>2,514,054</b>	<b>(191,606)</b>	<b>16,258,587</b>	<b>4,160,800</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest and investment earnings	1,796,349	2,063,606	228,976	3,150	4,092,081	1,311,671
Interest and related expenses	(1,250,096)	(553,549)	(12,078)		(1,815,723)	
Gain (loss) on sale of equipment						49,009
<b>Total nonoperating revenues (expenses)</b>	<b>546,253</b>	<b>1,510,057</b>	<b>216,898</b>	<b>3,150</b>	<b>2,276,358</b>	<b>1,360,680</b>
<b>INCOME (LOSS) BEFORE TRANSFERS CAPITAL CONTRIBUTIONS</b>	<b>8,884,117</b>	<b>7,108,332</b>	<b>2,730,952</b>	<b>(188,456)</b>	<b>18,534,945</b>	<b>5,521,480</b>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>						
Transfers in			25,000	583,213	608,213	16,475
Transfers out		(11,662)			(11,662)	(8,075)
<b>Total transfers and capital contributions</b>		<b>(11,662)</b>	<b>25,000</b>	<b>583,213</b>	<b>596,551</b>	<b>8,400</b>
<b>Change in net assets</b>	<b>8,884,117</b>	<b>7,096,670</b>	<b>2,755,952</b>	<b>394,757</b>	<b>19,131,496</b>	<b>5,529,880</b>
<b>NET ASSETS:</b>						
Beginning of year	48,838,796	58,921,258	13,453,225	2,759,357	123,972,636	21,692,924
End of year	\$ 57,722,913	\$ 66,017,928	\$ 16,209,177	\$ 3,154,114	\$ 143,104,132	\$ 27,222,804

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2007**

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers, including cash deposits	\$ 13,065,228	\$ 11,895,094	\$10,238,819	\$ 543,185	\$ 35,742,326	\$ 23,553,188
Cash paid to suppliers	(1,941,197)	(2,609,628)	(4,571,510)	(385,053)	(9,507,388)	(5,148,138)
Cash paid to employees	(2,749,795)	(1,999,436)	(2,885,126)	(276,995)	(7,911,352)	(3,678,096)
Cash (paid to) received from other governments	702,352	144,960	265,609	74,271	1,187,192	(8,718,095)
<b>Net cash provided (used) by operating activities</b>	<b>9,076,588</b>	<b>7,430,990</b>	<b>3,047,792</b>	<b>(44,592)</b>	<b>19,510,778</b>	<b>6,008,859</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Advances from other funds	(5,193)		(376,688)	(69,249)	(451,130)	416,299
Advances to other funds	21,813	(894,197)			(872,384)	
Transfers from other funds	1,335,836		25,000	583,213	1,944,049	16,475
Transfers to other funds	(1,335,836)	(11,662)			(1,347,498)	(8,075)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>16,620</b>	<b>(905,859)</b>	<b>(351,688)</b>	<b>513,964</b>	<b>(726,963)</b>	<b>424,699</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(6,843,789)	(7,285,552)	(3,184,722)	(330,465)	(17,644,528)	(1,943,831)
Payment of long-term debt	(1,032,978)	(359,568)			(1,392,546)	
Interest payments	(1,204,946)	(540,163)	(25,512)		(1,770,621)	
Proceeds from disposal of equipment						49,009
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(9,081,713)</b>	<b>(8,185,283)</b>	<b>(3,210,234)</b>	<b>(330,465)</b>	<b>(20,807,695)</b>	<b>(1,894,822)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment earnings	1,729,944	1,998,131	225,403	1,666	3,955,144	1,245,065
Payments from notes to private parties	7,452	6,438	542		14,432	
<b>Net cash provided (used) by investing activities</b>	<b>1,737,396</b>	<b>2,004,569</b>	<b>225,945</b>	<b>1,666</b>	<b>3,969,576</b>	<b>1,245,065</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,748,891</b>	<b>344,417</b>	<b>(288,185)</b>	<b>140,573</b>	<b>1,945,696</b>	<b>5,783,801</b>
Cash and cash equivalents at beginning of year	34,912,859	39,307,205	4,651,041	108,381	78,979,486	19,043,541
Cash and cash equivalents at end of year	\$ 36,661,750	\$ 39,651,622	\$ 4,362,856	\$ 248,954	\$ 80,925,182	\$ 24,827,342

See accompanying Notes to Basic Financial Statements.

**City of Merced**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the year ended June 30, 2007**

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 8,337,864	\$ 5,598,275	\$ 2,514,054	\$ (191,606)	\$ 16,258,587	\$ 4,160,800
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,666,511	1,400,233	674,803	108,040	3,849,587	1,715,586
Receivables	(720,342)	55,715	(150,027)	(264)	(814,918)	35,824
Inventory		837			837	(4,436)
Due from other governments	(85,152)	(91,417)	43,674	111,559	(21,336)	(1,494)
Prepays						(1,432)
Accounts payable	202,577	138,990	(231,560)	(78,795)	31,212	114,502
Payroll liabilities	8,944	11,564	11,490	3,592	35,590	20,969
Deposits	31,148	113,788	34,138	(3,886)	175,188	
Deferred revenue	(349,130)	191,626	129,348		(28,156)	
Other liabilities	(39,694)	899		4,253	(34,542)	2,083
Insurance claims						(55,620)
Compensated absences	23,862	10,480	21,872	2,515	58,729	22,077
Total adjustments	738,724	1,832,715	533,738	147,014	3,252,191	1,848,059
Net cash provided (used) by operating activities	<u>\$ 9,076,588</u>	<u>\$ 7,430,990</u>	<u>\$ 3,047,792</u>	<u>\$ (44,592)</u>	<u>\$ 19,510,778</u>	<u>\$ 6,008,859</u>
<b>NON CASH ITEMS:</b>						
Developer contributions of capital assets	<u>\$ 1,539,738</u>	<u>\$ 589,474</u>	<u>\$ 2,128,799</u>	<u>\$</u>	<u>\$ 2,718,273</u>	<u>\$</u>

See accompanying Notes to Basic Financial Statements.

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## FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

**City of Merced**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 676,964	\$ 4,132,037
Restricted cash held by fiscal agent		18,154,584
Receivables	312,074	22,457
Deposits		163,831
Due from other governments		68,403
<b>Total assets</b>	<b>989,038</b>	<b>\$ 22,541,312</b>
<b>LIABILITIES</b>		
Accounts payable	90,149	
Deposits		\$ 1,950,895
Other liabilities		647,620
Due to bondholders		19,942,797
<b>Total liabilities</b>	<b>90,149</b>	<b>\$ 22,541,312</b>
<b>NET ASSETS</b>		
Held in trust for other purposes	898,889	
<b>Total net assets</b>	<b>\$ 898,889</b>	

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, 2007**

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	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Investment earnings	\$ 33,702
Miscellaneous	1,631,790
<b>Total additions</b>	<u>1,665,492</u>
<b>DEDUCTIONS:</b>	
General government	1,214,057
<b>Total deductions</b>	<u>1,214,057</u>
<b>Net change in fund balances</b>	451,435
<b>NET ASSETS:</b>	
Beginning of year	447,454
End of year	<u>\$ 898,889</u>

See accompanying Notes to Basic Financial Statements.

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**City of Merced**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

The 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, 2007**

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

**A. Reporting Entity, Continued**

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

**B. Government-Wide Fund Financial Statements**

The basic financial statements include both Government-Wide (based on the City as a whole) and Fund Financial Statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the Fund Financial Statements). Major Funds are funds whose revenues, expenditures or expenses, assets, or liabilities are at least ten percent of the corresponding totals for all Governmental or Enterprise Funds and at least 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, 2007**

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

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

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

Property taxes, special assessments, sales taxes, 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 Development Services Special Revenue 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 Special Revenue 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.

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 Park Reserve Fund Capital Projects Fund is used to account for all in-lieu fees collected which 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.

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

The government reports the following major proprietary funds:

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

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

The Refuse Collection System Fund is used to collect and dispose of municipal solid waste for industrial, commercial and residential customers. In addition, the fund provides for a green waste and recycling program which were created to divert waste from the landfill.

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

Additionally, the government reports the following fund types:

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

The Private Purpose Trust Funds are used to account for resources legally held in trust for the Task Force Trust, Transit Benefit Trust, Youth Programs Endowment, McComb's Trust, Wahneta 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, 2007**

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

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

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

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

*D. Use of Restricted and Unrestricted Net Assets*

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

*E. Cash, Cash Equivalents, and Investments*

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

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

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

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

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

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

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

*F. Receivables*

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

*G. Interfund Balances/Internal Balances*

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

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

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

*H. Inventory*

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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, 2007**

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

*J. Capital Assets, Continued*

The City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as historical cost or estimated historical cost if actual cost is not available. The accumulated depreciation was calculated from the date of construction/acquisition to the current date on a straight line basis. The book value can be computed by deducting the accumulated depreciation from the original cost.

*K. Compensated Absences*

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

*L. Deferred Revenue/Unearned Revenue*

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

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are for revenues received but not yet earned and loans receivable.

*M. Long-Term Liabilities*

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

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



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

***N. Net Assets and Fund Equity***

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

***O. Use of Estimates***

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

**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, 2007, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a balance of \$312,990 and petty cash of \$2,550. Bank balances in the City's general checking accounts were \$1,315,488 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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

*A. Cash Deposits, Continued*

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

*B. Investments*

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

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

*C. Summary of Cash and Investments*

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2007:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 97,727,445	\$ 67,478,072	\$ 165,205,517	\$ 4,809,001	\$ 170,014,518
Restricted Cash held by fiscal agent	\$ 2,437,155	\$ 13,447,110	\$ 15,884,265	\$ 18,154,584	\$ 34,038,849

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

**D. Risks**

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

Pooled cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2007, are shown below:

Investment Type	Fair Value	Investment Maturities (in years) <u>1 year or less</u>
<b>Cash:</b>		
Cash Deposits	\$ 312,990	\$ 312,990
Petty Cash	2,550	2,550
<b>Total cash:</b>	315,540	315,540
<b>Investments:</b>		
Money Market Fund	2,687,965	2,687,965
U.S. Government Agency Securities	90,260,045	90,260,045
Local Agency Investment Funds	76,750,968	76,750,968
<b>Total investments</b>	169,698,978	169,698,978
<b>Total cash and investments</b>	\$ 170,014,518	\$ 170,014,518
<b>Restricted Cash with Fiscal Agents:</b>		
Local Agency Investment	\$ 21,574,589	\$ 21,574,589
Money Market Funds	10,393,260	10,393,260
U.S. Agency Securities	2,071,000	2,071,000
<b>Total restricted cash with fiscal agents</b>	\$ 34,038,849	\$ 34,038,849

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**2. CASH AND INVESTMENTS, Continued**

*D. Risks, Continued*

*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, 2007 for each investment type:

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

*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, 2007 from June 30, 2006, amounted to an unrealized increase of \$407,861.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

*F. Investments in Local Agency Investment Fund*

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2007, 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 Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2007, the City had \$76,750,968 invested in LAIF, which had invested 3.466% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.999545022 was used to calculate the fair value of the investments in LAIF.

*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, 2007, cash and investments with fiscal agents totaling \$34,038,849 were recorded at fair value.

**3. RECEIVABLES**

*A. Government Wide Financial Statements*

At June 30, 2007, 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	\$ 4,063,352	\$ 6,037,065	\$ 305,467	\$ 10,405,884
Interest receivable	1,303,466	668,726	29,064	2,001,256
<b>Total</b>	<b>\$ 5,366,818</b>	<b>\$ 6,705,791</b>	<b>\$ 334,531</b>	<b>\$ 12,407,140</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**3. RECEIVABLES, Continued**

**B. Fund Financial Statements**

At June 30, 2007, 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, 2007, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 452,495
Redevelopment Special Revenue Fund	7,900
Development Service Special Revenue Fund	76,863
Public Facilities Impact Special Revenue Fund	2,211,732
Park Reserve Capital Project Fund	697,088
Redevelopment Agency Capital Projects Fund	116,626
Nonmajor Funds	<u>436,181</u>
Total governmental funds	<u>3,998,885</u>
<i>Enterprise Funds:</i>	
Wastewater System	3,050,359
Water System	2,225,924
Refuse Collection System	752,759
Merced Municipal Airport	<u>8,023</u>
Total enterprise funds	<u>6,037,065</u>
<i>Internal Service Funds</i>	<u>64,467</u>
Total internal service funds	<u>64,467</u>
<i>Fiduciary Funds - Private Purpose Trust Funds</i>	
Regional Transportation Improvement	<u>305,467</u>
Total Fiduciary Funds	<u>305,467</u>
<b>Total Accounts Receivable</b>	<b><u><u>\$ 10,405,884</u></u></b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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, 2007, was as follows:

	<u>City Pooled Investments</u>	<u>Fiscal Agent Investments</u>	<u>Total</u>
<i>Governmental Funds:</i>			
General Fund	\$ 201,365	\$	\$ 201,365
Redevelopment Agency Special Revenue Fund	6,525		6,525
Housing Special Revenue Fund	10,230		10,230
Development Services Special Revenue Fund	58,308		58,308
Public Facilities Impact Special Revenue Fund	140,881		140,881
Redevelopment Agency Debt Service Fund	192,792	188,276	381,068
Park Reserve Capital Projects Fund	19,684		19,684
Redevelopment Agency Capital Projects Fund	95,768		95,768
Nonmajor Governmental Funds	135,243		135,243
Total governmental funds	<u>860,796</u>	<u>188,276</u>	<u>1,049,072</u>
<i>Enterprise Funds:</i>			
Wastewater System	268,346		268,346
Water System	355,635		355,635
Refuse Collection System	43,261		43,261
Merced Municipal Airport	1,484		1,484
Total enterprise funds	<u>668,726</u>		<u>668,726</u>
<i>Internal Service Funds:</i>	<u>254,394</u>		<u>254,394</u>
Total	<u>1,783,916</u>	<u>188,276</u>	<u>1,972,192</u>
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	6,607		6,607
Agency Funds	7,561	14,896	22,457
Total fiduciary funds	<u>14,168</u>	<u>14,896</u>	<u>29,064</u>
<b>Total interest receivable</b>	<u><u>\$ 1,798,084</u></u>	<u><u>\$ 203,172</u></u>	<u><u>\$ 2,001,256</u></u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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, 2007, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 238,111	\$	\$ 238,111
Service charges received in advance		2,368,113	2,368,113
	<u>\$ 238,111</u>	<u>\$ 2,368,113</u>	<u>\$ 2,606,224</u>

**B. Fund Financial Statements**

At June 30, 2007, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

**Governmental Funds:**

	General Fund	Redevelopment Agency Revenue	Housing Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 224,724	\$	\$	\$	\$ 13,387	\$ 238,111
Long-term loans receivable		3,723,449	15,022,630	4,356,134		23,102,213
<b>Total</b>	<u>\$ 224,724</u>	<u>\$ 3,723,449</u>	<u>\$ 15,022,630</u>	<u>\$ 4,356,134</u>	<u>\$ 13,387</u>	<u>\$ 23,340,324</u>

**Proprietary Funds:**

	Wastewater System	Water System	Refuse Collection System	Total
Service charges received in advance	\$ 784,137	\$ 945,657	\$ 638,319	\$ 2,368,113
<b>Total</b>	<u>\$ 784,137</u>	<u>\$ 945,657</u>	<u>\$ 638,319</u>	<u>\$ 2,368,113</u>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. INTERFUND TRANSACTIONS**

*Fund Financial Statements*

Due To, Due From

At June 30, 2007, 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	\$	\$ 170,909	\$ 170,909
Non-Major Funds		18,652	18,652
<b>Totals</b>	<b>\$</b>	<b>\$ 18,652</b>	<b>\$ 189,561</b>

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, 2007, the City had the following interfund long-term advances:

	Advances to Other Funds			
	Governmental Activities	Business-type Activities		Total
	General	Water System	Internal Service	
<i>Governmental Activities:</i>				
Redevelopment Agency Debt Service	\$	\$ 900,000	\$ 104,095	\$ 1,004,095
Non-major funds	638,038			638,038
<i>Business-type Activities:</i>				
Refuse collection			402,505	402,505
<b>Total</b>	<b>\$</b>	<b>\$ 638,038</b>	<b>\$ 900,000</b>	<b>\$ 506,600</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Long-Term Advances, Continued

Advance to the Community Facility District 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 Redevelopment Agency Project Area 2 Debt Service Fund from Restricted Water Wells Fund.

- \$900,000 Restricted Water Well Fund loaned to RDA Fund, interest rate at 5.63% to be repaid on or prior to June 30, 2009.

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

- \$275,000 Redevelopment Agency advance from Workers' Compensation Fund, \$50,000 principal and interest at 7%, matures 2008, principal balance as of June 30, 2007 was \$104,095.

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, 2007 was \$212,012.
- \$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, 2007 was \$166,091.
- \$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, 2007 was \$12,382.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Transfers

At June 30, 2007, the City had the following transfers:

	Transfers In												Total
	Governmental Activities							Business-type Activities					
	Redevelopment		Development	Public	Redevelopmen	Park	Redevelopment						
	Agency	Housing	Services	Facilities	Agency	Reserve	Agency	Refuse	Merced	Internal			
General	Special	Special	Special	Special	Debt	Capital	Capital	Nonmajor	Fund	Municipal	Service	Funds	
	Revenue	Revenue	Revenue	Revenue	Service	Projects	Projects	Funds		Airport	Funds		
<i>Governmental Activities:</i>													
General	\$	\$	\$ 29,000	\$	\$	\$	\$ 500,000	\$ 3,694,755	\$ 25,000	\$ 441,812	\$	\$	\$ 4,690,567
RDA Special Revenue								1,202,686					1,202,686
Housing Special Revenue	240,542		79,000		228,050			655,530					1,203,122
Development Services								262,440					262,440
Public Facilities						5,250,062		2,901,086					8,151,148
RDA Debt Service		1,618,160						2,450,510					4,068,670
RDA Capital Projects								3,000					3,000
Nonmajor Funds	561,556		16,996	355,382			1,186,823	2,232,413		141,401	16,475		4,511,046
<i>Business-type Activities:</i>													
Water System								11,662					11,662
<i>Internal Service Funds</i>								8,075					8,075
<b>Total</b>	<b>\$ 802,098</b>	<b>\$ 1,618,160</b>	<b>\$ 29,000</b>	<b>\$ 95,996</b>	<b>\$ 355,382</b>	<b>\$ 228,050</b>	<b>\$ 5,250,062</b>	<b>\$ 4,137,333</b>	<b>\$ 10,971,647</b>	<b>\$ 25,000</b>	<b>\$ 583,213</b>	<b>\$ 16,475</b>	<b>\$ 24,112,416</b>

The following are explanations for the transfers in and out for the major funds:

1. Transfers from the General Fund to the Housing Special Revenue Funds were for the General Fund subsidy for the homeless shelter.
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 Refuse fund were for the City's share of a storm water retention study.
4. Transfers from the General Fund to the Merced Municipal Airport Fund were for the General Fund subsidy for airport operations.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Transfers, Continued

5. Transfers from the Housing Fund to the General Fund represent funding for police officers.
6. Transfers from the Housing Fund to the Development Service Funds were for planning and urban development services provided to the Housing Fund.
7. Transfers from the Housing Fund to the Redevelopment Agency Debt Service funds were for HUD 108 debt service.
8. Transfers from the Public Facilities Impact Fund to the Capital Projects Funds were for capital outlay projects.
9. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Special Revenue Funds represent the required 20% set aside and reimbursement for administration expenses.
10. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds represent the funding of capital outlay projects.
11. Transfers from the General Fund to the Parks & Community Services Special Revenue Fund for the General Fund subsidy for various operations.
12. Transfers from the 2005 Sewer revenue Bond Fund to the Wastewater improvement Fund represent the funding of capital outlay projects.

**6. LAND HELD FOR RESALE**

At June 30, 2007, the City's land held for resale consisted of the following:

Southern Pacific Land	\$	413,172
606 W. 19th Street		688,286
Airport Industrial Park		265,400
376 S West Avenue		96,067
1823 I Street		19,050
<b>Total governmental funds</b>	<b>\$</b>	<b>1,481,975</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**7. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2007, 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	47,002,936	27,563,618	74,566,554
<b>Total nondepreciable assets</b>	<b>108,359,643</b>	<b>27,822,299</b>	<b>136,181,942</b>
<i>Depreciable Assets:</i>			
Buildings and structures	9,335,272	2,451,934	11,787,206
Machinery and equipment	30,960,542	3,206,799	34,167,341
Improvements other than buildings, structures, and land improvements	59,702,260	69,423,412	129,125,672
Infrastructure	344,728,866	20,719,472	365,448,338
<b>Total depreciable Assets:</b>	<b>444,726,940</b>	<b>95,801,617</b>	<b>540,528,557</b>
Less accumulated depreciation	(221,553,079)	(32,342,455)	(253,895,534)
<b>Total depreciable assets, net</b>	<b>223,173,861</b>	<b>63,459,162</b>	<b>286,633,023</b>
<b>Total capital assets</b>	<b>\$ 331,533,504</b>	<b>\$ 91,281,461</b>	<b>\$ 422,814,965</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**7. CAPITAL ASSETS, Continued**

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

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

	Balance July 1, 2006	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2007
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 61,356,707	\$	\$	\$	\$ 61,356,707
Construction in progress	26,372,480	29,012,112		(8,381,656)	47,002,936
<b>Total nondepreciable assets</b>	<b>87,729,187</b>	<b>29,012,112</b>		<b>(8,381,656)</b>	<b>108,359,643</b>
<i>Depreciable Assets:</i>					
Buildings and structures	9,335,272				9,335,272
Machinery and equipment	28,722,483	2,807,734	(569,675)		30,960,542
Improvements other buildings, than buildings, structures, and land improvements	50,968,913	412,171		8,321,176	59,702,260
Infrastructure	323,151,920	21,516,466		60,480	344,728,866
<b>Total depreciable assets</b>	<b>412,178,588</b>	<b>24,736,371</b>	<b>(569,675)</b>	<b>8,381,656</b>	<b>444,726,940</b>
<i>Accumulated depreciation:</i>					
Buildings and structures	(3,981,923)	(466,075)			(4,447,998)
Machinery and equipment	(22,538,720)	(2,170,620)	454,698		(24,254,642)
Improvements other buildings, than buildings, structures, and land improvements	(30,467,528)	(2,503,771)			(32,971,299)
Infrastructure	(151,636,321)	(8,242,819)			(159,879,140)
<b>Total accumulated depreciation</b>	<b>(208,624,492)</b>	<b>(13,383,285)</b>	<b>454,698</b>		<b>(221,553,079)</b>
<b>Total depreciable assets, net</b>	<b>203,554,096</b>	<b>11,353,086</b>	<b>(114,977)</b>	<b>8,381,656</b>	<b>223,173,861</b>
<b>Total governmental activities, net</b>	<b>\$ 291,283,283</b>	<b>\$ 40,365,198</b>	<b>\$ (114,977)</b>	<b>\$</b>	<b>\$ 331,533,504</b>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2007 was as follows:

General Government	\$ 2,659,107
Public Safety	945,075
Public Works	9,394,003
Parks	385,100
<b>Total depreciation expense</b>	<b>\$ 13,383,285</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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, 2006	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2007
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$	\$	\$	\$ 258,681
Construction in progress	21,327,426	8,955,657	(742)	(2,718,723)	27,563,618
Total nondepreciable assets	21,586,107	8,955,657		(2,718,723)	27,822,299
<i>Depreciable Assets:</i>					
Buildings and structures	2,451,934				2,451,934
Machinery and equipment	3,109,139	102,937	(5,277)		3,206,799
Improvements other buildings, than buildings, structures, and land improvements	66,176,960	527,729		2,718,723	69,423,412
Infrastructure	12,659,848	8,059,624			20,719,472
Total depreciable assets	84,397,881	8,690,290	(5,277)	2,718,723	95,801,617
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,197,165)	(118,579)			(2,315,744)
Machinery and equipment	(1,900,613)	(435,900)	4,601		(2,331,912)
Improvements other buildings, than buildings, structures, and land improvements	(21,571,711)	(2,876,482)			(24,448,193)
Infrastructure	(2,827,981)	(418,625)			(3,246,606)
Total accumulated depreciation	(28,497,470)	(3,849,586)	4,601		(32,342,455)
Total depreciable assets, net	55,900,411	4,840,704	(676)	2,718,723	63,459,162
<b>Total business-type activities</b>	<b>\$ 77,486,518</b>	<b>\$ 13,796,361</b>	<b>\$ (676)</b>	<b>\$</b>	<b>\$ 91,281,461</b>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2007, was as follows:

Wastewater System Fund	\$ 1,666,511
Water System Fund	1,400,233
Refuse Collection System	674,802
Merced Municipal Airport	108,040
<b>Total depreciation expense</b>	<b>\$ 3,849,586</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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, 2007, the City had the following deferred charges:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
CSCDA Wastewater Revenue Bond	\$ 385,173	\$	\$ (33,793)	\$ 351,380
Improvement Bonds Payable	83,833		(21,646)	62,187
CSCDA Water Revenue Bond	179,090		(16,017)	163,073
<b>Total</b>	<b>\$ 648,096</b>	<b>\$</b>	<b>\$ (71,456)</b>	<b>\$ 576,640</b>

These deferred charges represent bond issuance costs, which are being amortized over the life of the related bonds using the straight line method. Amortization expense for the year ended June 30, 2007 was \$71,456.

**9. LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Due in more than one year	Due within one year
Tax Allocation Bonds	\$ 27,697,825	\$	\$ (1,535,000)	\$ 26,162,825	\$ 24,572,825	\$ 1,590,000
Pension Obligation Bonds	7,265,000		(65,000)	7,200,000	7,115,000	85,000
Participation and Development Agreements	275,000		(100,000)	175,000	75,000	100,000
Loan Payable	3,680,945		(214,292)	3,466,653	3,251,327	215,326
Loan Guarantee	1,231,234		(135,273)	1,095,961	960,688	135,273
<b>Total</b>	<b>\$ 40,150,004</b>	<b>\$ -</b>	<b>\$ (2,049,565)</b>	<b>\$ 38,100,439</b>	<b>\$ 35,974,840</b>	<b>\$ 2,125,599</b>



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

**A. Government-Wide Financial Statements**

*Tax Allocation Bonds Payable*

Tax allocation bonds payable at June 30, 2007, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$	15,050,000
2001 \$2,400,000 Tax Allocation Bonds, Series A		2,235,000
2003 \$9,007,825 Tax Allocation Bonds, Series A		<u>8,877,825</u>
<b>Total</b>	<b>\$</b>	<b><u>26,162,825</u></b>

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,655,000	376,710	2,031,710
2013-2016	<u>7,400,000</u>	<u>707,637</u>	<u>8,107,637</u>
<b>Total</b>	<b>\$ 15,050,000</b>	<b>\$ 3,244,222</b>	<b>\$ 18,294,222</b>

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

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

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Tax Allocation Bonds Payable, 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
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	50,000	114,347	164,347
2013-2017	305,000	527,715	832,715
2018-2022	410,000	428,650	838,650
2023-2026	545,000	294,969	839,969
2027-2032	740,000	111,549	851,549
<b>Total</b>	<b>\$ 2,235,000</b>	<b>\$ 1,958,497</b>	<b>\$ 4,193,497</b>

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

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

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

For the Years Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		
	Principal	Interest	Initial Amount	Accreted Interest	Value at Maturity
2008	\$ 135,000	\$ 38,946	\$	\$	\$
2009	135,000	36,077			
2010	145,000	32,745			
2011	145,000	28,830			
2012	150,000	24,384			
2013-2017	645,000	45,785	1,156,808	953,195	2,110,003
2018-2022			4,832,153	5,717,847	10,550,000
2023-2026			1,533,864	2,686,136	4,220,000
<b>Total</b>	<b>\$ 1,355,000</b>	<b>\$ 206,767</b>	<b>\$ 7,522,825</b>	<b>\$ 9,357,178</b>	<b>\$ 16,880,003</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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
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	205,000	387,781	592,781
2013-2017	1,655,000	2,323,363	3,978,363
2018-2022	3,065,000	1,103,141	4,168,141
2023-2024	1,765,000	158,602	1,923,602
<b>Total</b>	<b>\$ 7,200,000</b>	<b>\$ 5,592,284</b>	<b>\$ 12,792,284</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Participation and Development Agreements*

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
2008	\$ 100,000
2009	75,000
<b>Total</b>	<b>\$ 175,000</b>

*Loans Payable*

Loans payable at June 30, 2007, consisted of the following:

2003 \$4,000,000 Loans Payable	\$ 3,400,000
2003 \$129,109 Real Estate Loan Payable	66,653
<b>Total</b>	<b>\$ 3,466,653</b>

2003 \$1,620,000 Loan

2003 \$1,620,000 loan for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974. Principal payments 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, 2007**

**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
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
2012	200,000	130,960	330,960
2013-2016	800,000	429,450	1,229,450
2017-2021	1,000,000	305,150	1,305,150
2022-2024	600,000	50,960	650,960
<b>Total</b>	<b>\$ 3,400,000</b>	<b>\$ 1,519,770</b>	<b>\$ 4,919,770</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Loans Payable, Continued*

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
2008	\$ 15,326	\$ 4,180	\$ 19,506
2009	16,434	3,072	19,506
2010	17,622	1,884	19,506
2011	17,271	610	17,881
<b>Total</b>	<b>\$ 66,653</b>	<b>\$ 9,746</b>	<b>\$ 76,399</b>

*Loan Guarantee*

Loans guarantees at June 30, 2007, consisted of the following:

2001 Debt Service Agreement	\$ 425,236
2005 Debt Service Agreement	670,725
<b>Total</b>	<b>\$ 1,095,961</b>

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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Loan Guarantee, Continued*

2001 \$789,724 Debt Service Funding Agreement, Continued

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

<u>For the Years</u> <u>Ending June 30,</u>		
2008	\$	60,748
2009		60,748
2010		60,748
2011		60,748
2012		60,748
2013		60,748
2014		60,748
<b>Total</b>	<b>\$</b>	<b>425,236</b>

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.

The annual debt service requirements for the 2005 \$894,300 Loan Guarantee are as follows:

<u>For the Years</u> <u>Ending June 30,</u>		
2008	\$	74,525
2009		74,525
2010		74,525
2011		74,525
2012		74,525
2012-2016		298,100
<b>Total</b>	<b>\$</b>	<b>670,725</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

*A. Government-Wide Financial Statements, Continued*

**Business-Type Activities**

Following is a summary of business-type activity long-term debt transactions during the fiscal year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Bond Amortization	Balance June 30, 2007	Due in more than one year	Due within one year
Revenue bonds payable	\$ 29,278,320	\$	\$ (990,000)	\$ (43,675)	\$ 28,244,645	\$ 27,180,970	\$ 1,063,675
Loan payable	8,227,209		(75,000)		8,152,209	8,052,209	100,000
Water well development agreement	149,499		(18,871)		130,628	110,984	19,644
Improvement bonds payable	2,185,000		(265,000)		1,920,000	1,635,000	285,000
<b>Total</b>	<b>\$ 39,840,028</b>	<b>\$</b>	<b>\$ (1,348,871)</b>	<b>\$ (43,675)</b>	<b>\$ 38,447,482</b>	<b>\$ 36,979,163</b>	<b>\$ 1,468,319</b>

*Revenue Bonds Payable*

Revenue bonds payable at June 30, 2007, consisted of the following:

CSCDA Water Revenue Bonds Payable	\$ 8,310,859
CSCDA Wastewater Revenue Bonds Payable	19,933,786
<b>Total</b>	<b>\$ 28,244,645</b>

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.



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Revenue Bonds Payable, Continued*

CSCDA Water and Wastewater Revenue Bonds Series 2005A, Continued

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

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

Ending June 30,	Principal	Interest	Total
2008	\$ 300,000	\$ 412,736	\$ 712,736
2009	315,000	400,036	715,036
2010	325,000	387,517	712,517
2011	335,000	374,542	709,542
2012	350,000	358,540	708,540
2013-2017	2,030,000	1,495,362	3,525,362
2018-2022	2,610,000	884,176	3,494,176
2023-2026	1,915,000	157,507	2,072,507
	8,180,000	4,470,416	12,650,416
Add unamortized premium	130,859		130,859
<b>Total</b>	<b>\$ 8,310,859</b>	<b>\$ 4,470,416</b>	<b>\$ 12,781,275</b>

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

For the Years Ending June 30,	Principal	Interest	Total
2008	\$ 720,000	\$ 989,904	\$ 1,709,904
2009	750,000	959,555	1,709,555
2010	780,000	929,628	1,709,628
2011	810,000	898,362	1,708,362
2012	845,000	859,700	1,704,700
2013-2017	4,870,000	4,548,522	9,418,522
2018-2022	6,250,000	2,120,077	8,370,077
2023-2025	4,595,000	377,883	4,972,883
	19,620,000	11,683,631	31,303,631
Add Unamortized Premium	313,786		313,786
<b>Total</b>	<b>\$ 19,933,786</b>	<b>\$ 11,683,631</b>	<b>\$ 31,617,417</b>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*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.

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

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 100,000	\$ 256,840	\$ 356,840
2009	125,000	253,274	378,274
2010	125,000	249,311	374,311
2011	150,000	244,953	394,953
2012	150,000	240,198	390,198
2013-2017	975,000	1,012,338	1,987,338
2018-2022	1,375,000	851,856	2,226,856
2023-2027	1,850,000	625,598	2,475,598
2028-2032	2,275,000	330,788	2,605,788
2033-2034	1,027,209	32,994	1,060,203
<b>Total</b>	<b>\$ 8,152,209</b>	<b>\$ 4,098,150</b>	<b>\$ 12,250,359</b>

*Water Well Development Agreement*

During fiscal year 2002, the City entered into a Development Agreement with Zelman Retail Partners, Inc. (Developer) which contained a provision for the construction of a water well site. The City determined that the fair value of the well site to be \$250,000 which the City agreed to pay to developer in ten equal annual installments. The accreted interest was calculated at a rate of 4.1% resulting in a principal amount of \$201,767.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

*Loan Payable, Continued*

*Water Well Development Agreement, Continued*

For the Years Ending June 30,	Principal	Interest	Total
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	23,070	1,930	25,000
2013	24,015	985	25,000
<b>Total</b>	<b>\$ 130,628</b>	<b>\$ 19,372</b>	<b>\$ 150,000</b>

*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
2008	\$ 285,000	\$ 96,448	\$ 381,448
2009	300,000	81,088	381,088
2010	305,000	64,903	369,903
2011	325,000	47,811	372,811
2012	345,000	29,468	374,468
2013	360,000	9,988	369,988
<b>Total</b>	<b>\$ 1,920,000</b>	<b>\$ 329,706</b>	<b>\$ 2,249,706</b>

**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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

*C. Debt with No City Commitment*

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

	Outstanding June 30, 2007
1998 Liberty Park Refunding Assessment District	\$ 428,000
16th Street Refunding Assessment District	348,000
Fahrens Park Refunding Assessment District	5,100,000
Bellevue Ranch East Assessment District	12,570,000
Bellevue Ranch West CFD Assessment District	7,410,000
Moraga Assessment District	5,840,000

**10. COMPENSATED ABSENCES**

The City's compensated absences consist of accrued vacation pay and floating holiday pay for all permanent full-time employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Government-Wide Financial Statements and charges for compensated absences expense is charged to the General Fund, Development Services Fund, Housing Fund, Street Trees Fund, Streets and Street Light Maintenance Fund, Recreation & Parks Fund, Public Works Administration Fund, Measure "C" Fund, Maintenance Districts Fund, and the Community Facilities Districts Services Fund.

Summary of changes in compensated absences for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Due Within One Year	Due in more than one year
Governmental Activities	\$ 2,857,477	\$ 951,712	\$ (511,613)	\$ 3,297,576	\$ 1,034,789	\$ 2,262,787
Business-type Activities	517,973	100,468	(41,739)	576,702	222,526	354,176
<b>Total</b>	<u>\$ 3,375,450</u>	<u>\$ 1,052,180</u>	<u>\$ (553,352)</u>	<u>\$ 3,874,278</u>	<u>\$ 1,257,315</u>	<u>\$ 2,616,963</u>

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**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 Service Special Revenue	Public Facilities Impact Special Revenue	Redevelopment Agency Debt Service	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
<i>Reserved:</i>										
Encumbrances	\$ 524,118	\$ 60,538	\$ 813,952	\$ 1,046,716	\$	\$	\$ 1,777,908	\$ 7,835,092	\$ 3,678,703	\$ 15,737,027
Petty cash	1,875									1,875
Condemnation Deposit								92,000		92,000
Notes & loans receivable	7,607	3,638,314					1,348			3,647,269
Inventory	33,926									33,926
Due from other funds	18,651									18,651
Land held for resale		1,120,508						96,068	265,399	1,481,975
Cash Held by Fiscal Agent										-
Advances to other funds	638,038							52,477		690,515
Child development									149,883	149,883
Park planning zones										
Debt service						5,710,016				5,710,016
<b>Total reserved</b>	<b>1,224,215</b>	<b>4,819,360</b>	<b>813,952</b>	<b>1,046,716</b>		<b>5,710,016</b>	<b>1,779,256</b>	<b>8,075,637</b>	<b>4,093,985</b>	<b>27,563,137</b>
<i>Unreserved, Designated:</i>										
Contingencies	4,000,000									4,000,000
Future years	1,437,529									1,437,529
<i>Reported in Special Revenue Funds:</i>										
Pump replacements									310,993	310,993
Facilities development									232,386	232,386
<b>Total unreserved, designated</b>	<b>5,437,529</b>								<b>543,379</b>	<b>5,980,908</b>
<i>Unreserved, Undesignated</i>										
<i>Reported in:</i>										
General Fund	16,140,177									16,140,177
Special Revenue Funds		820,979	(166,842)	4,867,608	7,395,257				9,708,301	22,625,303
Debt Service Funds									6,867	6,867
Capital Project Funds							488,985	3,932,710	2,830,930	7,252,625
<b>Total unreserved, undesignated</b>	<b>16,140,177</b>	<b>820,979</b>	<b>(166,842)</b>	<b>4,867,608</b>	<b>7,395,257</b>	<b>-</b>	<b>488,985</b>	<b>3,932,710</b>	<b>12,546,098</b>	<b>46,024,972</b>
<b>Total</b>	<b>\$ 22,801,921</b>	<b>\$ 5,640,339</b>	<b>\$ 647,110</b>	<b>\$ 5,914,324</b>	<b>\$ 7,395,257</b>	<b>\$ 5,710,016</b>	<b>\$ 2,268,241</b>	<b>\$ 12,008,347</b>	<b>\$ 17,183,462</b>	<b>\$ 79,569,017</b>

**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, 2007, claims for general liability and workers' compensation were \$656,592 and \$3,240,177 respectively.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**12. RISK MANAGEMENT, Continued**

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 \$100,000 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	Due Within One Year
2005	\$ 472,379	\$ 1,393,863	\$ (1,125,802)	\$ 740,440	\$ 125,000
2006	740,440	569,652	(882,864)	427,228	150,000
2007	427,228	258,466	(29,102)	656,592	150,000

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	Due Within One Year
2005	\$ 4,539,431	\$ 486,470	\$ (1,131,756)	\$ 3,894,145	\$ 1,075,962
2006	3,894,145	706,193	(1,075,177)	3,525,161	891,250
2007	3,525,161	544,482	(829,466)	3,240,177	992,599

**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.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**13. RETIREMENT PLANS, Continued**

*Pension Plan, Continued*

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 \$2,185,729 for the year ended June 30, 2007. The City employer was required to contribute for fiscal year 2006-2007 at an actuarially determined rate of 7.164% and 15.840% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer safety rate of 24.840%, 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 2006-2007, the City’s annual pension cost which was equal to the City’s required and actual contributions was \$2,989,157. The required contribution was determined as part of the June 30, 2004, 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, 2004, was 32 years for safety employees and 7 years for miscellaneous employees for prior and current service unfunded liability.

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Required Contributor (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/2005	\$ 1,125,667	100%	\$ 0
6/30/2006	2,029,206	100%	0
6/30/2007	2,989,157	100%	0

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

The City paid health care insurance for 185 retirees at an annual cost of \$842,062. Out of approximately 529 full-time employees, there are approximately 328 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, December 31, 2003 in the AFSCME Bargaining Unit, December 31, 2004 in the MACE Bargaining Unit and July 4, 2006 in the Unrepresented Management Employees are not eligible for retirement health benefits.

**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**15. COMMITMENTS AND CONTINGENT LIABILITIES**

Litigation

As of June 30, 2007, the City was a party to various lawsuits involving eminent domain and condemnation proceedings. In the opinion of counsel, the anticipated ultimate liability for the acquisition of these properties will not exceed the City's appraisals. There are certain personal injury lawsuits that 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, 2007, the City had the following outstanding commitments that exceeded \$500,000:

West Bay Builders Inc.	\$	4,877,589
Eco:Logic		2,454,921
Lockwood General Engineer		1,753,550
Granite Construction Co.		1,670,751
Merced Union High School		1,576,004
Kaweah Construction Co.		1,172,570
Merced County		774,805
Teichert Construction Inc.		645,897
The Playa Merced LLC		500,000
<b>Total</b>	<b>\$</b>	<b>15,426,087</b>

Stranded Costs

By definition stranded costs, also known as stranded investments or stranded assets, occur when customers of one utility leave that utility and have power brought to them from some other supplier, thereby leaving the original utility with debt for plant and equipment it may no longer need and without revenue from the rate payers the infrastructure was built to serve.

For some of its facilities the City of Merced has changed supplier from Pacific Gas and Electric Company to Merced Irrigation District.

The City of Merced has received "draft" notices from Pacific Gas and Electric Company for stranded costs. In order for the City of Merced to determine the appropriateness of the charges and whether they comply with the California Public Utilities commission rules and regulations further documentation and research is required.



**City of Merced**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**16. PRIOR PERIOD ADJUSTMENTS**

During the fiscal year the City identified certain accounting restatements. Accordingly, the City's net assets and fund balances as of July 1, 2006 have been restated as follows:

The City made an accounting adjustment of \$1,216,995 to the note receivable balance due from Main Place Merced LLC as a result of the property securing the note being sold.

As a result of the above corrections, the government-wide financial statements were restated as follows:

	Fund Balance as previously Reported	Accounting Restatements	Fund Balance as Restated
Governmental Activities	<u>\$ 375,677,223</u>	<u>\$ (1,216,995)</u>	<u>\$ 374,460,228</u>

As a result of the above corrections, the Fund Financial Statements were restated as follows:

	Fund Balance as previously Reported	Accounting Restatements	Fund Balance as Restated
<i>Governmental Funds:</i>			
Redevelopment Agency Special Revenue	<u>\$ 7,213,983</u>	<u>\$ (1,216,995)</u>	<u>\$ 5,996,988</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Merced**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

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**1. BUDGETARY CONTROL AND ACCOUNTING**

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

1. The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted by the City Council in June of each year for all funds. The resolution sets a combined appropriation of the funds for the operation of the City.
2. The City Manager is authorized to transfer budgeted amounts between departments and line items to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds and transfers between funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds.
4. Budgets for the governmental fund types are adopted and recorded on the modified basis of accounting on a basis consistent with generally accepted accounting principles (GAAP). Budget appropriations lapse at the end of the fiscal year. Supplemental appropriations were adopted by the City Council and have been included in the statements of revenues, expenditures, and changes in fund balance - budget to actual. Total supplemental appropriations for the year were \$23,616,078. 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, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax:				
Secured	\$ 5,532,000	\$ 5,532,000	\$ 6,171,455	\$ 639,455
Unsecured	300,000	300,000	335,885	35,885
Supplemental roll:				
Prior year - unsecured	6,500	6,500	3,725	(2,775)
Prior year - supplemental roll	400,000	400,000	863,794	463,794
Sales and use	9,793,500	9,793,500	9,055,179	(738,321)
Transient occupancy tax	861,000	861,000	816,655	(44,345)
Franchise	1,285,000	1,285,000	1,363,288	78,288
Business license	1,277,000	1,277,000	1,234,700	(42,300)
CRIS fee	1,310,000	1,310,000	659,980	(650,020)
Real property transfer	400,000	400,000	285,085	(114,915)
Triple flip backfill	3,153,000	3,153,000	3,496,237	343,237
Vehicle in lieu backfill	5,231,000	5,231,000	5,748,592	517,592
Total taxes	<u>29,549,000</u>	<u>29,549,000</u>	<u>30,034,575</u>	<u>485,575</u>
Licenses and permits:				
Animal licenses	37,500	37,500	32,799	(4,701)
Bicycle licenses	300	300	1,040	740
Other licenses and permits	8,000	8,000	14,114	6,114
Total licenses and permits	<u>45,800</u>	<u>45,800</u>	<u>47,953</u>	<u>2,153</u>
Intergovernmental:				
Motor vehicle in lieu tax	436,340	436,340	502,480	66,140
Homeowners property tax relief	75,000	75,000	90,687	15,687
Off highway tax	1,900	1,900		(1,900)
Police standards and training	130,000	130,000	63,484	(66,516)
Other state grant	33,524	83,495	70,820	(12,675)
AB 1662			206,568	206,568
Other federal grants	9,905	9,905	519	(9,386)
Office BJA - bullet proof vest grant	24,046	14,956	18,002	3,046
State mandated cost reimbursement	118,898	118,898	219,187	100,289
Total intergovernmental	<u>829,613</u>	<u>870,494</u>	<u>1,171,747</u>	<u>301,253</u>

(Continued)

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES, Continued:</b>				
Service charges:				
Incident recovery fees	\$ 85,000	\$ 85,000	\$ 82,891	\$ (2,109)
Fire department special services	99,817	99,817	79,715	(20,102)
Fire prevention	71,800	71,800	83,475	11,675
Accident reports	28,000	28,000	24,486	(3,514)
Weed and lot cleaning	21,925	21,925	15,355	(6,570)
PERS - EE share 3% at 50	463,498	467,318	465,816	(1,502)
Health Insurance EE share	49,920	49,920	33,595	(16,325)
Administrative	3,816,571	3,816,907	3,532,938	(283,969)
Cost applied	1,237,432	1,237,432	1,237,432	
Other current service charges	232,665	232,665	230,101	(2,564)
<b>Total service charges</b>	<b>6,106,628</b>	<b>6,110,784</b>	<b>5,785,804</b>	<b>(324,980)</b>
Fines, forfeitures and penalties:				
Criminal fines	53,000	53,000	79,857	26,857
Parking Fines			9,368	9,368
<b>Total fines, forfeitures and penalties</b>	<b>53,000</b>	<b>53,000</b>	<b>89,225</b>	<b>36,225</b>
Other:				
Investment earnings	404,300	404,300	940,444	536,144
Rent and concessions (other than recreation)	138,697	138,697	120,477	(18,220)
Interest on loans	7,182	7,182	1,227	(5,955)
Unclassified revenue	47,500	47,500	88,372	40,872
Miscellaneous	39,317	39,317	39,185	(132)
Animal control services	15,500	15,500	11,741	(3,759)
School police officer	57,778	57,778	84,309	26,531
Valley High School police officer	94,039	77,932	77,932	
Woman's Place police officer	5,341	5,341	6,854	1,513
Anti-drug abuse grant	6,000	6,000		(6,000)
Cash overages (shortages)	100	100	(257)	(357)
Donations/contributions	2,000	4,781	4,781	
S.M.I.P. fees	4,164	4,164	4,129	(35)
Repayment on loan	39,398	39,398	15,791	(23,607)
Property sales	717	717	3,951	3,234
<b>Total other</b>	<b>862,033</b>	<b>848,707</b>	<b>1,398,936</b>	<b>550,229</b>
<b>Total revenues</b>	<b>37,446,074</b>	<b>37,477,785</b>	<b>38,528,240</b>	<b>1,050,455</b>

(Continued)

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES:</b>				
Current operating:				
General government:				
City Council	\$ 410,088	\$ 469,962	\$ 419,418	\$ 50,544
City Manager	893,976	941,860	875,518	66,342
City Attorney	1,002,318	1,072,920	955,054	117,866
Finance	2,211,871	2,342,044	2,454,268	(112,224)
Purchasing	298,453	304,504	303,930	574
Economic development	348,067	396,160	302,150	94,010
Total general government	5,164,773	5,527,450	5,310,338	217,112
Public safety:				
Police protection	18,719,388	19,125,508	17,640,177	1,485,331
Fire protection and weed abatement	8,963,648	9,215,437	8,926,015	289,422
Total public safety	27,683,036	28,340,945	26,566,192	1,774,753
Parks				
Total current operating	35,154,500	36,188,590	34,135,491	2,053,099
Capital outlay:				
Purchase of machinery and equipment	536,089	706,224	457,487	248,737
Capital improvements	222,357	247,101	98,785	148,316
Total capital outlay	758,446	953,325	556,272	397,053
Debt service:				
Principal	65,000	65,000	65,000	-
Interest	414,194	414,194	414,193	1
Total debt service	479,194	479,194	479,193	1
Total expenditures	36,392,140	37,621,109	35,170,956	2,450,153
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,053,934</b>	<b>(143,324)</b>	<b>3,357,284</b>	<b>3,500,608</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	835,492	851,994	806,847	(45,147)
Transfers out	(3,961,298)	(4,869,244)	(4,695,316)	173,928
Total other financing sources (uses)	(3,125,806)	(4,017,250)	(3,888,469)	128,781
Net change in fund balances	\$ (2,071,872)	\$ (4,160,574)	(531,185)	\$ 3,629,389
<b>FUND BALANCES:</b>				
Beginning of year			23,333,106	
End of year			\$ 22,801,921	

(Concluded)

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Rental income	\$ 61,100	\$ 61,100	\$ 62,300	\$ 1,200
Investment earnings	16,000	16,000	11,259	(4,741)
Loan interest	72,788	72,788	78,374	5,586
Repayment of note	75,015	75,015	66,322	(8,693)
Housing set-aside loans	20,180	20,180	62,630	42,450
Miscellaneous	646,281	646,281	840,530	194,249
<b>Total revenues</b>	<b>891,364</b>	<b>891,364</b>	<b>1,121,415</b>	<b>230,051</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,114,615	1,142,137	1,017,037	125,100
Administrative shared expenditures	320,742	320,742	320,742	
<b>Total current operating</b>	<b>1,435,357</b>	<b>1,462,879</b>	<b>1,337,779</b>	<b>125,100</b>
Capital outlay	5,500	5,500	470,759	(465,259)
<b>Total expenditures</b>	<b>1,440,857</b>	<b>1,468,379</b>	<b>1,808,538</b>	<b>(340,159)</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(549,493)</b>	<b>(577,015)</b>	<b>(687,123)</b>	<b>(110,108)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,511,658	1,511,658	1,618,160	106,502
Transfers out	(1,287,686)	(1,287,686)	(1,287,686)	
<b>Total other financing sources (uses)</b>	<b>223,972</b>	<b>223,972</b>	<b>330,474</b>	<b>106,502</b>
<b>Net change in fund balances</b>	<b>\$ (325,521)</b>	<b>\$ (353,043)</b>	<b>(356,649)</b>	<b>\$ (3,606)</b>
<b>FUND BALANCES:</b>				
Beginning of year			5,996,988	
End of year			<b>\$ 5,640,339</b>	



**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
CDBG Program	\$ 4,122,469	\$ 2,941,515	\$ 2,191,541	\$ (749,974)
Home Grant Program	2,369,088	1,725,083	1,457,721	(267,362)
BEGIN Program	55,000	55,000	44,177	(10,823)
State Rental Rehabilitation Program	30,000	30,000	2,872	(27,128)
Other:				
Investment earnings	15,000	15,000	55,707	40,707
Miscellaneous			555	555
<b>Total revenues</b>	<b>6,591,557</b>	<b>4,766,598</b>	<b>3,752,573</b>	<b>(1,014,025)</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	5,417,451	4,153,721	3,110,391	1,043,330
Administrative shared expenditures	67,783	67,783	67,783	
<b>Total current operating</b>	<b>5,485,234</b>	<b>4,221,504</b>	<b>3,178,174</b>	<b>1,043,330</b>
Capital outlay	1,500	1,500		1,500
<b>Total expenditures</b>	<b>5,486,734</b>	<b>4,223,004</b>	<b>3,178,174</b>	<b>1,044,830</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>1,104,823</b>	<b>543,594</b>	<b>574,399</b>	<b>30,805</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		29,000	29,000	
Transfers out	(1,795,596)	(1,639,478)	(1,203,122)	436,356
<b>Total other financing sources (uses)</b>	<b>(1,795,596)</b>	<b>(1,610,478)</b>	<b>(1,174,122)</b>	<b>436,356</b>
<b>Net change in fund balances</b>	<b>\$ (690,773)</b>	<b>\$ (1,066,884)</b>	<b>(599,723)</b>	<b>\$ 467,161</b>
<b>FUND BALANCES:</b>				
Beginning of year			1,246,833	
End of year			<b>\$ 647,110</b>	

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
State grant	\$	\$	\$ 91,529	\$ 91,529
Services charges	5,838,457	5,840,285	4,624,903	(1,215,382)
Other:				
Investment earnings	2,848	2,848	356,139	353,291
Miscellaneous	713,774	820,757	804,888	(15,869)
<b>Total revenues</b>	<b>6,555,079</b>	<b>6,663,890</b>	<b>5,877,459</b>	<b>(786,431)</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	4,938,910	6,706,395	5,108,697	1,597,698
Public works	1,708,674	1,992,118	1,686,853	305,265
Administrative shared expenditures	427,127	427,127	427,127	
<b>Total current operating</b>	<b>7,074,711</b>	<b>9,125,640</b>	<b>7,222,677</b>	<b>1,902,963</b>
Capital outlay	255,808	272,045	101,705	170,340
<b>Total expenditures</b>	<b>7,330,519</b>	<b>9,397,685</b>	<b>7,324,382</b>	<b>2,073,303</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(775,440)</b>	<b>(2,733,795)</b>	<b>(1,446,923)</b>	<b>1,286,872</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	97,137	98,462	95,996	(2,466)
Transfers out	(37,800)	(262,440)	(262,440)	
<b>Total other financing sources (uses)</b>	<b>59,337</b>	<b>(163,978)</b>	<b>(166,444)</b>	<b>(2,466)</b>
<b>Net change in fund balances</b>	<b>\$ (716,103)</b>	<b>\$ (2,897,773)</b>	<b>(1,613,367)</b>	<b>\$ 1,284,406</b>
<b>FUND BALANCES:</b>				
Beginning of year			7,527,691	
End of year			<u>\$ 5,914,324</u>	

**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

**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		
<b>REVENUES:</b>				
Service charges	\$ 10,136,463	\$ 10,136,463	\$ 5,837,562	\$ (4,298,901)
Other:				
Investment earnings	163,000	163,000	879,842	716,842
<b>Total revenues</b>	<b>10,299,463</b>	<b>10,299,463</b>	<b>6,717,404</b>	<b>(3,582,059)</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	34,200	34,200	34,201	1
Administrative shared expenditures	45,575	45,575	45,575	
<b>Total current operating</b>	<b>79,775</b>	<b>79,775</b>	<b>79,776</b>	<b>1</b>
Capital outlay			1,283,795	(1,283,795)
<b>Total expenditures</b>	<b>79,775</b>	<b>79,775</b>	<b>1,363,571</b>	<b>(1,283,794)</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>10,219,688</b>	<b>10,219,688</b>	<b>5,353,833</b>	<b>(4,865,855)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			355,382	355,382
Transfers out	(12,847,925)	(16,827,836)	(8,151,148)	8,676,688
<b>Total other financing sources (uses)</b>	<b>(12,847,925)</b>	<b>(16,827,836)</b>	<b>(7,795,766)</b>	<b>9,032,070</b>
<b>Net change in fund balances</b>	<b>\$ (2,628,237)</b>	<b>\$ (6,608,148)</b>	<b>(2,441,933)</b>	<b>\$ 4,166,215</b>
<b>FUND BALANCES:</b>				
Beginning of year			9,837,190	
End of year			\$ 7,395,257	

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**City of Merced**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

**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
6/30/2004	\$ 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%
6/30/2006	60,439,554	63,668,571	3,229,017	94.9%	15,258,972	21.2%

*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
6/30/2004	\$ 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%
6/30/2006	68,512,230	73,306,462	4,794,232	93.5%	9,165,439	52.3%

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**SUPPLEMENTARY INFORMATION**

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## 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.

*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

*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.

*Developer Capital Fee Fund* - This fund is used to track developer agreement fees due to the City for improvements.

### DEBT SERVICE FUNDS

*Debt Service Funds* are used to account for the accumulation of resources and payment of General Obligation Bond principal and interest from governmental resources and Special Assessment Bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

*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.

*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.

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**City of Merced**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2007**

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 181,990	\$ 74,122	\$ 537,649	\$ 115,472	\$ 22,080	\$ 49,386
Receivables:						
Account						
Interest	1,776	723	6,429	1,366	216	
Land held for resale						
Due from other governments				129,022	12,310	
Notes receivable						
<b>Total assets</b>	<u>\$ 183,766</u>	<u>\$ 74,845</u>	<u>\$ 544,078</u>	<u>\$ 245,860</u>	<u>\$ 34,606</u>	<u>\$ 49,386</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 271	\$ 2,026	\$	\$	\$	\$ 654
Other payables						19,935
Deferred revenue		13,387				
Due to other funds						
Advances from other funds						
<b>Total liabilities</b>	<u>271</u>	<u>15,413</u>				<u>20,589</u>
<b>Fund Balances:</b>						
<b>Reserved:</b>						
Encumbrances	26,942	11,863				6,568
Land held for resale						
Non-current loans						
Child development						
Park planning zones						
<b>Total reserved</b>	<u>26,942</u>	<u>11,863</u>				<u>6,568</u>
<b>Unreserved, designated</b>						
Pump replacement						
Facilities development						
<b>Total unreserved, designated</b>						
<b>Unreserved, undesignated</b>						
<b>reported in:</b>						
Special revenue funds	156,553	47,569	544,078	245,860	34,606	22,229
Debt service funds						
Capital project funds						
<b>Total unreserved,     undesignated</b>	<u>156,553</u>	<u>47,569</u>	<u>544,078</u>	<u>245,860</u>	<u>34,606</u>	<u>22,229</u>
<b>Total fund balances</b>	<u>183,495</u>	<u>59,432</u>	<u>544,078</u>	<u>245,860</u>	<u>34,606</u>	<u>28,797</u>
<b>Total liabilities and     fund balances</b>	<u>\$ 183,766</u>	<u>\$ 74,845</u>	<u>\$ 544,078</u>	<u>\$ 245,860</u>	<u>\$ 34,606</u>	<u>\$ 49,386</u>

Special Revenue

Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant
\$ 319,697	\$ 292,610	\$ 140,828	\$ 976,436	\$ 33,350	\$ 703,747	\$
3,783			14,020	326	6,869	
		144,606	650,837	26,460		20,015
<u>\$ 323,480</u>	<u>\$ 292,610</u>	<u>\$ 285,434</u>	<u>\$ 1,641,293</u>	<u>\$ 60,136</u>	<u>\$ 710,616</u>	<u>\$ 20,015</u>
\$	\$ 67,522 28,791	\$ 39,018 56,466	\$	\$	\$ 3,623 34,053	\$ 1,429
						18,632
	96,313	95,484			37,676	20,061
	204,411	98,037			22,651	34,333
	204,411	98,037			22,651	34,333
323,480	(8,114)	91,913	1,641,293	60,136	650,289	(34,379)
323,480	(8,114)	91,913	1,641,293	60,136	650,289	(34,379)
323,480	196,297	189,950	1,641,293	60,136	672,940	(46)
<u>\$ 323,480</u>	<u>\$ 292,610</u>	<u>\$ 285,434</u>	<u>\$ 1,641,293</u>	<u>\$ 60,136</u>	<u>\$ 710,616</u>	<u>\$ 20,015</u>

(Continued)

**City of Merced**  
**Combining Balance Sheet, Continued**  
**Non-Major Governmental Funds**  
**June 30, 2007**

	Special Revenue					
	Supplemental Law Enforcement Services	Justice Assistance Grant	Parking Enforcement	Child Development	Maintenance Districts	CFD Services
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 2,512	\$ 247	\$ 341,882	\$ 122,100	\$ 1,473,036	\$ 875,486
Receivables:						
Account			33,182			
Interest	25		3,328	1,006	14,377	5,756
Land held for resale						
Due from other governments				33,094	63,705	105,842
Notes receivable						
<b>Total assets</b>	<u>\$ 2,537</u>	<u>\$ 247</u>	<u>\$ 378,392</u>	<u>\$ 156,200</u>	<u>\$ 1,551,118</u>	<u>\$ 987,084</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$	\$	\$ 12,192	\$ 1,946	\$ 52,713	\$ 40,320
Other payables					3,457	54,659
Deferred revenue						
Due to other funds				20		
Advances from other funds						638,038
<b>Total liabilities</b>			<u>12,192</u>	<u>1,966</u>	<u>56,170</u>	<u>733,017</u>
<b>Fund Balances:</b>						
<b>Reserved:</b>						
Encumbrances				5,301	6,169	97,942
Land held for resale						
Non-current loans						
Child development				149,883		
Park planning zones						
<b>Total reserved</b>				<u>155,184</u>	<u>6,169</u>	<u>97,942</u>
<b>Unreserved, designated</b>						
Pump replacement					310,993	
Facilities development						232,386
<b>Total unreserved, designated</b>					<u>310,993</u>	<u>232,386</u>
<b>Unreserved, undesignated reported in:</b>						
Special revenue funds	2,537	247	366,200	(950)	1,177,786	(76,261)
Debt service funds						
Capital project funds						
<b>Total unreserved,     undesignated</b>	<u>2,537</u>	<u>247</u>	<u>366,200</u>	<u>(950)</u>	<u>1,177,786</u>	<u>(76,261)</u>
<b>Total fund balances</b>	<u>2,537</u>	<u>247</u>	<u>366,200</u>	<u>154,234</u>	<u>1,494,948</u>	<u>254,067</u>
<b>Total liabilities and     fund balances</b>	<u>\$ 2,537</u>	<u>\$ 247</u>	<u>\$ 378,392</u>	<u>\$ 156,200</u>	<u>\$ 1,551,118</u>	<u>\$ 987,084</u>



Measure C	Special Revenue	Debt Service	Capital Projects		
	Developer Capital Fee	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station
\$ 3,737,310	\$ 181,776	\$ 6,801	\$ 2,126,332	\$ 3,125,780	\$ 12,308
	402,999				
36,477	1,774	66	20,753	14,627	
			265,399		
1,104,412				9,671	
<u>\$ 4,878,199</u>	<u>\$ 586,549</u>	<u>\$ 6,867</u>	<u>\$ 2,412,484</u>	<u>\$ 3,150,078</u>	<u>\$ 12,308</u>
\$ 17,409			\$ 6,761	\$ 344,469	
101,739					
<u>119,148</u>			<u>6,761</u>	<u>344,469</u>	
882,371			200,932	1,996,399	12,238
			265,399		
<u>882,371</u>			<u>466,331</u>	<u>1,996,399</u>	<u>12,238</u>
3,876,680	586,549	6,867	1,939,392	809,210	70
<u>3,876,680</u>	<u>586,549</u>	<u>6,867</u>	<u>1,939,392</u>	<u>809,210</u>	<u>70</u>
4,759,051	586,549	6,867	2,405,723	2,805,609	12,308
<u>\$ 4,878,199</u>	<u>\$ 586,549</u>	<u>\$ 6,867</u>	<u>\$ 2,412,484</u>	<u>\$ 3,150,078</u>	<u>\$ 12,308</u>

(Continued)

**City of Merced**  
**Combining Balance Sheet, Continued**  
**Non-Major Governmental Funds**  
**June 30, 2007**

	Capital Projects				Total
	Police Mobile Computers	McComb's Youth Center	PCE Remediation	Fire Station #55	
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 90,627	\$	\$ 6,039	\$ 61,693	\$ 15,611,296
Receivables:					
Account					436,181
Interest	885		59	602	135,243
Land held for resale					265,399
Due from other governments					2,299,974
Notes receivable					
<b>Total assets</b>	<u>\$ 91,512</u>	<u>\$</u>	<u>\$ 6,098</u>	<u>\$ 62,295</u>	<u>\$ 18,748,093</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 5,101	\$	\$	\$	\$ 594,025
Other payables					300,529
Deferred revenue					13,387
Due to other funds					18,652
Advances from other funds					638,038
<b>Total liabilities</b>	<u>5,101</u>				<u>1,564,631</u>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Encumbrances	72,546				3,678,703
Land held for resale					265,399
Non-current loans					
Child development					149,883
Park planning zones					-
<b>Total reserved</b>	<u>72,546</u>				<u>4,093,985</u>
<b>Unreserved, designated</b>					
Pump replacement					310,993
Facilities development					232,386
<b>Total unreserved, designated</b>					<u>543,379</u>
<b>Unreserved, undesignated reported in:</b>					
Special revenue funds					9,708,301
Debt service funds					6,867
Capital project funds	13,865		6,098	62,295	2,830,930
<b>Total unreserved, undesignated</b>	<u>13,865</u>		<u>6,098</u>	<u>62,295</u>	<u>12,546,098</u>
<b>Total fund balances</b>	<u>86,411</u>		<u>6,098</u>	<u>62,295</u>	<u>17,183,462</u>
<b>Total liabilities and fund balances</b>	<u>\$ 91,512</u>	<u>\$</u>	<u>\$ 6,098</u>	<u>\$ 62,295</u>	<u>\$ 18,748,093</u>

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# City of Merced

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

### Non-Major Governmental Funds

For the year ended June 30, 2007

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
<b>REVENUES:</b>						
Taxes	\$	\$ 100,166	\$	\$	\$	\$
Intergovernmental			1,616,566	1,338,865		89
Service charges						10,427
Fines, forfeitures and penalties					180,076	
Other	78,681	3,570	24,440	7,670	498	
<b>Total revenues</b>	<b>78,681</b>	<b>103,736</b>	<b>1,641,006</b>	<b>1,346,535</b>	<b>180,574</b>	<b>10,516</b>
<b>EXPENDITURES:</b>						
Current operating:						
General government	7,585	86,050			172,000	
Public safety						
Public works						1,121,465
Parks						
<b>Total current operating</b>	<b>7,585</b>	<b>86,050</b>			<b>172,000</b>	<b>1,121,465</b>
Capital outlay	44,502					
Debt service:						
Principal						
Interest						
<b>Total expenditures</b>	<b>52,087</b>	<b>86,050</b>			<b>172,000</b>	<b>1,121,465</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>26,594</b>	<b>17,686</b>	<b>1,641,006</b>	<b>1,346,535</b>	<b>8,574</b>	<b>(1,110,949)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of land						
Transfers in						1,139,746
Transfers out	(14,400)		(1,099,198)	(1,225,467)		
<b>Total other financing sources (uses)</b>	<b>(14,400)</b>		<b>(1,099,198)</b>	<b>(1,225,467)</b>		<b>1,139,746</b>
<b>Net change in fund balances</b>	<b>12,194</b>	<b>17,686</b>	<b>541,808</b>	<b>121,068</b>	<b>8,574</b>	<b>28,797</b>
<b>FUND BALANCES:</b>						
Beginning of year	171,301	41,746	2,270	124,792	26,032	
End of year	\$ 183,495	\$ 59,432	\$ 544,078	\$ 245,860	\$ 34,606	\$ 28,797

Special Revenue

Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant
\$ 509,211	\$ 5,309 419,994	\$ 16,863	\$ 650,837	\$ 331,747	\$ 9 1,497,414	\$ 121,652
31,071	37,393	420,442	42,549	278	37,841	
540,282	462,696	437,305	693,386	332,025	1,535,264	121,652
					1,323,269	25,526
	3,206,198	3,096,227				
	3,206,198	3,096,227			1,323,269	25,526
	60,141	640,372			20,860	112,764
	3,266,339	3,736,599			1,344,129	138,290
540,282	(2,803,643)	(3,299,294)	693,386	332,025	191,135	(16,638)
(553,792)	2,942,445	3,144,695 (16,475)	(459,998)	(354,170)		
(553,792)	2,942,445	3,128,220	(459,998)	(354,170)		
(13,510)	138,802	(171,074)	233,388	(22,145)	191,135	(16,638)
336,990	57,495	361,024	1,407,905	82,281	481,805	16,592
\$ 323,480	\$ 196,297	\$ 189,950	\$ 1,641,293	\$ 60,136	\$ 672,940	\$ (46)

(Continued)

# City of Merced

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

### Non-Major Governmental Funds

For the year ended June 30, 2007

	Special Revenue					CFD
	Supplemental Law Enforcement Services	Justice Assistance Grant	Parking Enforcement	Child Development	Maintenance Districts	
<b>REVENUES:</b>						
Taxes	\$	\$	\$	\$	\$	\$ 974,172
Intergovernmental	148,766			200,324		199,812
Service charges			325			22,750
Fines, forfeitures and penalties			338,675			
Other	2,197	170	15,756	6,643	819,895	140,522
<b>Total revenues</b>	<b>150,963</b>	<b>170</b>	<b>354,756</b>	<b>206,967</b>	<b>819,895</b>	<b>1,337,256</b>
<b>EXPENDITURES:</b>						
Current operating:						
General government					788,948	1,371,347
Public safety			291,547			
Public works						
Parks				184,413		
<b>Total current operating</b>			<b>291,547</b>	<b>184,413</b>	<b>788,948</b>	<b>1,371,347</b>
Capital outlay		8,649			857	66,666
Debt service:						
Principal						
Interest						
<b>Total expenditures</b>		<b>8,649</b>	<b>291,547</b>	<b>184,413</b>	<b>789,805</b>	<b>1,438,013</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>150,963</b>	<b>(8,479)</b>	<b>63,209</b>	<b>22,554</b>	<b>30,090</b>	<b>(100,757)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of land						
Transfers in					68,738	33,836
Transfers out	(155,485)					(135,939)
<b>Total other financing     sources (uses)</b>	<b>(155,485)</b>				<b>68,738</b>	<b>(102,103)</b>
<b>Net change in fund balances</b>	<b>(4,522)</b>	<b>(8,479)</b>	<b>63,209</b>	<b>22,554</b>	<b>98,828</b>	<b>(202,860)</b>
<b>FUND BALANCES:</b>						
Beginning of year	7,059	8,726	302,991	131,680	1,396,120	456,927
End of year	\$ 2,537	\$ 247	\$ 366,200	\$ 154,234	\$ 1,494,948	\$ 254,067

Measure C	Special Revenue	Debt Service	Capital Projects		
	Developer Capital Fee	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station
\$ 7,049,610	\$	\$	\$	\$	\$
38,875					
172,329	586,549	364	138,314	143,136	4
7,260,814	586,549	364	138,314	143,136	4
2,162,868					
2,162,868					
582,440			494,465	5,945,757	607,056
2,745,308			494,465	5,945,757	607,056
4,515,506	586,549	364	(356,151)	(5,802,621)	(607,052)
				3,022,898	619,289
			(135,839)	(355,382)	(2,779)
			(135,839)	2,667,516	616,510
4,515,506	586,549	364	(491,990)	(3,135,105)	9,458
243,545		6,503	2,897,713	5,940,714	2,850
\$ 4,759,051	\$ 586,549	\$ 6,867	\$ 2,405,723	\$ 2,805,609	\$ 12,308

(Continued)

# City of Merced

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued Non-Major Governmental Funds For the year ended June 30, 2007

	Capital Projects				Total
	Police Mobile Computers	McComb's Youth Center	PCE Remediation	Fire Station #55	
<b>REVENUES:</b>					
Taxes	\$	\$	\$	\$	\$ 8,123,948
Intergovernmental					5,140,050
Service charges					1,989,785
Fines, forfeitures and penalties					518,751
Other	5,383		323	3,275	2,719,293
<b>Total revenues</b>	<b>5,383</b>		<b>323</b>	<b>3,275</b>	<b>18,491,827</b>
<b>EXPENDITURES:</b>					
Current operating:					
General government		3			5,937,596
Public safety					291,547
Public works					4,327,663
Parks					3,280,640
<b>Total current operating</b>		<b>3</b>			<b>13,837,446</b>
Capital outlay	39,122			980	8,624,631
Debt service:					
Principal					
Interest					
<b>Total expenditures</b>	<b>39,122</b>	<b>3</b>		<b>980</b>	<b>22,462,077</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(33,739)</b>	<b>(3)</b>	<b>323</b>	<b>2,295</b>	<b>(3,970,250)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land					
Transfers in					10,971,647
Transfers out		(2,122)			(4,511,046)
<b>Total other financing sources (uses)</b>		<b>(2,122)</b>			<b>6,460,601</b>
<b>Net change in fund balances</b>	<b>(33,739)</b>	<b>(2,125)</b>	<b>323</b>	<b>2,295</b>	<b>2,490,351</b>
<b>FUND BALANCES:</b>					
Beginning of year	120,150	2,125	5,775	60,000	14,693,111
End of year	\$ 86,411	\$	\$ 6,098	\$ 62,295	\$ 17,183,462

(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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Tax increment	\$ 6,124,871	\$ 6,124,871	\$ 7,082,383	\$ 957,512
Service charges:				
Interdepartmental charges	193,208	193,208	193,208	
Other:				
Repayment of note				
Investment earnings	383,860	383,860	264,081	(119,779)
Miscellaneous	154,850	154,850	25,787	(129,063)
<b>Total revenues</b>	<b>6,856,789</b>	<b>6,856,789</b>	<b>7,565,459</b>	<b>708,670</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	631,638	631,638	924,504	(292,866)
<b>Total current operating</b>	<b>631,638</b>	<b>631,638</b>	<b>924,504</b>	<b>(292,866)</b>
Debt service:				
Principal	2,009,886	2,009,886	1,970,273	39,613
Interest and fees	1,038,194	1,038,194	1,034,389	3,805
<b>Total debt service</b>	<b>3,048,080</b>	<b>3,048,080</b>	<b>3,004,662</b>	<b>43,418</b>
<b>Total expenditures</b>	<b>3,679,718</b>	<b>3,679,718</b>	<b>3,929,166</b>	<b>(249,448)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,177,071</b>	<b>3,177,071</b>	<b>3,636,293</b>	<b>459,222</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from debt	900,000	900,000		(900,000)
Transfers in	366,710	228,050	228,050	
Transfers out	(4,095,603)	(4,068,672)	(4,068,670)	2
<b>Total other financing sources (uses)</b>	<b>(2,828,893)</b>	<b>(2,940,622)</b>	<b>(3,840,620)</b>	<b>(899,998)</b>
<b>Net change in fund balances</b>	<b>\$ 348,178</b>	<b>\$ 236,449</b>	<b>(204,327)</b>	<b>\$ (440,776)</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			5,914,343	
End of year			<b>\$ 5,710,016</b>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Park Reserve Capital Projects Fund - Major Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State grants	\$ 332,019	\$ 1,024,280	\$ 958,072	\$ (66,208)
Other:				
Park planning zones 1-5	1,697,500	1,697,500	3,793,543	2,096,043
Investment earnings	16,150	16,150	176,766	160,616
<b>Total revenues</b>	<u>2,045,669</u>	<u>2,737,930</u>	<u>4,928,381</u>	<u>2,190,451</u>
<b>EXPENDITURES:</b>				
Capital outlay	6,388,698	12,358,404	13,241,346	(882,942)
<b>Total expenditures</b>	<u>6,388,698</u>	<u>12,358,404</u>	<u>13,241,346</u>	<u>(882,942)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(4,343,029)</u>	<u>(9,620,474)</u>	<u>(8,312,965)</u>	<u>1,307,509</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,827,863	5,259,843	5,250,062	(9,781)
<b>Total other financing sources (uses)</b>	<u>1,827,863</u>	<u>5,259,843</u>	<u>5,250,062</u>	<u>(9,781)</u>
<b>Net change in fund balances</b>	<u>\$ (2,515,166)</u>	<u>\$ (4,360,631)</u>	<u>(3,062,903)</u>	<u>\$ 1,297,728</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>5,331,144</u>	
End of year			<u>\$ 2,268,241</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency Capital Projects Fund - Major Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Other Federal grants	\$ 199,324	\$ 199,324	\$ 48,383	\$ (150,941)
State clean-up funds		269,155	260,016	(9,139)
Other:				
Investment earnings	68,000	68,000	563,608	495,608
Miscellaneous		78,800	771,854	693,054
<b>Total revenues</b>	<u>267,324</u>	<u>615,279</u>	<u>1,643,861</u>	<u>1,028,582</u>
<b>EXPENDITURES:</b>				
Capital outlay	16,242,852	20,596,176	8,273,926	12,322,250
Total current operating	<u>16,242,852</u>	<u>20,596,176</u>	<u>8,273,926</u>	<u>12,322,250</u>
Debt service:				
Principal	14,293	14,293	14,293	
Interest	5,214	5,214	5,213	1
<b>Total debt service</b>	<u>19,507</u>	<u>19,507</u>	<u>19,506</u>	<u>1</u>
<b>Total expenditures</b>	<u>16,262,359</u>	<u>20,615,683</u>	<u>8,293,432</u>	<u>12,322,251</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(15,995,035)</u>	<u>(20,000,404)</u>	<u>(6,649,571)</u>	<u>13,350,833</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of land	309,000	309,000	-	(309,000)
Transfers in	4,105,768	4,387,333	4,137,333	(250,000)
Transfers out	(253,000)	(253,000)	(3,000)	250,000
<b>Total other financing sources (uses)</b>	<u>4,161,768</u>	<u>4,443,333</u>	<u>4,134,333</u>	<u>(309,000)</u>
<b>Net change in fund balances</b>	<u>\$ (11,833,267)</u>	<u>\$ (15,557,071)</u>	<u>(2,515,238)</u>	<u>\$ 13,041,833</u>
<b>FUND BALANCES:</b>				
Beginning of year			14,523,585	
End of year			<u>\$ 12,008,347</u>	

# City of Merced

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

### Downtown Parking Special Revenue Fund

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
In-lieu parking	\$ 58,301	\$ 58,301	\$ 58,305	\$ 4
Leased parking spaces	12,060	12,060	10,275	(1,785)
Investment earnings			10,101	10,101
<b>Total revenues</b>	<b>70,361</b>	<b>70,361</b>	<b>78,681</b>	<b>8,320</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	107,723	107,735	5,680	102,055
Administrative shared expenditures	1,905	1,905	1,905	
<b>Total current operating</b>	<b>109,628</b>	<b>109,640</b>	<b>7,585</b>	<b>102,055</b>
Capital outlay	89,983	89,932	44,502	45,430
<b>Total expenditures</b>	<b>199,611</b>	<b>199,572</b>	<b>52,087</b>	<b>147,485</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(129,250)</b>	<b>(129,211)</b>	<b>26,594</b>	<b>155,805</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(14,400)	(14,400)	(14,400)	
<b>Total other financing sources (uses)</b>	<b>(14,400)</b>	<b>(14,400)</b>	<b>(14,400)</b>	
<b>Net change in fund balances</b>	<b>\$ (143,650)</b>	<b>\$ (143,611)</b>	<b>12,194</b>	<b>\$ 155,805</b>
<b>FUND BALANCES:</b>				
Beginning of year			171,301	
End of year			<b>\$ 183,495</b>	

# City of Merced

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

### Downtown Special Revenue Fund

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Business improvement area	\$ 111,355	\$ 111,355	\$ 100,166	\$ (11,189)
Other:				
Investment earnings	1,000	1,000	3,570	2,570
Miscellaneous	5,000	5,000		(5,000)
<b>Total revenues</b>	<u>117,355</u>	<u>117,355</u>	<u>103,736</u>	<u>(13,619)</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	97,197	104,005	52,924	51,081
Administrative shared expenditures	33,126	33,126	33,126	
<b>Total expenditures</b>	<u>130,323</u>	<u>137,131</u>	<u>86,050</u>	<u>51,081</u>
<b>Net change in fund balances</b>	<u>\$ (12,968)</u>	<u>\$ (19,776)</u>	17,686	<u>\$ 37,462</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>41,746</u>	
End of year			<u>\$ 59,432</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State and local transportation	\$ 1,196,210	\$ 1,196,210	\$ 1,616,566	\$ 420,356
Other:				
Investment earnings			24,440	24,440
<b>Total revenues</b>	<u>1,196,210</u>	<u>1,196,210</u>	<u>1,641,006</u>	<u>444,796</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(1,198,494)</u>	<u>(1,198,494)</u>	<u>(1,099,198)</u>	<u>99,296</u>
<b>Total other financing sources (uses)</b>	<u>(1,198,494)</u>	<u>(1,198,494)</u>	<u>(1,099,198)</u>	<u>99,296</u>
<b>Net change in fund balances</b>	<u>\$ (2,284)</u>	<u>\$ (2,284)</u>	541,808	<u>\$ 544,092</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>2,270</u>	
End of year			<u>\$ 544,078</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State gas tax	\$ 1,334,500	\$ 1,334,500	\$ 1,338,865	\$ 4,365
Other:				
Investment earnings			7,670	7,670
<b>Total revenues</b>	<u>1,334,500</u>	<u>1,334,500</u>	<u>1,346,535</u>	<u>12,035</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,335,492)	(1,335,492)	(1,225,467)	110,025
<b>Total other financing sources (uses)</b>	<u>(1,335,492)</u>	<u>(1,335,492)</u>	<u>(1,225,467)</u>	<u>110,025</u>
<b>Net change in fund balances</b>	<u>\$ (992)</u>	<u>\$ (992)</u>	121,068	<u>\$ 122,060</u>
<b>FUND BALANCES:</b>				
Beginning of year			124,792	
End of year			<u>\$ 245,860</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 172,000	\$ 172,000	\$ 180,076	\$ 8,076
Other:				
Investment earnings			498	498
<b>Total revenues</b>	<u>172,000</u>	<u>172,000</u>	<u>180,574</u>	<u>8,574</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	<u>172,000</u>	<u>172,000</u>	<u>172,000</u>	
<b>Total expenditures</b>	<u>172,000</u>	<u>172,000</u>	<u>172,000</u>	
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$</u>	<u>\$</u>	8,574	<u>\$ 8,574</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>26,032</u>	
End of year			<u>\$ 34,606</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Other Federal grants	\$	\$	\$ 29	\$ 29
Other State grants			60	60
Service charges	12,012	12,012	10,427	(1,585)
<b>Total revenues</b>	<b>12,012</b>	<b>12,012</b>	<b>10,516</b>	<b>(1,496)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public works	1,114,603	1,114,603	1,035,396	79,207
Administrative shared expenditures	86,069	86,069	86,069	
Total current operating	1,200,672	1,200,672	1,121,465	79,207
Capital outlay				
<b>Total expenditures</b>	<b>1,200,672</b>	<b>1,200,672</b>	<b>1,121,465</b>	<b>79,207</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,188,660)</b>	<b>(1,188,660)</b>	<b>(1,110,949)</b>	<b>(77,711)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,191,243	1,193,455	1,139,746	(53,709)
<b>Total other financing sources (uses)</b>	<b>1,191,243</b>	<b>1,193,455</b>	<b>1,139,746</b>	<b>(53,709)</b>
<b>Net change in fund balances</b>	<b>\$ 2,583</b>	<b>\$ 4,795</b>	<b>28,797</b>	<b>\$ 24,002</b>
<b>FUND BALANCES:</b>				
Beginning of year				
End of year			<b>\$ 28,797</b>	

**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, 2007**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State - AB 2928 Traffic Congestion	\$ 293,000	\$ 293,000	\$ 509,211	\$ 216,211
Other:				
Investment earnings			31,071	31,071
<b>Total revenues</b>	<b>293,000</b>	<b>293,000</b>	<b>540,282</b>	<b>247,282</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(603,819)	(603,819)	(553,792)	50,027
<b>Total other financing sources (uses)</b>	<b>(603,819)</b>	<b>(603,819)</b>	<b>(553,792)</b>	<b>50,027</b>
<b>Net change in fund balances</b>	<b>\$ (310,819)</b>	<b>\$ (310,819)</b>	<b>(13,510)</b>	<b>\$ 297,309</b>
<b>FUND BALANCES:</b>				
Beginning of year			336,990	
End of year			<b>\$ 323,480</b>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Streets and Street Lights Maintenance Special Revenue Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Other Federal Grants	\$	\$	\$ 1,727	\$ 1,727
Office of emergency services			3,582	3,582
Service charges	466,285	466,285	419,994	(46,291)
Other:				
Miscellaneous	36,828	36,828	37,393	565
<b>Total revenues</b>	<b>503,113</b>	<b>503,113</b>	<b>462,696</b>	<b>(40,417)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public works	3,178,745	3,234,336	2,988,634	245,702
Administrative shared expenditures	217,563	217,563	217,563	
<b>Total current operating</b>	<b>3,396,308</b>	<b>3,451,899</b>	<b>3,206,197</b>	<b>245,702</b>
Capital outlay	311,055	324,571	60,141	264,430
<b>Total expenditures</b>	<b>3,707,363</b>	<b>3,776,470</b>	<b>3,266,338</b>	<b>510,132</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(3,204,250)</b>	<b>(3,273,357)</b>	<b>(2,803,642)</b>	<b>469,715</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,205,885	3,210,808	2,942,445	(268,363)
<b>Total other financing sources (uses)</b>	<b>3,205,885</b>	<b>3,210,808</b>	<b>2,942,445</b>	<b>(268,363)</b>
<b>Net change in fund balances</b>	<b>\$ 1,635</b>	<b>\$ (62,549)</b>	<b>138,803</b>	<b>\$ 201,352</b>
<b>FUND BALANCES:</b>				
Beginning of year			57,495	
End of year			<u>\$ 196,298</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Recreation and Parks Special Revenue Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State grant	\$ 331,750	\$ 331,750	\$ 16,863	\$ (314,887)
Other:				
Fees for services	303,370	303,370	187,161	(116,209)
Donations	409,639	409,639	224,941	(184,698)
Miscellaneous	18,440	18,440	8,340	(10,100)
<b>Total revenues</b>	<b>1,063,199</b>	<b>1,063,199</b>	<b>437,305</b>	<b>(625,894)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Parks	2,938,162	3,279,955	2,946,886	333,069
Administrative shared expenditures	149,341	149,341	149,341	
Total current operating	3,087,503	3,429,296	3,096,227	333,069
Capital outlay	1,238,505	1,647,371	640,372	1,006,999
<b>Total expenditures</b>	<b>4,326,008</b>	<b>5,076,667</b>	<b>3,736,599</b>	<b>1,340,068</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b>(3,262,809)</b>	<b>(4,013,468)</b>	<b>(3,299,294)</b>	<b>714,174</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,089,789	3,610,291	3,144,695	(465,596)
Transfers out		(16,475)	(16,475)	
<b>Total other financing sources (uses)</b>	<b>3,089,789</b>	<b>3,593,816</b>	<b>3,128,220</b>	<b>(465,596)</b>
<b>Net change in fund balances</b>	<b>\$ (173,020)</b>	<b>\$ (419,652)</b>	<b>(171,074)</b>	<b>\$ 248,578</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			361,024	
End of year			<b>\$ 189,950</b>	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State grants	\$ 616,107	\$ 616,107	\$ 650,837	\$ 34,730
Other:				
Investment earnings	15,000	15,000	42,549	27,549
<b>Total revenues</b>	<u>631,107</u>	<u>631,107</u>	<u>693,386</u>	<u>62,279</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(2,249,825)	(2,249,825)	(459,998)	1,789,827
<b>Total other financing sources (uses)</b>	<u>(2,249,825)</u>	<u>(2,249,825)</u>	<u>(459,998)</u>	<u>1,789,827</u>
<b>Net change in fund balances</b>	<u>\$ (1,618,718)</u>	<u>\$ (1,618,718)</u>	233,388	<u>\$ 1,852,106</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,407,905</u>	
End of year			<u>\$ 1,641,293</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Public safety funding	\$ 296,000	\$ 296,000	\$ 331,747	\$ 35,747
Other:				
Investment earnings			278	278
<b>Total revenues</b>	<u>296,000</u>	<u>296,000</u>	<u>332,025</u>	<u>36,025</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(354,170)	(354,170)	(354,170)	
<b>Total other financing sources (uses)</b>	<u>(354,170)</u>	<u>(354,170)</u>	<u>(354,170)</u>	
<b>Net change in fund balances</b>	<u>\$ (58,170)</u>	<u>\$ (58,170)</u>	(22,145)	<u>\$ 36,025</u>
<b>FUND BALANCES:</b>				
Beginning of year			82,281	
End of year			<u>\$ 60,136</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Other federal grants	\$	\$	\$ 9	\$ 9
Service charges	1,495,904	1,495,904	1,497,414	1,510
Other:				
Investment earnings	3,000	3,000	37,501	34,501
Miscellaneous	700	700	340	(360)
<b>Total revenues</b>	<u>1,499,604</u>	<u>1,499,604</u>	<u>1,535,264</u>	<u>35,660</u>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,433,027	1,447,821	1,323,269	124,552
<b>Total current operating</b>	<u>1,433,027</u>	<u>1,447,821</u>	<u>1,323,269</u>	<u>124,552</u>
Capital outlay	6,000	39,322	20,860	18,462
<b>Total expenditures</b>	<u>1,439,027</u>	<u>1,487,143</u>	<u>1,344,129</u>	<u>143,014</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$ 60,577</u>	<u>\$ 12,461</u>	191,135	<u>\$ 178,674</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>481,805</u>	
End of year			<u>\$ 672,940</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, 2007**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
OTS grant	\$ 187,833	\$ 187,833	\$ 121,652	\$ (66,181)
<b>Total revenues</b>	<b>187,833</b>	<b>187,833</b>	<b>121,652</b>	<b>(66,181)</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public safety	31,983	35,733	25,526	10,207
<b>Total current operating</b>	<b>31,983</b>	<b>35,733</b>	<b>25,526</b>	<b>10,207</b>
Capital outlay	155,849	152,177	112,764	39,413
<b>Total expenditures</b>	<b>187,832</b>	<b>187,910</b>	<b>138,290</b>	<b>49,620</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>\$ 1</b>	<b>\$ (77)</b>	<b>(16,638)</b>	<b>\$ (16,561)</b>
<b>FUND BALANCES:</b>				
Beginning of year			16,592	
End of year			<b>\$ (46)</b>	



# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 148,362	\$ 148,766	\$ 404
Other:				
Investment earnings			2,197	2,197
<b>Total revenues</b>	<u>100,000</u>	<u>148,362</u>	<u>150,963</u>	<u>2,601</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(107,123)	(155,485)	(155,485)	
<b>Total other financing sources (uses)</b>	<u>(107,123)</u>	<u>(155,485)</u>	<u>(155,485)</u>	
<b>Net change in fund balances</b>	<u>\$ (7,123)</u>	<u>\$ (7,123)</u>	(4,522)	<u>\$ 2,601</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>7,059</u>	
End of year			<u>\$ 2,537</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Justice Assistance Grant	\$	\$	\$	\$
Other:				
Investment earnings	166	166	170	4
<b>Total revenues</b>	<u>166</u>	<u>166</u>	<u>170</u>	<u>4</u>
<b>EXPENDITURES:</b>				
Capital outlay	3,445	8,695	8,649	(46)
<b>Total expenditures</b>	<u>3,445</u>	<u>8,695</u>	<u>8,649</u>	<u>(46)</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$ (3,279)</u>	<u>\$ (8,529)</u>	(8,479)	<u>\$ 50</u>
<b>FUND BALANCES:</b>				
Beginning of year			8,726	
End of year			<u>\$ 247</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parking Enforcement Special Revenue Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Fines, forfeitures and penalties:				
Parking fines	\$ 300,000	\$ 300,000	\$ 338,675	\$ 38,675
Charges for services	650	650	325	(325)
Other:				
Investment earnings	2,000	2,000	15,756	13,756
<b>Total revenues</b>	<b>302,650</b>	<b>302,650</b>	<b>354,756</b>	<b>52,106</b>
<b>EXPENDITURES:</b>				
Current operating:				
Public safety	206,291	226,136	202,386	23,750
Administrative shared expenditures	89,161	89,161	89,161	
<b>Total current operating</b>	<b>295,452</b>	<b>315,297</b>	<b>291,547</b>	<b>23,750</b>
Capital outlay	19,175			
<b>Total expenditures</b>	<b>314,627</b>	<b>315,297</b>	<b>291,547</b>	<b>23,750</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(11,977)</b>	<b>(12,647)</b>	<b>63,209</b>	<b>75,856</b>
<b>Net change in fund balances</b>	<b>\$ (11,977)</b>	<b>\$ (12,647)</b>	<b>63,209</b>	<b>\$ 75,856</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated			302,991	
End of year			<b>\$ 366,200</b>	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
YEP Grant	\$ 204,376	\$ 238,012	\$ 200,324	\$ (37,688)
Other:				
Investment earnings	2,700	2,700	6,643	3,943
<b>Total revenues</b>	<u>207,076</u>	<u>240,712</u>	<u>206,967</u>	<u>(33,745)</u>
<b>EXPENDITURES:</b>				
Current operating:				
Parks	319,928	353,228	182,266	170,962
Administrative shared expenditures	2,044	2,380	2,147	233
<b>Total expenditures</b>	<u>321,972</u>	<u>355,608</u>	<u>184,413</u>	<u>171,195</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$ (114,896)</u>	<u>\$ (114,896)</u>	22,554	<u>\$ 137,450</u>
<b>FUND BALANCES:</b>				
Beginning of year			131,680	
End of year			<u>\$ 154,234</u>	

# City of Merced

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

### Maintenance Districts Special Revenue Fund

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Assessments	\$ 716,982	\$ 716,982	\$ 726,073	\$ 9,091
Miscellaneous	22,562	22,562	22,107	(455)
Investment earnings			71,715	71,715
<b>Total revenues</b>	<b>739,544</b>	<b>739,544</b>	<b>819,895</b>	<b>80,351</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	837,548	914,752	745,880	168,872
Administrative shared expenditures	43,068	43,068	43,068	
<b>Total current operating</b>	<b>880,616</b>	<b>957,820</b>	<b>788,948</b>	<b>168,872</b>
Capital outlay	296,164	297,021	857	296,164
<b>Total expenditures</b>	<b>1,176,780</b>	<b>1,254,841</b>	<b>789,805</b>	<b>465,036</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(437,236)</b>	<b>(515,297)</b>	<b>30,090</b>	<b>545,387</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	59,641	68,738	68,738	
Transfers out		(9,097)	\$	9,097
<b>Total other financing sources (uses)</b>	<b>59,641</b>	<b>59,641</b>	<b>68,738</b>	<b>9,097</b>
<b>Net change in fund balances</b>	<b>\$ (377,595)</b>	<b>\$ (455,656)</b>	<b>98,828</b>	<b>\$ 554,484</b>
<b>FUND BALANCES:</b>				
Beginning of year			1,396,120	
End of year			<b>\$ 1,494,948</b>	

# City of Merced

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

### CFD Services Special Revenue Fund

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 894,525	\$ 1,015,818	\$ 974,172	\$ (41,646)
Intergovernmental		324,000	199,812	(124,188)
Charges for Services	21,374	21,374	22,750	1,376
Other:				
Investment earnings			40,403	40,403
Miscellaneous		100,000	100,119	119
<b>Total revenues</b>	<b>915,899</b>	<b>1,461,192</b>	<b>1,337,256</b>	<b>(123,936)</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	1,961,595	2,779,511	1,324,738	1,454,773
Administrative shared expenditures	93,219	93,219	46,609	46,610
<b>Total current operating</b>	<b>2,054,814</b>	<b>2,872,730</b>	<b>1,371,347</b>	<b>1,501,383</b>
Capital outlay	81,000	83,154	66,666	16,488
<b>Total expenditures</b>	<b>2,135,814</b>	<b>2,955,884</b>	<b>1,438,013</b>	<b>1,517,871</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,219,915)</b>	<b>(1,494,692)</b>	<b>(100,757)</b>	<b>1,393,935</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	972,984	1,240,300		(1,240,300)
Transfers in		33,836	33,836	
Transfers out	(105,946)	(154,068)	(135,939)	18,129
<b>Total other financing sources (uses)</b>	<b>867,038</b>	<b>1,120,068</b>	<b>(102,103)</b>	<b>18,129</b>
<b>Net change in fund balances</b>	<b>\$ (352,877)</b>	<b>\$ (374,624)</b>	<b>(202,860)</b>	<b>\$ 1,412,064</b>
<b>FUND BALANCES:</b>				
Beginning of year			\$ 456,927	
End of year			\$ 254,067	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
General sales and use tax	\$ 5,371,000	\$ 5,371,000	\$ 7,049,610	\$ 1,678,610
Charges for services	94,226	94,226	38,875	(55,351)
Investment earnings			172,329	172,329
Miscellaneous	543	543		(543)
<b>Total revenues</b>	<b>5,465,769</b>	<b>5,465,769</b>	<b>7,260,814</b>	<b>1,795,045</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	3,926,655	2,803,093	1,862,586	940,507
Administrative shared expenditures	537,408	537,408	300,282	237,126
<b>Total current operating</b>	<b>4,464,063</b>	<b>3,340,501</b>	<b>2,162,868</b>	<b>1,177,633</b>
Capital outlay	581,000	2,085,307	582,440	1,502,867
<b>Total expenditures</b>	<b>5,045,063</b>	<b>5,425,808</b>	<b>2,745,308</b>	<b>3,858,133</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>420,706</b>	<b>39,961</b>	<b>4,515,506</b>	<b>4,475,545</b>
<b>Net change in fund balances</b>	<b>\$ 420,706</b>	<b>\$ 39,961</b>	<b>4,515,506</b>	<b>\$ 4,475,545</b>
<b>FUND BALANCES:</b>				
Beginning of year			243,545	
End of year			<b>\$ 4,759,051</b>	

**City of Merced**

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

**Developer Capital Fees**

**For the year ended June 30, 2007**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 6,062	\$ 6,062
Miscellaneous			580,487	580,487
<b>Total revenues</b>			<u>586,549</u>	<u>586,549</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	586,549	<u>\$ 586,549</u>
<b>FUND BALANCES:</b>				
Beginning of year				
End of year			<u>\$ 586,549</u>	



# City of Merced

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

### Public Financing Authority Debt Service Fund

For the year ended June 30, 2007

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	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 364	\$ 364
<b>Total revenues</b>			<u>364</u>	<u>364</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	364	<u>\$ 364</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>6,503</u>	
End of year			<u>\$ 6,867</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 138,314	\$ 137,314
<b>Total revenues</b>	<b>1,000</b>	<b>1,000</b>	<b>138,314</b>	<b>137,314</b>
<b>EXPENDITURES:</b>				
Current operating:				
General government	232,000	316,903		(316,903)
Capital outlay	3,473,415	3,624,518	494,465	3,130,053
<b>Total expenditures</b>	<b>3,705,415</b>	<b>3,941,421</b>	<b>494,465</b>	<b>2,813,150</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(3,704,415)</b>	<b>(3,940,421)</b>	<b>(356,151)</b>	<b>3,584,270</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of land	2,700,000	2,700,000		(2,700,000)
Transfers out	(1,275,000)	(1,275,000)	(135,839)	1,139,161
<b>Total other financing sources (uses)</b>	<b>1,425,000</b>	<b>1,425,000</b>	<b>(135,839)</b>	<b>(1,560,839)</b>
<b>Net change in fund balances</b>	<b>\$ (2,279,415)</b>	<b>\$ (2,515,421)</b>	<b>(491,990)</b>	<b>\$ 2,023,431</b>
<b>FUND BALANCES:</b>				
Beginning of year			2,897,713	
End of year			<u>\$ 2,405,723</u>	

# City of Merced

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Streets and Signals Capital Projects Fund For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
CMAQ grants	\$ 297,539	\$	\$	\$
Federal grants		171,000		(171,000)
Other:				
Investment earnings			142,913	142,913
Miscellaneous			223	223
<b>Total revenues</b>	<u>297,539</u>	<u>171,000</u>	<u>143,136</u>	<u>(27,864)</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>13,756,052</u>	<u>18,698,679</u>	<u>5,945,757</u>	<u>12,752,922</u>
<b>Total expenditures</b>	<u>13,756,052</u>	<u>18,698,679</u>	<u>5,945,757</u>	<u>12,752,922</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(13,458,513)</u>	<u>(18,527,679)</u>	<u>(5,802,621)</u>	<u>12,725,058</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	13,458,513	13,424,138	3,022,898	(10,401,240)
Transfers out			(355,382)	(355,382)
<b>Total other financing sources (uses)</b>	<u>13,458,513</u>	<u>13,424,138</u>	<u>2,667,516</u>	<u>(10,756,622)</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$ (5,103,541)</u>	<u>(3,135,105)</u>	<u>\$ 1,968,436</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>5,940,714</u>	
End of year			<u>\$ 2,805,609</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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 4	\$ 4
<b>Total revenues</b>			<b>4</b>	<b>4</b>
<b>EXPENDITURES:</b>				
Capital outlay		620,000	607,056	12,944
<b>Total expenditures</b>		<b>620,000</b>	<b>607,056</b>	<b>12,944</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>		<b>(620,000)</b>	<b>(607,052)</b>	<b>12,948</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		620,000	619,289	(711)
Transfers out	(8,645)	(8,645)	(2,779)	5,866
<b>Total other financing sources (uses)</b>	<b>(8,645)</b>	<b>611,355</b>	<b>616,510</b>	<b>5,155</b>
<b>Net change in fund balances</b>	<b>\$ (8,645)</b>	<b>\$ (8,645)</b>	<b>9,458</b>	<b>\$ 18,103</b>
<b>FUND BALANCES:</b>				
Beginning of year			2,850	
End of year			<b>\$ 12,308</b>	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 5,383	\$ 5,383
<b>Total revenues</b>			<b>5,383</b>	<b>5,383</b>
<b>EXPENDITURES:</b>				
Capital outlay	121,772	125,642	39,122	86,520
<b>Total expenditures</b>	<b>121,772</b>	<b>125,642</b>	<b>39,122</b>	<b>86,520</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(121,772)</b>	<b>(125,642)</b>	<b>(33,739)</b>	<b>91,903</b>
<b>Net change in fund balances</b>	<b>\$ (121,772)</b>	<b>\$ (125,642)</b>	<b>(33,739)</b>	<b>\$ 91,903</b>
<b>FUND BALANCES:</b>				
Beginning of year			120,150	
End of year			<b>\$ 86,411</b>	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES:</b>				
Current operating:				
General government	\$	\$	\$ 3	\$ (3)
<b>Total expenditures</b>			3	(3)
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>			(3)	(3)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(2,106)	(2,106)	(2,122)	(16)
<b>Total other financing sources (uses)</b>	(2,106)	(2,106)	(2,122)	(16)
<b>Net change in fund balances</b>	<u>\$ (2,106)</u>	<u>\$ (2,106)</u>	(2,125)	<u>\$ (19)</u>
<b>FUND BALANCES:</b>				
Beginning of year			2,125	
End of year			<u>\$</u>	

# City of Merced

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

### PCE Remediation Capital Projects Fund

For the year ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 323	\$ 323
<b>Total revenues</b>			<u>323</u>	<u>323</u>
<b>Net change in fund balances</b>	<u>\$</u>	<u>\$</u>	323	<u>\$ 323</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>5,775</u>	
End of year			<u>\$ 6,098</u>	

# 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, 2007

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Other:				
Investment earnings	\$	\$	\$ 3,275	\$ 3,275
<b>Total revenues</b>			3,275	3,275
<b>EXPENDITURES:</b>				
Capital outlay		980	980	
<b>Total expenditures</b>		980	980	
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>		(980)	2,295	3,275
<b>Net change in fund balances</b>	\$	\$ (980)	2,295	\$ 3,275
<b>FUND BALANCES:</b>				
Beginning of year			60,000	
End of year			\$ 62,295	



## 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, 2007**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents and investments	\$ 10,005,433	\$ 16,744,928	\$ 122,952	\$ 620
Cash held with fiscal agent	9,787,817			
Receivables:				
Accounts	919,552	2,130,807		
Interest	103,713	163,433	1,200	
Due from other governments	42,896			4,212,543
Inventory	1,500			
<b>Total current assets</b>	<b>20,860,911</b>	<b>19,039,168</b>	<b>124,152</b>	<b>4,213,163</b>
Noncurrent assets:				
Notes receivable-private parties	3,353	5,756	3,970	
Advances to other funds		22,624		
Deferred charges	413,567			
Capital assets:				
Nondepreciable	2,059,856	10,793,842		
Depreciable, net of accumulated depreciation	15,233,881	13,445,398		
<b>Total capital assets</b>	<b>17,293,737</b>	<b>24,239,240</b>		
<b>Total noncurrent assets</b>	<b>17,710,657</b>	<b>24,267,620</b>	<b>3,970</b>	
<b>Total assets</b>	<b>38,571,568</b>	<b>43,306,788</b>	<b>128,122</b>	<b>4,213,163</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	449,123	441,200		
Payroll liabilities	81,020			
Deposits	108,280			
Deferred revenue	780,167		3,970	
Accrued interest payable	278,217			53,300
Compensated absences payable, due within one year	141,734			
Long-term debt due within one year	1,035,815			49,500
<b>Total current liabilities</b>	<b>2,874,356</b>	<b>441,200</b>	<b>3,970</b>	<b>102,800</b>
Long-term liabilities:				
Advances from other funds			22,624	
Other liabilities	4,369	121,669	50	
Compensated absences payable, due in more than one year	119,447			
Long-term debt due in more than one year	20,817,971			3,988,272
<b>Total long-term liabilities</b>	<b>20,941,787</b>	<b>121,669</b>	<b>22,674</b>	<b>3,988,272</b>
<b>Total liabilities</b>	<b>23,816,143</b>	<b>562,869</b>	<b>26,644</b>	<b>4,091,072</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(4,560,049)	24,239,240		(4,037,772)
Restricted for:				
Special projects and programs	1,337,234	4,027,440		
Debt service	402,438			122,090
Capital projects	9,385,379			
Unrestricted	8,190,423	14,477,239	101,478	4,037,773
<b>Total net assets</b>	<b>\$ 14,755,425</b>	<b>\$ 42,743,919</b>	<b>\$ 101,478</b>	<b>\$ 122,091</b>

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 26,873,933	\$ 6,464,960	\$ 24,674,869	\$ 4,851,904	\$ 596	\$ 35,992,329	\$ 4,425,755	\$ (62,899)
9,787,817	3,659,293				3,659,293		
3,050,359	1,016,935	1,015,552	193,437		2,225,924	677,615	75,144
268,346	67,449	240,831	47,355		355,635	43,261	
4,255,439				4,047,345	4,047,345		
1,500	85,917				85,917		
44,237,394	11,294,554	25,931,252	5,092,696	4,047,941	46,366,443	5,146,631	12,245
13,079	885	6,223	1,218		8,326		702
22,624		900,000			900,000		
413,567	163,073				163,073		
12,853,698	7,612,141	4,617,680	40,643		12,270,464	781,323	
28,679,279	18,380,505	2,774,129	852,582		22,007,216	11,398,679	358,678
41,532,977	25,992,646	7,391,809	893,225		34,277,680	12,180,002	358,678
41,982,247	26,156,604	8,298,032	894,443		35,349,079	12,180,002	359,380
86,219,641	37,451,158	34,229,284	5,987,139	4,047,941	81,715,522	17,326,633	371,625
890,323	872,291	21,121			893,412	10,021	
81,020	62,150				62,150	83,739	
108,280	954,685				954,685	147,472	
784,137	945,657				945,657	638,319	
331,517	101,566			54,377	155,943	12,075	
141,734	18,346				18,346	48,550	
1,085,315	312,860	19,644		50,500	383,004		
3,422,326	3,267,555	40,765		104,877	3,413,197	940,176	
22,624						402,505	
126,088	23,148				23,148		
119,447	88,329				88,329	146,400	
24,806,243	7,997,999	110,984		4,063,937.0	12,172,920		
25,074,402	8,109,476	110,984		4,063,937	12,284,397	548,905	
28,496,728	11,377,031	151,749		4,168,814	15,697,594	1,489,081	
15,641,419	17,681,787	7,391,809	893,225	(4,114,437)	21,852,384	12,180,002	358,678
5,364,674	3,555,693	551,823			4,107,516		
524,528							
9,385,379							
26,806,913	4,836,647	26,133,903	5,093,914	3,993,564	40,058,028	3,657,550	12,947
\$ 57,722,913	\$ 26,074,127	\$ 34,077,535	\$ 5,987,139	\$ (120,873)	\$ 66,017,928	\$ 15,837,552	\$ 371,625

**City of Merced**  
**Combining Schedule of Net Assets, Continued**  
**Supplementary Information - Enterprise Funds**  
**June 30, 2007**

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 4,362,856	\$ 248,954	\$ 67,478,072
Cash held with fiscal agent			13,447,110
Receivables			
Accounts	752,759	8,023	6,037,065
Interest	43,261	1,484	668,726
Due from other governments		28,349	8,331,133
Inventory			87,417
Total current assets	<u>5,158,876</u>	<u>286,810</u>	<u>96,049,523</u>
Noncurrent assets:			
Notes receivable-private parties	702		22,107
Advances to other funds			922,624
Deferred charges			576,640
Capital assets:			
Nondepreciable	781,323	1,916,814	27,822,299
Depreciable, net of accumulated depreciation	<u>11,757,357</u>	<u>1,015,310</u>	<u>63,459,162</u>
Total capital assets	<u>12,538,680</u>	<u>2,932,124</u>	<u>91,281,461</u>
Total noncurrent assets	<u>12,539,382</u>	<u>2,932,124</u>	<u>92,802,832</u>
Total assets	<u>17,698,258</u>	<u>3,218,934</u>	<u>188,852,355</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	10,021	14,523	1,808,279
Payroll liabilities	83,739	9,826	236,735
Deposits	147,472	14,939	1,225,376
Deferred revenue	638,319		2,368,113
Accrued interest payable	12,075		499,535
Compensated absences payable, due within one year	48,550	13,896	222,526
Long-term debt due within one year			1,468,319
Total current liabilities	<u>940,176</u>	<u>53,184</u>	<u>7,828,883</u>
Long-term liabilities:			
Advances from other funds	402,505		425,129
Other liabilities		11,636	160,872
Compensated absences payable, due in more than one year	146,400		354,176
Long-term debt due in more than one year			36,979,163
Total long-term liabilities	<u>548,905</u>	<u>11,636</u>	<u>37,919,340</u>
Total liabilities	<u>1,489,081</u>	<u>64,820</u>	<u>45,748,223</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,538,680	2,932,124	52,964,607
Restricted for:			
Special projects and programs			9,472,190
Debt service			524,528
Capital projects			9,385,379
Unrestricted	3,670,497	221,990	70,757,428
Total net assets	<u>\$ 16,209,177</u>	<u>\$ 3,154,114</u>	<u>\$ 143,104,132</u>

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**City of Merced**  
**Combining Schedule of Revenues, Expenses and Changes in Net Assets**  
**Supplementary Information - Enterprise Funds**  
**For the year ended June 30, 2007**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 10,081,230	\$ 3,836,503	\$	\$ 185,403
Other revenues	787,543		377	
<b>Total operating revenues</b>	<b>10,868,773</b>	<b>3,836,503</b>	<b>377</b>	<b>185,403</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	2,782,601			
Materials, supplies and other services	601,642	28,782		
Depreciation	896,642	761,293	8,576	
Administrative shared expenses	778,484			
Costs applied - labor, materials, supplies and services	695,172			
<b>Total operating expenses</b>	<b>5,754,541</b>	<b>790,075</b>	<b>8,576</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>5,114,232</b>	<b>3,046,428</b>	<b>(8,199)</b>	<b>185,403</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest and investment earnings	917,322	871,535	6,943	549
Interest and related expenses	(1,050,712)			(199,384)
<b>Total nonoperating revenues (expenses)</b>	<b>(133,390)</b>	<b>871,535</b>	<b>6,943</b>	<b>(198,835)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>4,980,842</b>	<b>3,917,963</b>	<b>(1,256)</b>	<b>(13,432)</b>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>				
Capital contributions				
Transfers in		1,335,836		
Transfers out	(1,335,836)			
<b>Total transfers and capital contributions</b>	<b>(1,335,836)</b>	<b>1,335,836</b>		
<b>Change in net assets</b>	<b>3,645,006</b>	<b>5,253,799</b>	<b>(1,256)</b>	<b>(13,432)</b>
<b>NET ASSETS:</b>				
Beginning of year	11,110,419	37,490,120	102,734	135,523
End of year	<b>\$ 14,755,425</b>	<b>\$ 42,743,919</b>	<b>\$ 101,478</b>	<b>\$ 122,091</b>

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 14,103,136	\$ 8,559,631	\$ 2,511,089	\$ 476,737	\$ 178,134	\$ 11,725,591	\$ 10,195,290	\$ 159,418
787,920	44,751				44,751	92,587	
14,891,056	8,604,382	2,511,089	476,737	178,134	11,770,342	10,287,877	159,418
2,782,601	2,021,480				2,021,480	2,918,488	
630,424	1,264,599	16,444			1,281,043	2,666,999	394,370
1,666,511	1,026,209	285,038	88,986		1,400,233	578,348	96,455
778,484	607,885				607,885	672,296	
695,172	861,426				861,426	606,285	
6,553,192	5,781,599	301,482	88,986		6,172,067	7,442,416	490,825
8,337,864	2,822,783	2,209,607	387,751	178,134	5,598,275	2,845,461	(331,407)
1,796,349	482,036	1,327,916	253,127	527	2,063,606	227,881	1,095
(1,250,096)	(354,831)	(6,129)		(192,589)	(553,549)	(12,078)	
546,253	127,205	1,321,787	253,127	(192,062)	1,510,057	215,803	1,095
8,884,117	2,949,988	3,531,394	640,878	(13,928)	7,108,332	3,061,264	(330,312)
1,335,836						25,000	
(1,335,836)	(5,150)	(6,512)			(11,662)		
	(5,150)	(6,512)			(11,662)	25,000	
8,884,117	2,944,838	3,524,882	640,878	(13,928)	7,096,670	3,086,264	(330,312)
48,838,796	23,129,289	30,552,653	5,346,261	(106,945)	58,921,258	12,751,288	701,937
\$ 57,722,913	\$ 26,074,127	\$ 34,077,535	\$ 5,987,139	\$ (120,873)	\$ 66,017,928	\$ 15,837,552	\$ 371,625

# City of Merced

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

### Supplementary Information - Enterprise Funds

For the year ended June 30, 2007

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 10,354,708	\$ 547,335	\$ 36,730,770
Other revenues	92,587		925,258
<b>Total operating revenues</b>	<b>10,447,295</b>	<b>547,335</b>	<b>37,656,028</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	2,918,488	283,102	8,005,671
Materials, supplies and other services	3,061,369	310,511	5,283,347
Depreciation	674,803	108,040	3,849,587
Administrative shared expenses	672,296	37,288	2,095,953
Costs applied - labor, materials, supplies and services	606,285		2,162,883
<b>Total operating expenses</b>	<b>7,933,241</b>	<b>738,941</b>	<b>21,397,441</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,514,054</b>	<b>(191,606)</b>	<b>16,258,587</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest and investment earnings	228,976	3,150	4,092,081
Interest and related expenses	(12,078)		(1,815,723)
<b>Total nonoperating revenues (expenses)</b>	<b>216,898</b>	<b>3,150</b>	<b>2,276,358</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>2,730,952</b>	<b>(188,456)</b>	<b>18,534,945</b>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>			
Capital contributions			
Transfers in	25,000	583,213	1,944,049
Transfers out			(1,347,498)
<b>Total transfers and capital contributions</b>	<b>25,000</b>	<b>583,213</b>	<b>596,551</b>
<b>Change in net assets</b>	<b>2,755,952</b>	<b>394,757</b>	<b>19,131,496</b>
<b>NET ASSETS:</b>			
Beginning of year	13,453,225	2,759,357	123,972,636
End of year	<b>\$ 16,209,177</b>	<b>\$ 3,154,114</b>	<b>\$ 143,104,132</b>



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**City of Merced**  
**Combining Schedule of Cash Flows**  
**Supplementary Information - Enterprise Funds**  
**For the year ended June 30, 2007**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers, including cash deposits	\$ 9,811,167	\$ 3,068,658	\$	\$ 185,403
Cash paid to suppliers	(1,837,535)	(103,712)	50	
Cash paid to employees	(2,749,795)			
Cash (paid to) received from other governments	860,194		(39)	(157,803)
Net cash provided (used) by operating activities	<u>6,084,031</u>	<u>2,964,946</u>	<u>11</u>	<u>27,600</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advances from other funds			(5,193)	
Advances to other funds	6,390	15,423		
Transfers from other funds		1,335,836		
Transfers to other funds	(1,335,836)			
Net cash provided (used) by noncapital financing activities	<u>(1,329,446)</u>	<u>1,351,259</u>	<u>(5,193)</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(3,521,077)	(3,322,712)		
Payment of long-term debt	(995,823)			(37,155)
Interest payments	(1,058,862)			(146,084)
Net cash provided (used) by capital and related financing activities	<u>(5,575,762)</u>	<u>(3,322,712)</u>		<u>(183,239)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings received (paid)	888,871	832,436	6,774	1,863
Payments from notes to private parties	2,592	4,444	416	
Net cash provided (used) by investing activities	<u>891,463</u>	<u>836,880</u>	<u>7,190</u>	<u>1,863</u>
Net increase (decrease) in cash cash and cash equivalents	70,286	1,830,373	2,008	(153,776)
Cash and cash equivalents at beginning of year	19,722,964	14,914,555	120,944	154,396
Cash and cash equivalents at end of year	<u>\$ 19,793,250</u>	<u>\$ 16,744,928</u>	<u>\$ 122,952</u>	<u>\$ 620</u>

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 13,065,228	\$ 8,414,009	\$ 2,774,521	\$ 528,430	\$ 178,134	\$ 11,895,094	\$ 10,065,833	\$ 172,986
(1,941,197)	(2,437,810)	(171,818)			(2,609,628)	(4,177,140)	(394,370)
(2,749,795)	(1,999,436)				(1,999,436)	(2,885,126)	
702,352	296,575			(151,615)	144,960	265,609	
9,076,588	4,273,338	2,602,703	528,430	26,519	7,430,990	3,269,176	(221,384)
(5,193)						(376,688)	
21,813	162	(895,284)	925		(894,197)		
1,335,836						25,000	
(1,335,836)	(5,150)	(6,512)			(11,662)		
16,620	(4,988)	(901,796)	925		(905,859)	(351,688)	
(6,843,789)	(5,403,731)	(1,881,821)			(7,285,552)	(3,184,722)	
(1,032,978)	(302,852)	(18,871)		(37,845)	(359,568)		
(1,204,946)	(395,822)	(6,129)		(138,212)	(540,163)	(25,512)	
(9,081,713)	(6,102,405)	(1,906,821)		(176,057)	(8,185,283)	(3,210,234)	
1,729,944	467,676	1,288,117	240,546	1,792	1,998,131	222,983	2,420
7,452	684	4,810	944		6,438		542
1,737,396	468,360	1,292,927	241,490	1,792	2,004,569	222,983	2,962
1,748,891	(1,365,695)	1,087,013	770,845	(147,746)	344,417	(69,763)	(218,422)
34,912,859	11,489,948	23,587,856	4,081,059	148,342	39,307,205	4,495,518	155,523
\$ 36,661,750	\$ 10,124,253	\$ 24,674,869	\$ 4,851,904	\$ 596	\$ 39,651,622	\$ 4,425,755	\$ (62,899)

**City of Merced**  
**Combining Schedule of Cash Flows, Continued**  
**Supplementary Information - Enterprise Funds**  
**For the year ended June 30, 2007**

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers, including cash deposits	\$ 10,238,819	\$ 543,185	\$ 35,742,326
Cash paid to suppliers	(4,571,510)	(385,053)	(9,507,388)
Cash paid to employees	(2,885,126)	(276,995)	(7,911,352)
Cash (paid to) received from other governments	265,609	74,271	1,187,192
<b>Net cash provided (used) by operating activities</b>	<b>3,047,792</b>	<b>(44,592)</b>	<b>19,510,778</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances from other funds	(376,688)	(69,249)	(451,130)
Advances to other funds			(872,384)
Transfers from other funds	25,000	583,213	1,944,049
Transfers to other funds			(1,347,498)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(351,688)</b>	<b>513,964</b>	<b>(726,963)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(3,184,722)	(330,465)	(17,644,528)
Payment of long-term debt			(1,392,546)
Interest payments	(25,512)		(1,770,621)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(3,210,234)</b>	<b>(330,465)</b>	<b>(20,807,695)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings received (paid)	225,403	1,666	3,955,144
Payments from notes to private parties	542		14,432
<b>Net cash provided (used) by investing activities</b>	<b>225,945</b>	<b>1,666</b>	<b>3,969,576</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(288,185)</b>	<b>140,573</b>	<b>1,945,696</b>
Cash and cash equivalents at beginning of year	4,651,041	108,381	78,979,486
Cash and cash equivalents at end of year	<b>\$ 4,362,856</b>	<b>\$ 248,954</b>	<b>\$ 80,925,182</b>

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**City of Merced**  
**Combining Schedule of Cash Flows, Continued**  
**Supplementary Information - Enterprise Funds**  
**For the year ended June 30, 2007**

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>				
<b>(USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 5,114,232	\$ 3,046,428	\$ (8,199)	\$ 185,403
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	896,642	761,293	8,576	
Receivables	47,503	(767,845)		
Inventory				
Due from other governments	72,651			(157,803)
Accounts payable	233,421	(30,844)		
Payroll liabilities	8,944			
Deposits	31,148			
Deferred revenue	(348,714)		(416)	
Other liabilities	4,342	(44,086)	50	
Compensated absences	23,862			
Total adjustments	<u>969,799</u>	<u>(81,482)</u>	<u>8,210</u>	<u>(157,803)</u>
Net cash provided (used) by operating activities	<u>\$ 6,084,031</u>	<u>\$ 2,964,946</u>	<u>\$ 11</u>	<u>\$ 27,600</u>
<b>NON CASH ITEMS:</b>				
Developer contributions of capital assets	<u>\$</u>	<u>\$ 1,522,586</u>	<u>\$ 17,152</u>	<u>\$</u>

<u>Total Wastewater System</u>	<u>Water Operations</u>	<u>Restricted Water Wells</u>	<u>Restricted Water Mains</u>	<u>University Capital Charge Water</u>	<u>Total Water System</u>	<u>Refuse Collection</u>	<u>Refuse Capital Equipment</u>
\$ 8,337,864	\$ 2,822,783	\$ 2,209,607	\$ 387,751	\$ 178,134	\$ 5,598,275	\$ 2,845,461	\$ (331,407)
1,666,511	1,026,209	285,038	88,986		1,400,233	578,348	96,455
(720,342)	(259,410)	263,432	51,693		55,715	(163,595)	13,568
	837				837		
(85,152)	60,198			(151,615)	(91,417)	43,674	
202,577	294,364	(155,374)			138,990	(231,560)	
8,944	11,564				11,564	11,490	
31,148	113,788				113,788	34,138	
(349,130)	191,626				191,626	129,348	
(39,694)	899				899		
23,862	10,480				10,480	21,872	
<u>738,724</u>	<u>1,450,555</u>	<u>393,096</u>	<u>140,679</u>	<u>(151,615)</u>	<u>1,832,715</u>	<u>423,715</u>	<u>110,023</u>
\$ 9,076,588	\$ 4,273,338	\$ 2,602,703	\$ 528,430	\$ 26,519	\$ 7,430,990	\$ 3,269,176	\$ (221,384)
\$ 1,539,738	\$	\$ 411,502	\$ 177,972	\$	\$ 589,474	\$ 1,935,889	\$ 192,910

**City of Merced**  
**Combining Schedule of Cash Flows, Continued**  
**Supplementary Information - Enterprise Funds**  
**For the year ended June 30, 2007**

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING</b>			
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>			
<b>(USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 2,514,054	\$ (191,606)	\$ 16,258,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	674,803	108,040	3,849,587
Receivables	(150,027)	(264)	(814,918)
Inventory			837
Due from other governments	43,674	111,559	(21,336)
Accounts payable	(231,560)	(78,795)	31,212
Payroll liabilities	11,490	3,592	35,590
Deposits	34,138	(3,886)	175,188
Deferred revenue	129,348		(28,156)
Other liabilities		4,253	(34,542)
Compensated absences	21,872	2,515	58,729
Total adjustments	<u>533,738</u>	<u>147,014</u>	<u>3,252,191</u>
Net cash provided (used) by operating activities	<u>\$ 3,047,792</u>	<u>\$ (44,592)</u>	<u>\$ 19,510,778</u>
<b>NON CASH ITEMS:</b>			
Developer contributions of capital assets	<u>\$ 2,128,799</u>	<u>\$</u>	<u>\$ 4,258,011</u>



## 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, 2007**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash, cash equivalents and investments	\$ 1,793,271	\$ 1,119,557	\$ 9,457	\$ 5,018,790
Receivables				
Accounts		38,964		
Interest	17,503	10,927	92	48,984
Due from other governments				
Prepaid items		23,488		
Inventory				
<b>Total current assets</b>	<u>1,810,774</u>	<u>1,192,936</u>	<u>9,549</u>	<u>5,067,774</u>
<b>Non-current assets:</b>				
Advances to other funds	104,095			
<b>Capital assets:</b>				
Nondepreciable				
Depreciable, net of accumulated depreciation				
<b>Total capital assets</b>				
<b>Total noncurrent assets</b>	<u>104,095</u>			
<b>Total assets</b>	<u>1,914,869</u>	<u>1,192,936</u>	<u>9,549</u>	<u>5,067,774</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable	21,810	3,000		
Payroll liabilities				
Insurance claims, due within one year	992,599	150,000		
Compensated absences payable, due within one year				
<b>Total current liabilities</b>	<u>1,014,409</u>	<u>153,000</u>		
Other liabilities				10,553
Insurance claims, due in more than one year	2,247,578	506,592		
Compensated absences payable, due in more than one year				
<b>Total liabilities</b>	<u>3,261,987</u>	<u>659,592</u>		<u>10,553</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt				
Unrestricted	(1,347,118)	533,344	9,549	5,057,221
<b>Total net assets</b>	<u>\$ (1,347,118)</u>	<u>\$ 533,344</u>	<u>\$ 9,549</u>	<u>\$ 5,057,221</u>

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 1,066,635	\$ 11,501,735	\$ 612,771	\$ 2,248,960	\$ 1,456,166	\$ 24,827,342
		9,108	16,395		64,467
10,411	124,334	5,981	21,950	14,212	254,394
6,601					6,601
					23,488
100,180					100,180
1,183,827	11,626,069	627,860	2,287,305	1,470,378	25,276,472
	402,505				506,600
		209,861			209,861
215,301	3,880,080	769,340	424,682	673,057	5,962,460
215,301	3,880,080	979,201	424,682	673,057	6,172,321
215,301	4,282,585	979,201	424,682	673,057	6,678,921
1,399,128	15,908,654	1,607,061	2,711,987	2,143,435	31,955,393
77,722	208,585	39,572	72,971	4,737	428,397
27,226		29,528	65,323		122,077
					1,142,599
6,457		3,667	28,750		38,874
111,405	208,585	72,767	167,044	4,737	1,731,947
					10,553
					2,754,170
62,680		48,046	125,193		235,919
174,085	208,585	120,813	292,237	4,737	4,732,589
215,301	3,880,080	979,201	424,682	673,057	6,172,321
1,009,742	11,819,989	507,047	1,995,068	1,465,641	21,050,483
\$ 1,225,043	\$ 15,700,069	\$ 1,486,248	\$ 2,419,750	\$ 2,138,698	\$ 27,222,804

**City of Merced**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2007**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,091,535	\$ 908,338	\$ 87,966	\$ 8,397,434
Other	112,288			
<b>Total operating revenues</b>	<b>1,203,823</b>	<b>908,338</b>	<b>87,966</b>	<b>8,397,434</b>
<b>OPERATING EXPENSES:</b>				
Personnel services				
Materials, supplies and other services	293,401	283,374	3,738	255,634
Depreciation				
Administrative shared expenses	58,723	39,187	2,080	139,706
Insurance	666,197	1,148,571	73,150	6,339,786
<b>Total operating expenses</b>	<b>1,018,321</b>	<b>1,471,132</b>	<b>78,968</b>	<b>6,735,126</b>
<b>OPERATING INCOME (LOSS)</b>	<b>185,502</b>	<b>(562,794)</b>	<b>8,998</b>	<b>1,662,308</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest and investment earnings	106,081	55,454	340	248,421
Gain (loss) on sale of equipment				
<b>Total nonoperating revenues (expenses)</b>	<b>106,081</b>	<b>55,454</b>	<b>340</b>	<b>248,421</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>291,583</b>	<b>(507,340)</b>	<b>9,338</b>	<b>1,910,729</b>
<b>TRANSFERS:</b>				
Transfers in				
Transfers out				
<b>Total transfers</b>				
<b>NET INCOME (LOSS)</b>	<b>291,583</b>	<b>(507,340)</b>	<b>9,338</b>	<b>1,910,729</b>
<b>NET ASSETS:</b>				
Beginning of the year	(1,638,701)	1,040,684	211	3,146,492
End of the year	\$ (1,347,118)	\$ 533,344	\$ 9,549	\$ 5,057,221

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 3,584,815	\$ 2,408,256	\$ 1,876,658	\$ 4,537,065	\$ 625,297	\$ 23,517,364
15,839		84	16,746		144,957
<u>3,600,654</u>	<u>2,408,256</u>	<u>1,876,742</u>	<u>4,553,811</u>	<u>625,297</u>	<u>23,662,321</u>
907,491		897,555	1,926,150		3,731,196
2,315,292	49,779	641,248	1,335,658	70,026	5,248,150
	1,353,208	39,956	165,440	156,982	1,715,586
221,306			71,389		532,391
		19,279	27,215		8,274,198
<u>3,444,089</u>	<u>1,402,987</u>	<u>1,598,038</u>	<u>3,525,852</u>	<u>227,008</u>	<u>19,501,521</u>
156,565	1,005,269	278,704	1,027,959	398,289	4,160,800
66,758	618,880	31,408	107,860	76,469	1,311,671
25,573		148	2,088	21,200	49,009
<u>92,331</u>	<u>618,880</u>	<u>31,556</u>	<u>109,948</u>	<u>97,669</u>	<u>1,360,680</u>
248,896	1,624,149	310,260	1,137,907	495,958	5,521,480
			16,475		16,475
		(8,075)			(8,075)
		(8,075)	16,475		8,400
248,896	1,624,149	302,185	1,154,382	495,958	5,529,880
976,147	14,075,920	1,184,063	1,265,368	1,642,740	21,692,924
<u>\$ 1,225,043</u>	<u>\$ 15,700,069</u>	<u>\$ 1,486,248</u>	<u>\$ 2,419,750</u>	<u>\$ 2,138,698</u>	<u>\$ 27,222,804</u>

**City of Merced**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2007**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers, including cash deposits	\$ 1,095,725	\$ 959,893	\$ 87,966	\$ 8,399,255
Cash paid to suppliers	(323,289)	(283,578)	(3,738)	(255,634)
Cash paid to employees				
Cash receipts (payments) other	(897,616)	(959,826)	(75,230)	(6,472,531)
Net cash provided (used) by operating activities	<u>(125,180)</u>	<u>(283,511)</u>	<u>8,998</u>	<u>1,671,090</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advances to other funds	39,611			
Transfers from other funds				
Transfers to other funds				
Net cash provided (used) by noncapital financing activities	<u>39,611</u>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets				
Proceeds from disposal of equipment				
Net cash provided (used) by capital and related financing activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings received (paid)	103,703	56,005	248	226,036
Net cash provided (used) by investing activities	<u>103,703</u>	<u>56,005</u>	<u>248</u>	<u>226,036</u>
Net increase (decrease) in cash cash and cash equivalents	18,134	(227,506)	9,246	1,897,126
Cash and cash equivalents at beginning of year	1,775,137	1,347,063	211	3,121,664
Cash and cash equivalents at end of year	<u>\$ 1,793,271</u>	<u>\$ 1,119,557</u>	<u>\$ 9,457</u>	<u>\$ 5,018,790</u>

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Maintenance	Total
\$ 3,584,815	\$ 2,408,256	\$ 1,871,311	\$ 4,520,670	\$ 625,297	\$ 23,553,188
(2,321,346)	72,377	(647,554)	(1,310,033)	(75,343)	(5,148,138)
(918,527)		(881,423)	(1,878,146)		(3,678,096)
(207,197)		(23,837)	(81,858)		(8,718,095)
<u>137,745</u>	<u>2,480,633</u>	<u>318,497</u>	<u>1,250,633</u>	<u>549,954</u>	<u>6,008,859</u>
	376,688				416,299
			16,475		16,475
		(8,075)			(8,075)
	<u>376,688</u>	<u>(8,075)</u>	<u>16,475</u>		<u>424,699</u>
(37,475)	(1,234,911)	(235,562)	(135,338)	(300,545)	(1,943,831)
25,573		148	2,088	21,200	49,009
<u>(11,902)</u>	<u>(1,234,911)</u>	<u>(235,414)</u>	<u>(133,250)</u>	<u>(279,345)</u>	<u>(1,894,822)</u>
63,819	599,128	29,774	94,605	71,747	1,245,065
<u>63,819</u>	<u>599,128</u>	<u>29,774</u>	<u>94,605</u>	<u>71,747</u>	<u>1,245,065</u>
189,662	2,221,538	104,782	1,228,463	342,356	5,783,801
876,973	9,280,197	507,989	1,020,497	1,113,810	19,043,541
<u>\$ 1,066,635</u>	<u>\$ 11,501,735</u>	<u>\$ 612,771</u>	<u>\$ 2,248,960</u>	<u>\$ 1,456,166</u>	<u>\$ 24,827,342</u>

**City of Merced**  
**Combining Statement of Cash Flows, Continued**  
**Internal Service Funds**  
**For the year ended June 30, 2007**

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>				
<b>(USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 185,502	\$ (562,794)	\$ 8,998	\$ 1,662,308
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation				
Accounts receivable	4,190	51,555		1,821
Due from other governments				
Prepaid		(1,432)		
Inventory		-		
Accounts payable	(29,888)	(204)		
Payroll liabilities				
Other liabilities				6,961
Insurance claim payable	(284,984)	229,364		
Compensated absence payable				
Total adjustments	(310,682)	279,283		8,782
<b>Net cash provided (used) by operating activities</b>	<b>\$ (125,180)</b>	<b>\$ (283,511)</b>	<b>\$ 8,998</b>	<b>\$ 1,671,090</b>



<u>Fleet Management</u>	<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Maintenance</u>	<u>Total</u>
\$ 156,565	\$ 1,005,269	\$ 278,704	\$ 1,027,959	\$ 398,289	\$ 4,160,800
	1,353,208	39,956	165,440	156,982	1,715,586
		(5,347)	(16,395)		35,824
(1,730)		236			(1,494)
-					(1,432)
(4,436)					(4,436)
(1,618)	122,156	(6,306)	25,625	4,737	114,502
5,664		8,978	16,381	(10,054)	20,969
		(4,878)			2,083
(16,700)		7,154	31,623		(55,620)
(18,820)	1,475,364	39,793	222,674	151,665	22,077
\$ 137,745	\$ 2,480,633	\$ 318,497	\$ 1,250,633	\$ 549,954	\$ 6,008,859

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## PRIVATE PURPOSE TRUST FUNDS

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

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

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

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

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

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

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

*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, 2007**

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
<b>ASSETS</b>								
Cash, cash equivalents and investments	\$ 220,158	\$	\$ 182,074	\$	\$ 172,321	\$ 12,240	\$ 90,171	\$ 676,964
Accounts receivable							305,467	305,467
Interest receivable	2,149		1,777		1,682	119	880	6,607
<b>Total assets</b>	<b>222,307</b>		<b>183,851</b>		<b>174,003</b>	<b>12,359</b>	<b>396,518</b>	<b>989,038</b>
<b>LIABILITIES</b>								
Accounts payable							90,149	90,149
<b>Total liabilities</b>							<b>90,149</b>	<b>90,149</b>
<b>NET ASSETS</b>								
Held in trust for other purposes	222,307		183,851		174,003	12,359	306,369	898,889
<b>Total net assets</b>	<b>\$ 222,307</b>	<b>\$</b>	<b>\$ 183,851</b>	<b>\$</b>	<b>\$ 174,003</b>	<b>\$ 12,359</b>	<b>\$ 306,369</b>	<b>\$ 898,889</b>

**City of Merced**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2007**

	Task Force Trust	Transit Benefit	Youth Programs Endowment	McComb's Trust	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
<b>ADDITIONS:</b>								
Investment earnings	\$ 6,756	\$	\$ 9,752	\$	\$ 9,386	\$ 631	\$ 7,177	\$ 33,702
Miscellaneous	217,503					1,610	1,412,677	1,631,790
<b>Total additions</b>	<b>224,259</b>		<b>9,752</b>		<b>9,386</b>	<b>2,241</b>	<b>1,419,854</b>	<b>1,665,492</b>
<b>DEDUCTIONS:</b>								
General government	38,417	36,764		8,509	5,336		1,125,031	1,214,057
<b>Total deductions</b>	<b>38,417</b>	<b>36,764</b>		<b>8,509</b>	<b>5,336</b>		<b>1,125,031</b>	<b>1,214,057</b>
<b>Net change in fund balances</b>	<b>185,842</b>	<b>(36,764)</b>	<b>9,752</b>	<b>(8,509)</b>	<b>4,050</b>	<b>2,241</b>	<b>294,823</b>	<b>451,435</b>
<b>NET ASSETS:</b>								
Beginning of year	36,465	36,764	174,099	8,509	169,953	10,118	11,546	447,454
End of year	<u>\$ 222,307</u>	<u>\$</u>	<u>\$ 183,851</u>	<u>\$</u>	<u>\$ 174,003</u>	<u>\$ 12,359</u>	<u>\$ 306,369</u>	<u>\$ 898,889</u>

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## AGENCY FUNDS

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

**City of Merced**  
**Balance Sheet**  
**Agency Funds**  
**June 30, 2007**

	<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>	<u>Fahrens Park Capital Projects</u>
<b>ASSETS</b>							
Current assets:							
Cash, cash equivalents and investments	\$ 1,548,687	\$ 284,367	\$ 3,660	\$ 45,949	\$ 44,283	\$ 619,553	\$ 671,711
Restricted cash held by fiscal agent							
Interest receivables				448	432	6,047	6,506
Deposits	90,718	73,113					
Due from other governments				2,746	2,007	36,453	
<b>Total assets</b>	<u>\$ 1,639,405</u>	<u>\$ 357,480</u>	<u>\$ 3,660</u>	<u>\$ 49,143</u>	<u>\$ 46,722</u>	<u>\$ 662,053</u>	<u>\$ 678,217</u>
<b>LIABILITIES</b>							
Other payables	\$ 229,122	\$ 894	\$ 3,660	\$	\$	\$	\$
Deposits	1,410,283	356,586					
Due to bondholders				49,143	46,722	662,053	678,217
<b>Total liabilities</b>	<u>\$ 1,639,405</u>	<u>\$ 357,480</u>	<u>\$ 3,660</u>	<u>\$ 49,143</u>	<u>\$ 46,722</u>	<u>\$ 662,053</u>	<u>\$ 678,217</u>



Bellevue Ranch East Debt Service	Bellevue Ranch East Capital Projects	Bellevue Ranch West Debt Service	Bellevue Ranch West Capital Projects	Moraga Development Debt Service	Moraga Development Capital Projects	MM Narcotics Task Force Special Revenue	MMNTF Federal Sharing	Merced Somoto Sister City	Total
\$ 556,083	\$	\$ 97,045	\$	\$ 74,572	\$	\$ 167,611	\$ 13,986	\$ 4,530	\$ 4,132,037
896,163	4,330,071	515,917	6,831,356	506,824	5,074,253				18,154,584
5,533		947		728		1,635	137	44	22,457
25,815		1,343		39					163,831
<u>\$ 1,483,594</u>	<u>\$ 4,330,071</u>	<u>\$ 615,252</u>	<u>\$ 6,831,356</u>	<u>\$ 582,163</u>	<u>\$ 5,074,253</u>	<u>\$ 169,246</u>	<u>\$ 14,123</u>	<u>\$ 4,574</u>	<u>\$22,541,312</u>
\$ 3,660	\$ 398,635	\$ 3,637	\$	\$ 4,095	\$	\$ 3,917	\$	\$	\$ 647,620
1,479,934	3,931,436	611,615	6,831,356	578,068	5,074,253	165,329	14,123	4,574	1,950,895
<u>\$ 1,483,594</u>	<u>\$ 4,330,071</u>	<u>\$ 615,252</u>	<u>\$ 6,831,356</u>	<u>\$ 582,163</u>	<u>\$ 5,074,253</u>	<u>\$ 169,246</u>	<u>\$ 14,123</u>	<u>\$ 4,574</u>	<u>\$22,541,312</u>

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Fiduciary Funds - Agency Funds**  
**For the year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Deposits</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 2,308,680	\$ 318,398,633	\$ 319,158,626	\$ 1,548,687
Advance to other funds				
Deposits	74,878	159,124	143,284	90,718
<b>Total assets</b>	<b>\$ 2,383,558</b>	<b>\$ 318,557,757</b>	<b>\$ 319,301,910</b>	<b>\$ 1,639,405</b>
<b>Liabilities:</b>				
Other payables	\$ 261,432	\$ 4,036,500	\$ 4,068,810	\$ 229,122
Deposits	2,122,126	314,521,258	315,233,101	1,410,283
<b>Total liabilities</b>	<b>\$ 2,383,558</b>	<b>\$ 318,557,758</b>	<b>\$ 319,301,911</b>	<b>\$ 1,639,405</b>
<b><u>RDA Deposits</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 366,329	\$ 318,343	\$ 400,305	\$ 284,367
Deposits	68,945	4,168		73,113
<b>Total assets</b>	<b>\$ 435,274</b>	<b>\$ 322,511</b>	<b>\$ 400,305</b>	<b>\$ 357,480</b>
<b>Liabilities:</b>				
Other payables	\$ 145,277	\$ 219,922	\$ 364,305	\$ 894
Deposits	289,997	102,589	36,000	356,586
<b>Total liabilities</b>	<b>\$ 435,274</b>	<b>\$ 322,511</b>	<b>\$ 400,305</b>	<b>\$ 357,480</b>
<b><u>Payroll Clearing</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 423	\$ 18,662,364	\$ 18,659,127	\$ 3,660
<b>Total assets</b>	<b>\$ 423</b>	<b>\$ 18,662,364</b>	<b>\$ 18,659,127</b>	<b>\$ 3,660</b>
<b>Liabilities:</b>				
Other payables	\$ 423	\$ 18,662,364	\$ 18,659,127	\$ 3,660
<b>Total liabilities</b>	<b>\$ 423</b>	<b>\$ 18,662,364</b>	<b>\$ 18,659,127</b>	<b>\$ 3,660</b>

(Continued)

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities, Continued**  
**Fiduciary Funds - Agency Funds**  
**For the year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Liberty Park</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 55,137	\$ 55,461	\$ 64,649	\$ 45,949
Interest receivable	470	918	940	448
Due from other governments		6,278	3,532	2,746
<b>Total assets</b>	<b>\$ 55,607</b>	<b>\$ 62,657</b>	<b>\$ 69,121</b>	<b>\$ 49,143</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 55,607	\$ 62,657	\$ 69,121	\$ 49,143
<b>Total liabilities</b>	<b>\$ 55,607</b>	<b>\$ 62,657</b>	<b>\$ 69,121</b>	<b>\$ 49,143</b>
<b><u>16th Street Assessment</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 41,883	\$ 52,278	\$ 49,878	\$ 44,283
Interest receivable	356	790	714	432
Due from other governments	3,879	6,080	7,952	2,007
<b>Total assets</b>	<b>\$ 46,118</b>	<b>\$ 59,148</b>	<b>\$ 58,544</b>	<b>\$ 46,722</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 46,118	\$ 59,148	\$ 58,544	\$ 46,722
<b>Total liabilities</b>	<b>\$ 46,118</b>	<b>\$ 59,148</b>	<b>\$ 58,544</b>	<b>\$ 46,722</b>
<b><u>Fahrens Park Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 730,475	\$ 488,463	\$ 599,385	\$ 619,553
Interest receivable	6,224	12,271	12,448	6,047
Due from other governments	19,392	72,413	55,352	36,453
<b>Total assets</b>	<b>\$ 756,091</b>	<b>\$ 573,147</b>	<b>\$ 667,185</b>	<b>\$ 662,053</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 756,091	\$ 573,147	\$ 667,185	\$ 662,053
<b>Total liabilities</b>	<b>\$ 756,091</b>	<b>\$ 573,147</b>	<b>\$ 667,185</b>	<b>\$ 662,053</b>

(Continued)

**City of Merced**  
**Statement of Changes in Fiduciary Assets and Liabilities, Continued**  
**Fiduciary Funds - Agency Funds**  
**For the year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Fahrens Park Capital Projects</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 1,495,328	\$ 53,567	\$ 877,184	\$ 671,711
Interest receivable	14,897	21,403	29,794	6,506
<b>Total assets</b>	<b>\$ 1,510,225</b>	<b>\$ 74,970</b>	<b>\$ 906,978</b>	<b>\$ 678,217</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 1,510,225	\$ 74,969	\$ 906,977	\$ 678,217
<b>Total liabilities</b>	<b>\$ 1,510,225</b>	<b>\$ 74,969</b>	<b>\$ 906,977</b>	<b>\$ 678,217</b>
<b><u>Bellevue Ranch East Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 443,139	\$ 1,159,688	\$ 1,046,744	\$ 556,083
Restricted cash held by fiscal agent	933,485	743,466	780,788	896,163
Interest receivable	3,775	9,310	7,552	5,533
Due from other governments	2,634	25,815	2,634	25,815
<b>Total assets</b>	<b>\$ 1,383,033</b>	<b>\$ 1,938,279</b>	<b>\$ 1,837,718</b>	<b>\$ 1,483,594</b>
<b>Liabilities:</b>				
Other Payable	\$	\$ 16,304	\$ 12,644	\$ 3,660
Due to bondholders	1,383,033	1,911,129	1,814,228	1,479,934
<b>Total liabilities</b>	<b>\$ 1,383,033</b>	<b>\$ 1,927,433</b>	<b>\$ 1,826,872</b>	<b>\$ 1,483,594</b>
<b><u>Bellevue Ranch East Capital Project</u></b>				
<b>Assets:</b>				
Restricted cash held by fiscal agent	\$ 11,724,414	\$ 8,718,814	\$ 16,113,157	\$ 4,330,071
<b>Total assets</b>	<b>\$ 11,724,414</b>	<b>\$ 8,718,814</b>	<b>\$ 16,113,157</b>	<b>\$ 4,330,071</b>
<b>Liabilities:</b>				
Other Payable	\$ 46,105	\$ 721,265	\$ 368,735	\$ 398,635
Due to bondholders	11,678,309	8,007,162	15,754,035	3,931,436
<b>Total liabilities</b>	<b>\$ 11,724,414</b>	<b>\$ 8,728,427</b>	<b>\$ 16,122,770</b>	<b>\$ 4,330,071</b>

(Continued)

# City of Merced

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

### Fiduciary Funds - Agency Funds

For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Bellevue Ranch West Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 14,047	\$ 319,591	\$ 236,593	\$ 97,045
Restricted cash held by fiscal agent		7,654,985	7,139,068	515,917
Interest receivable	120	1,067	240	947
Due from other governments		1,343		1,343
<b>Total assets</b>	<b>\$ 14,167</b>	<b>\$ 7,976,986</b>	<b>\$ 7,375,901</b>	<b>\$ 615,252</b>
<b>Liabilities:</b>				
Other payables	\$ 1,602	\$ 5,268	\$ 3,233	\$ 3,637
Due to bondholders	12,565	7,971,718	7,372,668	611,615
<b>Total liabilities</b>	<b>\$ 14,167</b>	<b>\$ 7,976,986</b>	<b>\$ 7,375,901</b>	<b>\$ 615,252</b>
<b><u>Bellevue Ranch West Capital Project</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$	\$ 1,233	\$ 1,233	\$
Restricted cash held by fiscal agent		6,831,356		6,831,356
<b>Total assets</b>	<b>\$</b>	<b>\$ 6,832,589</b>	<b>\$ 1,233</b>	<b>\$ 6,831,356</b>
<b>Liabilities:</b>				
Due to bondholders	\$	\$ 6,832,589	\$ 1,233	\$ 6,831,356
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 6,832,589</b>	<b>\$ 1,233</b>	<b>\$ 6,831,356</b>
<b><u>Moraga Development Debt Service</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 89,844	\$ 25,792	\$ 41,064	\$ 74,572
Restricted cash held by fiscal agent		5,851,778	5,344,954	506,824
Interest receivable	766	1,494	1,532	728
Due from other governments		39		39
<b>Total assets</b>	<b>\$ 90,610</b>	<b>\$ 5,879,103</b>	<b>\$ 5,387,550</b>	<b>\$ 582,163</b>
<b>Liabilities:</b>				
Other payables	\$ 481	\$ 44,400	\$ 40,786	\$ 4,095
Due to bondholders	90,129	5,834,703	5,346,764	578,068
<b>Total liabilities</b>	<b>\$ 90,610</b>	<b>\$ 5,879,103</b>	<b>\$ 5,387,550</b>	<b>\$ 582,163</b>
<b><u>Moraga Development Capital Project</u></b>				
<b>Assets:</b>				
Restricted cash held by fiscal agent	\$	\$ 5,074,253	\$	\$ 5,074,253
<b>Total assets</b>	<b>\$</b>	<b>\$ 5,074,253</b>	<b>\$</b>	<b>\$ 5,074,253</b>
<b>Liabilities:</b>				
Due to bondholders	\$	\$ 5,074,253	\$	\$ 5,074,253
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 5,074,253</b>	<b>\$</b>	<b>\$ 5,074,253</b>

(Continued)

# City of Merced

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

### Fiduciary Funds - Agency Funds

For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>MM Narcotics Task Force Special Revenue</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 173,246	\$ 53,746	\$ 59,381	\$ 167,611
Interest receivable	1,474	3,112	2,951	1,635
<b>Total assets</b>	<b>\$ 174,720</b>	<b>\$ 56,858</b>	<b>\$ 62,332</b>	<b>\$ 169,246</b>
<b>Liabilities:</b>				
Other payables	\$ 2,347	\$ 54,142	\$ 52,572	\$ 3,917
Deposits	172,373	2,715	9,759	165,329
<b>Total liabilities</b>	<b>\$ 174,720</b>	<b>\$ 56,857</b>	<b>\$ 62,331</b>	<b>\$ 169,246</b>
<b><u>MMNTF Federal Sharing</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 13,262	\$ 766	\$ 42	\$ 13,986
Interest receivable	113	250	226	137
<b>Total assets</b>	<b>\$ 13,375</b>	<b>\$ 1,016</b>	<b>\$ 268</b>	<b>\$ 14,123</b>
<b>Liabilities:</b>				
Deposits	\$ 13,375	\$ 1,016	\$ 268	\$ 14,123
<b>Total liabilities</b>	<b>\$ 13,375</b>	<b>\$ 1,016</b>	<b>\$ 268</b>	<b>\$ 14,123</b>
<b><u>Merced - Somoto Sister City</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 38,825	\$ 54,777	\$ 89,072	\$ 4,530
Interest receivable	331	375	662	44
<b>Total assets</b>	<b>\$ 39,156</b>	<b>\$ 55,152</b>	<b>\$ 89,734</b>	<b>\$ 4,574</b>
<b>Liabilities:</b>				
Deposits	\$ 39,156	\$ 55,152	\$ 89,734	\$ 4,574
<b>Total liabilities</b>	<b>\$ 39,156</b>	<b>\$ 55,152</b>	<b>\$ 89,734</b>	<b>\$ 4,574</b>
<b><u>All Agency Funds</u></b>				
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 5,770,618	\$ 339,644,702	\$ 341,283,283	\$ 4,132,037
Restricted cash held by fiscal agents	12,657,899	34,874,652	29,377,967	18,154,584
Interest receivable	28,526	50,990	57,059	22,457
Deposits	143,823	163,292	143,284	163,831
Due from other governments	25,905	111,968	69,470	68,403
<b>Total assets</b>	<b>\$ 18,626,771</b>	<b>\$ 374,845,604</b>	<b>\$ 370,931,063</b>	<b>\$ 22,541,312</b>
<b>Liabilities:</b>				
Other payables	\$ 457,667	\$ 23,760,165	\$ 23,570,212	\$ 647,620
Deposits	2,637,027	314,682,730	315,368,862	1,950,895
Due to bondholders	15,532,077	36,401,475	31,990,755	19,942,797
<b>Total liabilities</b>	<b>\$ 18,626,771</b>	<b>\$ 374,844,370</b>	<b>\$ 370,929,829</b>	<b>\$ 22,541,312</b>

(Concluded)

## STATISTICAL SECTION

This part of the City of Merced's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	183
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	190
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	193
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	199
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	202
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**City of Merced**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
**(accrual basis of accounting )**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
Invested in capital assets, net of related debt	\$ 235,052,801	\$ 236,399,619	\$ 231,913,108	\$ 256,320,458	\$ 298,036,557
Restricted	35,314,733	10,091,205	37,004,317	36,675,609	38,115,079
Unrestricted	46,436,664	78,720,262	70,167,890	82,681,152	77,777,779
<b>Total governmental activities net assets</b>	<b>\$ 316,804,198</b>	<b>\$ 325,211,086</b>	<b>\$ 339,085,315</b>	<b>\$ 375,677,219</b>	<b>\$ 413,929,415</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 32,503,366	\$ 17,104,566	\$ 20,971,218	\$ 45,873,700	\$ 52,964,607
Restricted	409,189	7,662,242	15,949,482	7,959,849	19,382,097
Unrestricted	30,577,213	59,660,550	64,308,694	70,139,087	70,757,428
<b>Total business-type activities net assets</b>	<b>\$ 63,489,768</b>	<b>\$ 84,427,358</b>	<b>\$ 101,229,394</b>	<b>\$ 123,972,636</b>	<b>\$ 143,104,132</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 267,556,167	\$ 253,504,185	\$ 252,884,326	\$ 302,194,158	\$ 351,001,164
Restricted	35,723,922	17,753,447	52,953,799	44,635,458	57,497,176
Unrestricted	77,013,877	138,380,812	134,476,584	152,820,239	148,535,207
<b>Total primary government net assets</b>	<b>\$ 380,293,966</b>	<b>\$ 409,638,444</b>	<b>\$ 440,314,709</b>	<b>\$ 499,649,855</b>	<b>\$ 557,033,547</b>

Note: The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003  
Information prior to the implementation of GASB 34 is not available

**City of Merced**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting )**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 16,267,444	\$ 16,195,768	\$ 19,939,236	\$ 21,610,432	\$ 24,535,552
Public safety	17,863,142	27,661,654	20,928,903	22,801,910	25,733,837
Public works	3,752,106	11,839,346	12,126,647	11,679,497	12,657,996
Parks	3,407,203	3,861,545	4,481,158	4,830,613	5,779,350
Unallocated Depreciation	11,602,630				
Interest on long-term debt	1,411,552	1,522,941	1,698,204	1,447,658	1,477,834
<b>Total governmental activities expenses</b>	<b>54,304,077</b>	<b>61,081,254</b>	<b>59,174,148</b>	<b>62,370,110</b>	<b>70,184,570</b>
<b>Business-type activities:</b>					
Wastewater system	7,375,599	6,400,525	9,105,525	9,772,349	7,803,288
Water system	5,742,221	6,410,058	8,947,005	7,747,807	6,725,616
Refuse collection system	7,650,496	7,321,227	8,848,455	9,649,845	7,945,319
Merced municipal airport	559,054	515,942	599,528	749,698	738,941
<b>Total business-type activities expenses</b>	<b>21,327,370</b>	<b>20,647,752</b>	<b>27,500,513</b>	<b>27,919,699</b>	<b>23,213,164</b>
<b>Total primary government expenses</b>	<b>\$ 75,631,447</b>	<b>\$ 81,729,006</b>	<b>\$ 86,674,661</b>	<b>\$ 90,289,809</b>	<b>\$ 93,397,734</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services</b>					
General government	\$ 10,401,555	\$ 16,765,806	\$ 19,641,727	\$ 28,642,848	\$ 20,458,280
Other activities	5,135,651	4,875,699	6,177,065	9,304,592	10,791,169
Operating grants and contributions	7,533,162	8,626,722	7,815,350	8,631,130	9,440,351
Capital grants and contributions	191,735	744,933	593,935	12,042,606	20,804,576
<b>Total governmental activities program revenues</b>	<b>23,262,103</b>	<b>31,013,160</b>	<b>34,228,077</b>	<b>58,621,176</b>	<b>61,494,376</b>
<b>Business-type activities:</b>					
<b>Charges for services</b>					
Wastewater system	7,191,841	10,274,278	13,936,226	17,301,835	14,891,056
Water system	8,023,831	11,487,131	14,128,349	16,303,612	11,770,342
Refuse collection system	6,894,531	8,566,514	9,182,490	10,170,367	10,447,295
Merced municipal airport	1,167,597	420,362	258,675	1,838,491	547,335
Capital grants and contributions				2,342,250	
<b>Total business-type activities program revenues</b>	<b>23,277,800</b>	<b>30,748,285</b>	<b>37,505,740</b>	<b>47,956,555</b>	<b>37,656,028</b>
<b>Total primary government program revenues</b>	<b>\$ 46,539,903</b>	<b>\$ 61,761,445</b>	<b>\$ 71,733,817</b>	<b>\$ 106,577,731</b>	<b>\$ 99,150,404</b>
<b>Net (expense)/revenue</b>					
<b>Governmental activities</b>	<b>\$ (31,041,974)</b>	<b>\$ (30,068,094)</b>	<b>\$ (24,946,071)</b>	<b>\$ (3,748,934)</b>	<b>\$ (8,689,694)</b>
<b>Business-type activities</b>	<b>1,950,430</b>	<b>10,100,533</b>	<b>10,005,227</b>	<b>20,036,856</b>	<b>14,442,864</b>
<b>Total primary government net (expense)/revenue</b>	<b>\$ (29,091,544)</b>	<b>\$ (19,967,561)</b>	<b>\$ (14,940,844)</b>	<b>\$ 16,287,922</b>	<b>\$ 5,753,170</b>

**City of Merced**  
**Changes in Net Assets, Continued**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General Revenues and Other Changes</b>					
<b>in Net Assets</b>					
Governmental activities:					
Taxes					
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156
Sales	9,799,975	10,409,903	8,821,966	9,826,786	16,104,789
Other	3,739,270	5,076,323	6,776,776	6,949,509	4,677,469
Investment earnings	679,613	466,163	805,643	1,403,994	2,699,785
Miscellaneous	5,745,068	4,996,952	1,867,486	1,915,362	2,054,865
Developer contributions of capital assets	832,661	8,232,230	3,067,067		
Transfers	(553,224)	(216,371)	(205,599)	(145,030)	(596,551)
Total governmental activities	<u>\$ 29,077,678</u>	<u>\$ 38,474,982</u>	<u>\$ 37,484,140</u>	<u>\$ 40,340,837</u>	<u>\$ 48,927,513</u>
Business-type activities:					
Investment earnings	1,215,989	608,035	1,551,101	2,561,355	4,092,081
Miscellaneous	1,956,494	1,207,245	3,118,969		
Developer contributions of capital assets		8,805,407	2,385,819		
Transfers (net)	531,449	216,370	205,599	145,030	596,551
Total business-type activities	<u>3,703,932</u>	<u>10,837,057</u>	<u>7,261,488</u>	<u>2,706,385</u>	<u>4,688,632</u>
Total primary government	<u>\$ 32,781,610</u>	<u>\$ 49,312,039</u>	<u>\$ 44,745,628</u>	<u>\$ 43,047,222</u>	<u>\$ 53,616,145</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (1,964,296)	\$ 8,406,888	\$ 12,538,069	\$ 36,591,903	\$ 40,237,819
Business-type activities	5,654,362	20,937,590	17,266,715	22,743,241	19,131,496
Total primary government	<u>\$ 3,690,066</u>	<u>\$ 29,344,478</u>	<u>\$ 29,804,784</u>	<u>\$ 59,335,144</u>	<u>\$ 59,369,315</u>

Note: The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003  
Information prior to the implementation of GASB 34 is not available

**City of Merced**  
**Governmental Activities Tax Revenues By Source**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156
Sales	9,779,975	10,409,903	8,821,966	9,826,786	16,104,789
Motor Vehicle			1,599,829	495,525	502,480
Transient Occupancy	672,192	716,819	604,210	910,755	816,855
Franchise	989,185	1,107,172	1,194,132	1,270,076	1,363,288
Business License	938,003	1,089,317	1,161,454	1,280,686	1,234,700
Cost Recovery Impact Study	1,042,078	2,050,047	2,109,039	2,885,238	659,980
Business Improvement Area			108,112	107,229	100,166
Other	97,812	112,968			
<b>Total</b>	<b>\$ 22,353,560</b>	<b>\$ 24,996,008</b>	<b>\$ 31,949,543</b>	<b>\$ 37,166,511</b>	<b>\$ 44,769,414</b>

Note: The City of Merced implemented GASB 34 for the fiscal year ended June 30, 2003  
Information prior to the implementation of GASB 34 is not available

**City of Merced**  
**Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 1,988,068	\$ 1,231,989	\$ 913,612	\$ 1,014,604	\$ 1,224,215
Unreserved	12,828,865	15,952,063	19,265,788	22,318,502	21,577,706
Total general fund	<u>14,816,933</u>	<u>17,184,052</u>	<u>20,179,400</u>	<u>23,333,106</u>	<u>22,801,921</u>
All other governmental funds					
Reserved	\$ 13,754,073	\$ 17,734,090	\$ 24,253,686	\$ 28,110,594	\$ 26,338,922
Unreserved reported in:					
Special revenue funds	12,615,666	19,015,330	25,351,249	21,843,082	23,168,682
Debt service funds		(694,014)	6,295	6,503	6,867
Capital project funds	12,212,409	11,805,317	11,470,519	16,327,698	7,252,625
Total all other governmental funds	<u>38,582,148</u>	<u>47,860,723</u>	<u>61,081,749</u>	<u>66,287,877</u>	<u>56,767,096</u>
Total all governmental funds	<u>\$ 53,399,081</u>	<u>\$ 65,044,775</u>	<u>\$ 81,261,149</u>	<u>\$ 89,620,983</u>	<u>\$ 79,569,017</u>

**City of Merced**  
**Changes in Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 22,373,560	\$ 24,996,008	\$ 30,354,133	\$ 38,244,770	\$ 45,240,906
Licenses and permits	46,741	39,474	42,222	45,397	47,953
Intergovernmental	11,965,906	13,093,883	10,456,810	8,748,689	11,366,663
Service charges	11,454,584	17,036,906	20,659,343	24,649,666	18,431,262
Fines, forfeitures and penalties	959,229	542,351	567,387	650,294	607,976
Other	4,902,565	4,652,592	7,035,248	11,513,971	12,846,859
<b>Total revenues</b>	<b>51,702,585</b>	<b>60,361,214</b>	<b>69,115,143</b>	<b>83,852,787</b>	<b>88,541,619</b>
<b>Expenditures</b>					
General government	12,270,297	14,102,947	16,525,030	18,200,995	22,303,991
Public safety	18,199,199	27,052,794	21,523,427	23,880,753	26,857,739
Public works	3,651,120	4,173,888	4,924,123	5,159,499	6,014,516
Parks	3,462,241	3,532,567	4,213,350	4,603,647	5,539,601
Capital outlay	14,751,194	6,183,331	5,251,642	21,843,780	32,552,434
Debt service					
Principal	2,930,748	1,627,341	1,988,914	3,242,392	2,049,565
Interest	1,380,795	1,432,309	1,702,387	1,510,920	1,453,796
<b>Total expenditures</b>	<b>56,645,594</b>	<b>58,105,177</b>	<b>56,128,873</b>	<b>78,441,986</b>	<b>96,771,642</b>
Excess of revenues over (under) expenditures	(4,943,009)	2,256,037	12,986,270	5,410,801	(8,230,023)
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	14,627,825	7,355,000	894,300		
Proceeds from sale of capital assets	811,990	510,548	1,277,170	3,058,088	
Transfers in	12,467,921	12,956,435	15,040,584	22,672,905	23,487,728
Transfers out	(13,135,736)	(13,136,031)	(15,318,108)	(22,781,960)	(24,092,679)
<b>Total other financing sources (uses)</b>	<b>14,772,000</b>	<b>7,685,952</b>	<b>1,893,946</b>	<b>2,949,033</b>	<b>(604,951)</b>
<b>Net change in fund balances</b>	<b>\$ 9,828,991</b>	<b>\$ 9,941,989</b>	<b>\$ 14,880,216</b>	<b>\$ 8,359,834</b>	<b>\$ (8,834,974)</b>
Debt service as a percentage of noncapital expenditures	10.29%	5.89%	7.26%	8.40%	5.46%

**City of Merced**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Five Fiscal Years**

Category (1)	Fiscal Year				
	2003	2004	2005	2006	2007
Residential	\$ 1,542,149,603	\$ 1,721,235,012	\$ 2,003,632,974	\$ 2,461,278,299	\$ 3,218,032,212
Commercial	463,467,608	492,778,330	538,643,273	589,638,618	714,668,621
Industrial	294,836,878	304,966,444	318,438,325	347,470,296	402,565,666
Dry Farm	798,839	808,794	1,036,690	1,051,071	1,071,942
Government		241,740	378,678	386,250	267,494
Institutional	802,425	679,772	3,514,069	1,055,078	42,863,162
Irrigated	7,903,179	9,538,872	20,588,114	12,063,855	18,459,310
Miscellaneous	2,560,873	2,628,383	1,299,497	3,130,621	3,295,906
Vacant Land	61,826,684	80,172,364	161,808,575	214,252,716	270,513,956
SBE Nonunitary	5,889,898	5,836,087	5,016,662	4,827,110	4,587,465
Unsecured	180,291,286	203,546,477	224,848,955	224,967,085	294,104,211
Unknown	10,000	33,500	48,500	123,500	151,097
<b>Total Assessed Value</b>	<b>2,560,537,273</b>	<b>2,822,465,775</b>	<b>3,279,254,312</b>	<b>3,860,244,499</b>	<b>4,970,581,042</b>
<b>Total Direct Rate (2)</b>	<b>0.29949</b>	<b>0.29901</b>	<b>0.29063</b>	<b>0.27899</b>	<b>0.26201</b>
<b>Estimated Actual Taxable Value (3)</b>	<b>\$ 2,540,501,011</b>	<b>\$ 2,847,791,319</b>	<b>\$ 3,279,254,312</b>	<b>\$ 3,856,170,239</b>	<b>\$ 4,796,073,752</b>

Source: HDL Coren & Cone

Notes:

- (1) Exemptions are netted against the individual categories
- (2) Total Direct Rate is equal to the weighted average of all rates for the City of Merced
- (3) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents only the data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.
- (4) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**June 30, 2007**

	Fiscal Year		
	2006	2007	
City basic rate	0.22367	0.22367	(1)
County General Fund	0.32776	0.32776	
Merced Cemetery	0.00698	0.00698	
Merced Co Region Occupation Program	0.00217	0.00217	
Merced Community College	0.05081	0.05081	
Merced Elementary	0.16628	0.16628	
Merced High	0.12821	0.12821	
Merced Irrigation District	0.03553	0.03553	
Mosquito Abatement	0.01211	0.01211	
School Capital Outlay	0.00353	0.00353	
School Equalization	0.01430	0.01430	
School Service	0.02865	0.02865	
Total Prop 13 Rate	1.00000	1.00000	
Overlapping Rates:			
County of Merced			
Merced City School Bonds	0.02600	0.01890	
Merced High School Bond 1999	0.01400	0.02000	
Merced Community College #1	0.02000	0.01350	
Total Direct and Overlapping Rates	1.06000	1.05240	
City Direct Rates:			
Total city direct rate (Weighted Average)	0.27899	0.26201	(2)
Redevelopment agency	1.00000	1.00000	(3)

Source: HDL Coren & Cone

Notes:

(1) The City basic rate is equal to the City share of 1% levy per Prop13.

The amounts listed for the City and Redevelopment Agency do not equal the City Basic Rate because each rate has a different tax base

(2) The Total Direct Rate is the weighted average of all individual direct rates applied by the City of Merced.

(3) The RDA rate is based on the largest RDA tax rate area and includes only rates from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

(4) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003



**City of Merced  
Principal Property Taxpayers  
Current Year and Nine Years Ago**

<u>Taxpayer</u>	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Total Assessed Value	<u>\$ 4,970,581,042</u>		<u>100%</u>	<u>\$2,052,945,384</u>		<u>100%</u>
World Color Press, Inc.	\$ 169,656,969	1	3.41%	\$103,706,680	1	5.05%
Unilever Supply Chain	49,274,543	2	0.99%			
Safeway Inc.	40,372,964	3	0.81%	17,636,052	3	0.86%
Scholle Corporation	28,280,490	4	0.57%	9,729,665	10	0.47%
Costco Wholesale Corporation	18,632,669	5	0.37%	12,842,560	6	0.63%
Comcast Corporation	16,456,950	6	0.33%			
Timothy F. Razzari	12,664,057	7	0.25%			
Arvin Sango	11,842,828	8	0.24%			
Werner Company	16,042,170	9	0.32%			
Grief Containers	8,831,459	10	0.18%			
Conopco Inc.				54,898,938	2	2.67%
McLane Company Inc.				15,321,187	4	0.75%
Crown Cork & Seal Co. Inc.				13,863,057	5	0.68%
Merced Mall LTD a Partnership				12,542,518	7	0.61%
California Rental Properties				10,304,529	8	0.50%
Wainwright Enterprises a Partnership				9,984,646	9	0.49%
Total	<u>\$ 372,055,099</u>		<u>7.49%</u>	<u>\$260,829,832</u>		<u>12.71%</u>

Source: HDL Coren & Cone

**City of Merced**  
**Property Tax Levies and Collections**  
**Last Five Fiscal Years**

Fiscal Year Ended June 30	(1) Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 8,400,251	\$ 7,481,534	89.1%	\$ 918,717	\$ 8,400,251	100%
2004	8,864,294	7,256,954	81.9%	1,607,341	8,864,294	100%
2005	8,886,095	8,161,036	91.8%	725,058	8,886,095	100%
2006	10,630,718	9,247,917	87.0%	1,382,801	10,630,718	100%
2007	13,358,807	11,258,596	84.3%	2,100,210	13,358,807	100%

Source: County of Merced Auditor-Controller

Note:

- (1) The amounts presented include City property taxes and Redevelopment Agency tax increment.
- (2) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Ratios of Outstanding Debt by Type**  
**Last Five Fiscal Years**

Fiscal Year	Governmental Activities					Total Governmental Activities
	General Obligation Bonds	Redevelopment Bonds	Pension Obligation Bonds	Loans	Participation and Development Agreements	
	\$	\$	\$	\$	\$	
2003	\$	\$ 31,612,825	\$	\$ 6,421,526	\$ 725,000	\$ 38,759,351
2004		30,352,825	7,355,000	6,204,185	575,000	44,487,010
2005		29,047,825	7,305,000	6,614,571	425,000	43,392,396
2006		27,697,825	7,265,000	4,912,179	275,000	40,150,004
2007		26,162,825	7,200,000	4,562,614	511,000	38,436,439

Note: Details regarding the Agency's outstanding debt can be found in the notes to the financial statements

(2) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Ratios of Outstanding Debt by Type, Continued**  
**Last Five Fiscal Years**

Fiscal Year	Business-Type Activities					Total Business-type Activities	Total Primary Government
	Sewer Revenue Bonds	Water Revenue Bonds	Improvement Bonds	Loans	Participation and Development Agreements		
2003	\$ 2,410,000	\$	\$ 3,125,000	\$	\$	\$ 5,535,000	\$ 44,294,351
2004	8,925,237	21,408,228	2,880,000	4,863,497		38,076,962	82,563,972
2005	8,911,839	21,376,096	2,615,000	8,262,209	167,626	41,332,770	84,725,166
2006	8,613,711	20,664,609	2,185,000	8,227,209	149,499	39,840,028	79,990,032
2007	8,310,859	19,933,786	1,920,000	8,152,209	130,628	38,447,482	76,883,921

**City of Merced**  
**Ratios of General Bonded Debt Outstanding**  
**Last Five Fiscal Years**

Fiscal Year	Outstanding General Bonded Debt			Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total			
2003	\$	\$ 31,612,825	\$ 31,612,825	\$ 2,540,501,011	1.244%	\$ 1,531
2004		30,352,825	30,352,825	2,847,791,319	1.066%	1411
2005		29,047,825	29,047,825	3,279,254,312	0.886%	1242
2006		27,697,825	27,697,825	3,856,170,239	0.718%	1181
2007		26,162,825	26,162,825	4,796,073,752	0.546%	1144

Assessed value has been used because the actual value of taxable property is not readily available in the State of California

(2) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2007**

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Debt Outstanding June 30, 2007</u>	<u>Share of Overlapping Debt June 30, 2007</u>
<u>Overlapping Debt repaid with Property Taxes:</u>			
Merced Community College District School Facilities Improvement District No. 1	34.087%	\$ 40,150,000	\$ 13,685,931
Merced Union High School District	40.823%	18,626,061	7,603,717
Merced City School District	78.658%	25,719,571	20,230,500
Weaver Union School District	59.126%	7,589,982	4,487,653
McSwain Union School District Community Facilities District No.2004-1	0.002%	2,965,000	59
Total overlapping debt repaid with property taxes:			<u>46,007,860</u>
<u>Overlapping Other Debt:</u>			
Merced County Certificates of Participation	24.419%	23,860,000	5,826,373
Merced County Pension Obligations	24.419%	54,430,000	13,291,262
Merced County Office of Education Certificates of Participation	24.419%	1,795,000	438,321
Merced City School District Certificates of Participation	78.658%	4,500,000	3,539,610
Weaver Union School District Certificates of Participation	59.126%	5,605,000	3,314,012
McSwain Union School District Certificates of Participation	0.002%	1,170,000	23
Total overlapping other debt:			<u>26,409,602</u>
Total overlapping debt:			72,417,461
City direct debt			38,436,439
Total direct and overlapping debt			<u>\$ 110,853,900</u>

Source: California Municipal Statistics, Inc.

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

**City of Merced**  
**Legal Debt Margin Information**  
**Last Five Fiscal Years**

	Fiscal Year				
	2003	2004	2005	2006	2007
Assessed value	\$ 2,639,946,727	\$ 2,847,866,471	\$ 3,279,254,312	\$ 3,856,177,239	\$ 4,796,157,552
25% of Full Assessed Value	659,986,682	711,966,618	819,813,578	964,044,310	1,199,039,388
Debt limit (15% of reduced assessed value)	98,998,002	106,794,993	122,972,037	144,606,646	179,855,908
Total net debt applicable to limit	0	0	0	0	0
Legal debt margin	<u>\$ 98,998,002</u>	<u>\$ 106,794,993</u>	<u>\$ 122,972,037</u>	<u>\$ 144,606,646</u>	<u>\$ 179,855,908</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Source: California Municipal Statistics, Inc.

Note:

Under state finance law, the City of Merced's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(2) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Pledged-Revenue Coverage**  
**Last Five Fiscal Years**

Fiscal Year	(1)	(2)	Water/Sewer Revenue Bonds				Coverage
	Sewer/Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2003	\$ 16,754,125	\$ 10,269,440	\$ 6,484,685	\$ 270,000	\$ 120,888	16.59	
2004	(3) 22,283,849	10,860,335	11,423,514	4,200,306	57,238	2.68	
2005	29,516,737	14,503,156	15,013,581		1,195,423	12.56	
2006	35,129,997	12,634,363	22,495,634	965,000	1,424,830	9.41	
2007	29,324,069	9,658,515	19,665,554	990,000	1,395,504	8.24	

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
2003	\$ 427,653	\$ 235,000	\$ 169,416	1.06	
2004	415,896	245,000	158,251	1.03	
2005	431,792	265,000	145,940	1.05	
2006	410,044	275,000	132,573	1.01	
2007	413,428	265,000	110,615	1.10	

Fiscal Year	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
2003	\$ 4,991,156	\$ 1,180,000	\$ 1,003,130	2.29	
2004	5,177,309	1,260,000	1,003,263	2.29	
2005	5,329,745	1,305,000	957,747	2.36	
2006	6,340,133	1,350,000	906,929	2.81	
2007	7,082,383	1,535,000	852,094	2.97	

Source: City of Merced Annual Financial Reports

Notes:

- (1) Includes connection charges and other miscellaneous charges for all water and sewer accounts except the UC Funds and the Wastewater Revolving account.
- (2) Excludes depreciation, capital expenditures and debt service.
- (3) The 2004 CSCDA Wastewater and Water Revenue Bonds refunded the 1994 Sewer Revenue Refunding Bond and the PFA 2003 Local Revenue Refunding Bond
- (4) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003



**City of Merced**  
**Demographic and Economic Statistics**  
**Last Five Fiscal Years**

Fiscal Year	(1) Population	(2) Personal Income (expressed in Thousands)	(3) Per Capita Personal Income	(4) School Enrollment	(5) Unemployment Rate
2003	67,610	\$ 1,396,349	\$ 20,653	16,184	11.7%
2004	69,805	1,501,157	21,505	16,276	10.6%
2005	73,610	1,720,928	23,379	16,235	9.5%
2006	76,225	1,787,476	23,450	16,445	9.2%
2007	79,715	1,822,843	22,867	16,722	9.7%

Source:

- (1) California Department of Finance
- (2) Calculation
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis
- (4) Merced City School District & Merced Union High School District
- (5) Metropolitan Statistical Area (Merced County) as reported by the California Employment Development Department
- (4) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced  
Principal Employers  
For Fiscal Year 2007**

Employer (1)	2007	
	Number of Employees	Percentage of Total Employment
County of Merced	2,555	8.75%
Merced City School District	1,300	4.45%
Cingular	920	3.15%
Quebecor	900	3.08%
Merced Union High School District	890	3.05%
Merced College	800	2.74%
University of California, Merced	800	2.74%
City of Merced	676	2.32%
Bianchi & Sons Packing	500	1.71%
WalMart	363	1.24%
	<u>9,704</u>	<u>33.23%</u>
Total Labor Force (2)	29,900	

Source:

(1) City of Merced Economic Development Department

(2) State of California EDD

(3) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

Note :

"Total Employment" as used above represents the total employment of employers located in the Merced area.

**City of Merced**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Five Fiscal Years**

Function	Full-Time-Equivalent Employees as of June 30				
	2003	2004	2005	2006	2007
General Government	88	99	109	115	117
Redevelopment	4	5	4	4	5
Public Safety					
Police					
Officers	96	90	97	103	123
Civilians	22	20	21	22	28
Fire					
Firefighters and					
Officers	53	54	53	61	80
Civilians					
Streets	24	24	26	25	34
Refuse	29	27	30	31	26
Parks and Recreation	88	59	83	79	22
Water	21	19	20	22	26
Wastewater	26	26	31	30	28
Other Public Works	38	37	33	38	40
<b>Total</b>	<b>489</b>	<b>460</b>	<b>507</b>	<b>530</b>	<b>529</b>

Source: City Finance Department  
 Labor Quarterly Reports month of June 2003-2006  
 City Payroll 2007

(3) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Operating Indicators by Function**  
**Last Five Fiscal Years**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General Government</b>					
* Area (square miles)	21.52	22.09	22.34	22.76	22.91
* Bldg permits issued	2,328	2,892	2,854	3,514	2,189
<b>Police</b>					
Physical arrests	9,426	8,605	7,853	8,462	9,368
Traffic violations	7,797	9,037	8,214	8,105	6,849
<b>Fire</b>					
Number of Incidents	3,795	4,289	4,277	4,420	4,458
Inspections	4,385	4,264	4,884	4,997	4,642
<b>Parks and Recreation</b>					
Number of recreation classes	13	13	13	9	11
Number of facility rentals	781	876	851	651	598
<b>Water</b>					
New connections	724	1007	926	977	861
<b>Wastewater</b>					
New connections	491	1005	1133	1074	860

Sourc City of Merced

Note:

- (1) Fire Department indicators are based on a calendar year (example - 2007 data is as of December 31, 2006)
- (2) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003

**City of Merced**  
**Capital Asset Statistics by Function**  
**Last Five Fiscal Years**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police					
*      Number of Stations	3	3	3	3	3
Fire Stations					
*      Number of Stations	4	4	4	5	5
Public Works					
*      Street miles (Center Line)	207.7	276.1	276.1	315	324.1
Parks and recreation					
*      Number of Parks	29	29	29	35	40
Parks acreage (a)	339.6	339.6	339.6	380	387.26
Water					
*      Water mains (miles)	256.3	256.3	274.19	275.53	276.7
Wastewater					
*      Sanitary sewers (miles)	245	413.5	420.09	420.75	421.28
*      Storm sewers (miles)	48	78.3	84.23	84.23	84.5

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Note: The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003