



CITY OF MERCED, CALIFORNIA

Comprehensive Annual Financial Report



FOR THE FISCAL YEAR ENDED JUNE 30, 2008



The Yosemite Valley Railroad ran between the City of Merced and El Portal from 1907 to 1945. The railroad provided passenger service for travelers going to Yosemite National Park and freight service for timber, lumber, and limestone.

The location of the train station in Merced was at the North West corner of 18th and R Streets.

The cover photo is from the Merced County Historical Society Archives.

City of Merced

Merced, California

Comprehensive Annual Financial Report

For the year ended June 30, 2008

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT



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 Comprehensive Annual Financial Report
 For the year ended June 30, 2008**

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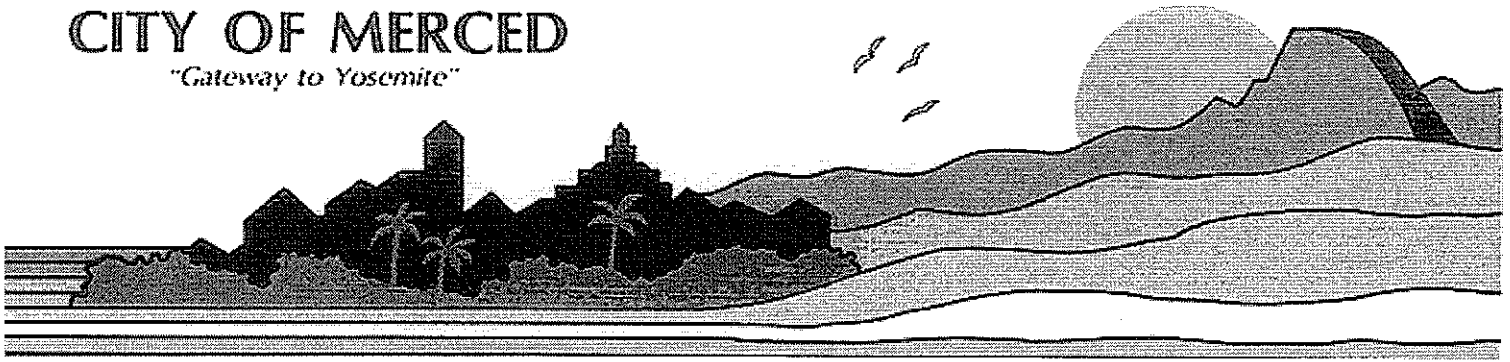
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CITY OF MERCED

"Gateway to Yosemite"



December 15, 2008

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, 2008 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, 2008. 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 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles. The City has a population of approximately 80,000 and serves as the county seat. Merced is located on Highway 99, the dominant north-south freeway in California, and is served also by Highways 140 and 59. Two railroads, Union Pacific and Burlington Northern Santa Fe, have main lines that pass through the City.

Merced serves as the region's trade center. The economy has been based upon traditional industries such as food processing and manufacturing but with increasing diversification and expansion in commercial services. A portion of a new 86,000 square foot neighborhood shopping center in southeast Merced, The Playa Merced, has been constructed. Phase one of the shopping center, included a Rancho San Miguel grocery store, which opened in May 2007 and a Longs Drug store, which opened on September 1, 2007. Other commercial investments include a drive-thru Starbucks and Subway Sandwiches at the Highway 99 and Childs Avenue Interchange. The construction of a Hampton Inn and Suites on Parsons Avenue just north of Highway 99 was completed. Construction began on a Holiday Inn Express on South Parsons Avenue.

New retailers recently opening at the Merced Marketplace include Country Waffle, Port of Subs, and Great Clips for Hair.

Merced's industrial base includes printing, fiberglass boat building, warehousing and distribution, and plastic and packaging industries. Expansion of local firms has continued, with a few new companies entering the area. Scholle Corporation expanded its line production, and Quebecor added a new press. ServiceMaster completed a two-facility expansion in the Airport Industrial Park and four new companies, Sensient Dehydrated Flavors, Universal Service Recycling, Certified Laboratories of California, and Merced Faculty Associates Billing Department, came to Merced.

Downtown revitalization continued with nearly \$3 million in private investment completed and new projects under construction within the City's Downtown Core. Restoration of the commercial and retail spaces attached to the historic Merced Theatre are complete. Private investment in Downtown Merced continues with the rehabilitation of the Maaco and Carpenter Printing buildings. The University Plaza has been expanded, and a new commercial facility was constructed for Flooring Liquidators. A new Downtown Strategy was adopted in December 2007 that includes framework to maintain a vibrant downtown by adding entertainment destinations and residential neighborhoods to the existing business core.

University of California Merced (UC Merced) is now in it's third year with an enrollment of approximately 1,800 students. UC Merced is designated as the research university for the 21st Century. UC Merced is planning a research-based medical school that is estimated to open in 2013. Campus Parkway, a planned four-lane expressway, will eventually connect the interchange on Highway 99 at Mission Avenue to Yosemite Avenue and will run to the UC Merced campus.

Despite the downturn in the national economy, local indicators such as increasing employment opportunities and investments in capital improvement projects, point out the City of Merced is headed for long-term economic development and community prosperity.

CURRENT EVENTS

Key events for fiscal year 2007-08 are highlighted as follows:

General Government

At the General Municipal Election on November 6, 2007 voters approved amendments to the City Charter. The Charter had not been updated since it was initially adopted in 1949.

In November 2007 the City of Merced began operating the Merced Visitors Services.

Planning began for an extensive overlay and reconstruction project on Olive Avenue, funded by use tax from Measure "C" and state bond funds from Proposition 1B.

The City implemented a way-finding signage program that reinforced Merced's "sense of place", and directions to key destinations.

The City felt the effect of Baby Boomers retiring with 28 employees leaving the work force.

Support Services

The City of Merced was a Spotlight Employer at UC Merced.

Recreation and Parks

Two lots were acquired on 26th and M Streets to expand Applegate Park.

Public Safety

Merced Police Department continued to expand the number of Neighborhood Watch Groups and Safe Street Projects. At least, 16 Safe Street Programs were completed.

Public Works

The City is awaiting final approval of a State Revolving Fund Loan from the State Water Resources Control Board in the amount of \$37 million dollars for the upgrade and expansion of the Wastewater Treatment Plant. The total project is estimated to cost \$65 million dollars.

Transportation and Housing

The City received over \$1.2 million in Community Development Block Grant funds and \$601,297 in Federal HOME funds. These funds were used primarily to benefit low and moderate-income residents.

The City received grant funds from the State in the amounts of \$660,000 for BEGIN and \$600,000 for CalHome Programs. The BEGIN funds will be used for first time homebuyers in the Silverleaf Subdivision at Bellevue Ranch and the CalHome funds will be used for other first time homebuyers and owner rehabilitation projects.

Great Lakes Aviation was awarded the Essential Air Services contract to provide commercial air service at the Merced Municipal Airport.

Community Development

The City of Merced is in the process of updating the General Plan. During the year a study session was held for the preparation of the draft General Plan and draft Environmental Impact Report. The process is expected to be complete in 2009.

Redevelopment Agency

The construction of a Hampton Inn and Suites on Parsons Avenue just north of Highway 99 was completed.

Construction began on a Holiday Inn Express on South Parsons Avenue.

The Merced Theatre project included renovation of the historic Merced Theatre, ten residential units and commercial space. Improvements were completed on the residential units and commercial spaces and eight out of the ten residential units were occupied. The project was awarded a \$1.93 million grant for restoration of the historic Merced Theatre.

The Martin Luther King Jr. Way Beautification project was completed in September 2007. The improvements included: partial road reconstruction, installation of medians, signalization, landscaping, and installation of decorative streetlights.

The Merced Center project was started. This project included a parking garage, Merced College Business Resource Center building and hotel. Merced College completed its Business Resource Center building and classes are now being held in the new building. The parking garage will be open for use in the summer of 2008 with 335 parking spaces and 10,000 square feet of retail space. Merced's first green hotel, and 75,000 square feet of office space was in the planning stage.

A Longs Drug store opened on September 1, 2007 in the new The Playa Merced Shopping Center.

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 12 months, with the average maturity being 97 days. The average yield on investments was 2.59 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, 2008 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 \$100,000 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, 2007. This was the twelfth consecutive year the City received this prestigious award. The Certificate of Achievement is a national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

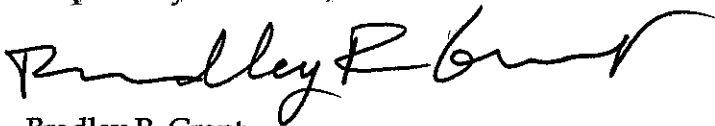
In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal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

ACKNOWLEDGMENTS

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

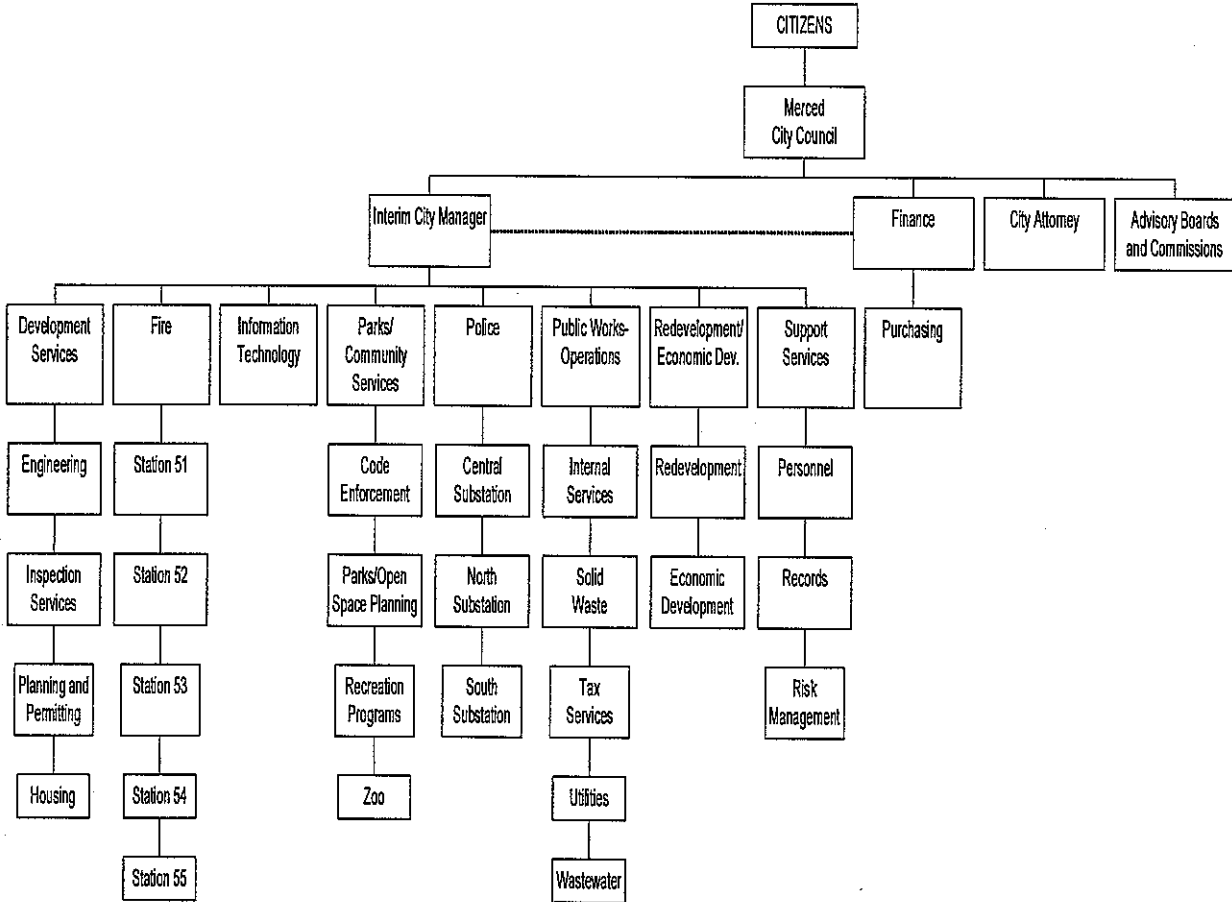
I would like to acknowledge the City Council for their continuous support in planning and conducting the financial operations of the City of Merced in a responsible and progressive manner.

Respectfully submitted,



Bradley R. Grant
Finance Officer

City of Merced Organizational Chart June 30, 2008



***City of Merced
Responsible Officials
June 30, 2008***

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

**Ellie Wooten
John Carlisle
Joseph Cortez
Michele Gabriault-Acosta
Noah Lor
James Sanders
William Spriggs**

**Interim 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**

**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, 2007

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.



Clare S. Cox

President

Jeffrey R. Emery

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merced, California (City), as of and for the year ended June 30, 2008, 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.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

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, 2008, 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.

As described in Note 1 to the basic financial statements, the City adopted the following Statements of the Governmental Accounting Standards Board:

- No. 48 - *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*
- No. 50 - *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

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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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, 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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 15, 2008

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, 2008. 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 \$36.9 million. The governmental net assets increased by \$16.6 million and the business-type net assets increased by \$20.3 million.
- As shown on the Statement of Net Assets, the assets of the City exceeded its liabilities at the close of the fiscal year by \$593.9 million.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$13.9 million, or 65% percent of the General Fund fund balance.
- The net decrease to governmental activity long-term debt was \$1.8 million. New debt issued during the year was a \$250,000 Loan Payable for the purchase of parkland for Fahrens Park.
- The net decrease to the business-type activity long-term debt was \$1.5 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 forty one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Redevelopment Agency Special Revenue Fund, Housing Special Revenue Fund, Development Services Special Revenue, Public Facilities Impact Special Revenue, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, and Park Reserve, which are considered to be major funds. Data from the other thirty three governmental funds are combined into a single, aggregated presentation.

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

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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 \$593.9 million at the close of the most recent fiscal year.

Summary of Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 137,859,750	\$ 142,168,586	\$ 96,752,124	\$ 97,145,765	\$ 234,611,874	\$ 239,314,351
Capital assets	344,118,808	331,533,504	110,011,192	91,281,461	454,130,000	422,814,965
Total assets	481,978,558	473,702,090	206,763,316	188,427,226	688,741,874	662,129,316
Current liabilities	12,972,894	18,780,878	7,416,091	7,989,755	20,388,985	26,770,633
Noncurrent liabilities	38,486,851	40,991,797	35,877,108	37,333,339	74,363,959	78,325,136
Total liabilities	51,459,745	59,772,675	43,293,199	45,323,094	94,752,944	105,095,769
Net assets:						
Invested in capital assets,						
net of debt	319,201,850	298,036,557	73,181,722	52,964,607	392,383,572	351,001,164
Restricted	39,957,242	38,115,079	15,709,079	19,382,097	55,666,321	57,497,176
Unrestricted	71,359,721	77,777,779	74,579,316	70,757,428	145,939,037	148,535,207
Total net assets	\$ 430,518,813	\$ 413,929,415	\$ 163,470,117	\$ 143,104,132	\$ 593,988,930	\$ 557,033,547

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The largest portion of the City's net assets (66%) 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.

Nine percent of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$145.9 million is the unrestricted net assets. The Governmental Activities unrestricted net assets of \$71.3 million includes \$24.6 million of fund balance reserves, \$6.7 million of fund balance designations, \$27.5 million earmarked as special revenue which is legally restricted to expenditures for specified purposes and \$7.6 million earmarked for capital projects. The Business-Type Activities unrestricted net assets of \$74.5 million includes \$55 million earmarked for capital projects.

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

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

	Statement of Activities					
	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 22,495,603	\$ 31,249,949	\$ 36,970,305	\$ 37,656,028	\$ 59,465,908	\$ 68,905,977
Operating grants and contributions	8,289,789	9,440,351			8,289,789	9,440,351
Capital grants and contributions	21,366,033	20,804,576	12,914,315		34,280,348	20,804,576
General revenues and transfers:						
Property taxes	25,824,787	23,987,156			25,824,787	23,987,156
Sales taxes	13,796,334	16,104,789			13,796,334	16,104,789
Franchise taxes	1,450,967	1,363,288			1,450,967	1,363,288
Transient occupancy tax	901,585	816,855			901,585	816,855
Business license tax	1,286,895	1,234,700			1,286,895	1,234,700
Cost recovery impact study	119,682	659,980			119,682	659,980
Business improvement area	91,443	100,166			91,443	100,166
Other	2,881,802	4,488,498	3,410,691	4,092,081	6,292,493	8,580,579
Total revenues	98,504,920	110,250,308	53,295,311	41,748,109	151,800,231	151,998,417
Expenses						
Governmental activities:						
General government	29,549,528	24,535,552			29,549,528	24,535,552
Public Safety	28,182,100	25,733,837			28,182,100	25,733,837
Public Works	15,711,235	12,657,996			15,711,235	12,657,996
Parks	6,782,539	5,779,350			6,782,539	5,779,350
Other	1,375,397	1,477,834			1,375,397	1,477,834
Business-type activities:						
Wastewater system			11,377,729	7,803,288	11,377,729	7,803,288
Water system			9,598,777	6,725,616	9,598,777	6,725,616
Refuse collection			11,527,731	7,945,319	11,527,731	7,945,319
Merced municipal airport			739,812	738,941	739,812	738,941
Total expenses	81,600,799	70,184,570	33,244,049	23,213,164	114,844,848	93,397,733
Increase in net assets before transfers	16,904,121	40,065,738	20,051,262	18,534,945	36,955,383	58,600,683
Transfers	(314,723)	(596,551)	314,723	596,551		
Increase in net assets	16,589,398	39,469,187	20,366,985	19,131,496	36,955,383	58,600,683
Net assets beginning of year	413,929,415	374,460,228	143,104,132	123,972,636	557,033,547	498,432,864
Net assets ending of year	\$ 430,518,813	\$ 413,929,415	\$ 163,470,117	\$ 143,104,132	\$ 593,988,930	\$ 557,033,547

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities- Governmental Activities increased the City's net assets by \$16.5 million. Taxes provided 45% of the revenue and charges for services provided 23% of the revenue, and capital grants and contributions provided 22% of the revenue received during the year.

The major factors that contribute to the increase in net assets are the acquisition of capital assets and developer contributions of infrastructure from development agreements due to the growth in the City, and the increase in the internal service funds.

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, 2008**

	Total Cost of Services	Net Cost of Services
General Government	\$ 29,549,528	\$ (7,241,239)
Public Safety	28,182,100	(24,302,059)
Public Works	15,711,235	8,147,400
Parks	6,782,539	(4,678,079)
Other	1,375,397	(1,375,397)
Total	\$ 81,600,799	\$ (29,449,374)

The costs for all governmental activities during the year were \$81.6 million, which is 71% of total expenses. The City's taxpayers paid for \$43.8 million of these costs. Fees, grants and contributions funded the balance of the cost.

Business-type Activities-Business-type activities increased the City's net assets by \$20.3 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities total \$53.2 million. Program revenues of the City's business-type activities total \$49.8 million. Expenses of business-type activities were \$33.2 million. Transfers to the City's business-type activities were \$314,723.

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, 2008 of \$80.4 million, a decrease of \$9.1 million. The decrease was due to expenditures for capital outlay that were funded from the carryover of funds from previous years.

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 \$21.4 million and the unreserved, undesignated fund balance was \$13.9 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 38% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$1.3 million 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 increased by \$2.7 million due to transfers in from the Redevelopment Agency Capital Projects Fund.

Development Services Special Revenue Fund-

- This major fund decreased by \$3.2 million due to a reduction in growth related revenues and the use of accumulated funds for operations.

Public Facilities Impact Fees Special Revenue Fund-

- This major fund decreased by \$791,777 due to the use of accumulated funds for capital outlay.

Redevelopment Agency Debt Service Fund-

- This major fund decreased by \$271,371 due to the use of accumulated funds for capital projects.

Redevelopment Agency Capital Projects Fund-

- This major fund decreased by \$4.4 million due to the use of accumulated funds to finance capital projects and transfers to the Redevelopment Agency Special Revenue Fund.

Park Reserve Capital Projects-

- This major fund decreased by \$1.0 million due to the use of accumulated funds 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 \$22.3 million. The unrestricted net assets of the enterprise funds were \$74.5 million. The total change in net assets for the Governmental Activities Internal Service Funds and the Enterprise Funds were \$1.7 million and \$20.3 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 \$330,229, which includes interfund transactions, machinery and equipment, professional services, utilities and personnel related expenditures. The actual expenditures were under budget by \$2.3 million.

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, 2008, amounted to \$454.1 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 Note 7. Capital Assets.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Non-depreciable Assets:						
Land and improvements	\$ 61,843,612	\$ 61,356,707	\$ 258,681	\$ 258,681	\$ 62,102,293	\$ 61,615,388
Construction in progress	37,061,479	47,002,936	29,041,317	27,563,618	66,102,796	74,566,554
Total non-depreciable assets	98,905,091	108,359,643	29,299,998	27,822,299	128,205,089	136,181,942
Depreciable Assets:						
Building and structures	9,335,272	9,335,272	2,511,934	2,451,934	11,847,206	11,787,206
Machinery and equipment	33,695,138	30,960,542	3,702,440	3,206,799	37,397,578	34,167,341
Improvements other than buildings, structures and land improvements	74,186,056	59,702,260	77,300,989	69,423,412	151,487,045	129,125,672
Infrastructure	363,633,318	344,728,866	33,573,787	20,719,471	397,207,105	365,448,337
Sub-total depreciable assets						
Accumulated depreciation	(235,636,067)	(221,553,079)	(36,377,956)	(32,342,454)	(272,014,023)	(253,895,533)
Total depreciable assets, net	245,213,717	223,173,861	80,711,194	63,459,162	325,924,911	286,633,023
Total capital assets	\$ 344,118,808	\$ 331,533,504	\$ 110,011,192	\$ 91,281,461	\$ 454,130,000	\$ 422,814,965

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

- o Infrastructure was added in the amount of \$31.7 million.
- o Construction costs of \$5.9 million for the parking garage at the Merced Center.
- o The Wastewater Treatment Plant upgrade and expansion with \$3.7 million in construction costs.
- o Construction costs of \$1.2 million for roadway, sidewalks, signals, streetlights, and landscaping reconstruction on Martin Luther King Way.
- o A water service line replacement project in the amount of \$1.4 million.
- o Roadway slurry seal improvement of \$1.6 million.
- o Right of way was purchased for the Highway 59 widening for \$963,000.
- o Property was purchased for the Applegate Park expansion for \$752,000.
- o Water well site improvements of \$787,000.

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Long-term debt-At the end of the current fiscal year, the City had \$73.1 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 or earmarked by specific revenue sources. Additional information on the City of Merced's debt can be found in Note 9. Long-Term Debt.

Outstanding Debt June 30, 2008

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Tax allocation bonds payable	\$ 24,572,825	\$ 26,162,825	\$	\$	\$ 24,572,825	\$ 26,162,825
Pension obligation bonds	7,115,000	7,200,000			7,115,000	7,200,000
Participation and development agreements	75,000	175,000			75,000	175,000
Loan payable	3,501,327	3,466,653			3,501,327	3,466,653
Loan guarantee	960,688	1,095,961			960,688	1,095,961
Revenue bonds payable			27,182,261	28,244,645	27,182,261	28,244,645
Loan payable			8,163,193	8,282,837	8,163,193	8,282,837
Improvement bonds payable			1,595,000	1,920,000	1,595,000	1,920,000
Total	\$ 36,224,840	\$ 38,100,439	\$ 36,940,454	\$ 38,447,482	\$ 73,165,294	\$ 76,547,921

During the current fiscal year, the City's total debt decreased by \$3.3 million or 4.4%. The overall decrease in outstanding debt was a result of annual principal payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- A refuse rate study was conducted and the City Council approved a rate increase that will be effective in August 2008.
- Due to the economic slowdown, and new commercial development in neighboring communities, the FY 2008-09 Sales Tax revenue is expected to decline by 7%.
- Merced County has reassessed property values downward by at least 5% for the 2008-09 tax roll.
- With the slowdown in construction, the number of foreclosures, and the inventory of houses on the market it is expected that property tax revenue will continue to decline. In addition, there will be an impact on the special taxes and assessments collected due to delinquencies.
- In the past, the City of Merced has been fiscally conservative and prudent in its budgeting practices and has continued this practice for fiscal year 2008-09. At the time the fiscal year 2008-09 budget was adopted it was unclear what impacts the State of California budget might have on the City. Adjustments may be necessary once the State budget is adopted.
- In mid fiscal year 2007-08 non-critical vacated positions were frozen. There are a total of 19 approved but unfunded positions in the 2008-09 budget.
- The 2008-09 General Fund budget is balanced with the use of reserves and other one-time funds.
- The fiscal 2008-09 budget includes an advance from the General Fund to Community Facility Districts-Services to fund an adequate level of services until sufficient special tax revenue is generated.
- The City is in the process of applying for a 20 year State Revolving Fund Loan (SRF) through the State Water Resources Control Board for the Wastewater Treatment Plant improvements required by the Central Valley Regional Water Quality Control Board.
- An analysis is being done on the use of restricted water funds for water meter installation. Water meters will decrease the quantity of water used, negate the need for drilling additional wells and allow the City to meet the State deadline of installing meters.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET - Continued

- An actuarial valuation of Other Post Employment Benefits (OPEB) was completed and will be implemented in fiscal year 2008-09. A request for proposal will be completed for the formation of an OPEB Trust Fund.
- A financing team is working with on a Redevelopment Agency Gateways Project Area bond issue for fiscal year 2008-09. Eligible projects have been identified for both public improvements and low-cost housing.

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 18th Street, Merced, CA, 95340.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Merced
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 91,182,196	\$ 72,865,997	\$ 164,048,193
Restricted cash held by fiscal agent	2,439,693	9,230,420	11,670,113
Receivables, net	5,774,584	4,986,761	10,761,345
Condemnation deposits	92,000		92,000
Due from other governments	8,103,701	8,148,020	16,251,721
Prepaid items	4,271		4,271
Inventory	150,701	108,532	259,233
Total current assets	107,747,146	95,339,730	203,086,876
Noncurrent assets:			
Land held for resale	3,546,704		3,546,704
Notes receivable	26,486,619	15,393	26,502,012
Loan guarantee receivable	966,899		966,899
Internal balances, noncurrent portion	(887,618)	887,618	
Deferred charges		509,383	509,383
Subtotal noncurrent assets	30,112,604	1,412,394	31,524,998
Capital assets:			
Nondepreciable	98,905,091	29,299,998	128,205,089
Depreciable, net of accumulated depreciation	245,213,717	80,711,194	325,924,911
Total capital assets, net	344,118,808	110,011,192	454,130,000
Total noncurrent assets	374,231,412	111,423,586	485,654,998
Total assets	481,978,558	206,763,316	688,741,874
LIABILITIES			
Current liabilities:			
Accounts payable	1,489,940	1,294,555	2,784,495
Payroll liabilities	1,491,509	290,979	1,782,488
Deposits	19,000	1,027,573	1,046,573
Unearned revenue	234,376	2,567,172	2,801,548
Accrued interest payable	200,699	470,642	671,341
Other liabilities	4,782,737	133,594	4,916,331
Compensated absences, due within one year	813,710	85,089	898,799
Claims payable, due within one year	1,704,867		1,704,867
Long-term debt, due within one year	2,236,056	1,546,487	3,782,543
Total current liabilities	12,972,894	7,416,091	20,388,985
Noncurrent liabilities:			
Compensated absences, due in more than one year	2,537,724	483,141	3,020,865
Claims payable, due in more than one year	1,960,343		1,960,343
Long-term debt, due in more than one year	33,988,784	35,393,967	69,382,751
Total noncurrent liabilities	38,486,851	35,877,108	74,363,959
Total liabilities	51,459,745	43,293,199	94,752,944
NET ASSETS			
Invested in capital assets, net of related debt	319,244,656	73,181,722	392,426,378
Restricted for:			
Special projects and programs	26,659,001	6,951,769	33,610,770
Debt service	5,445,821	586,841	6,032,662
Capital projects	7,852,420	8,170,469	16,022,889
Total restricted	39,957,242	15,709,079	55,666,321
Unrestricted	71,316,915	74,579,316	145,896,231
Total net assets	\$ 430,518,813	\$ 163,470,117	\$ 593,988,930

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 29,549,528	\$ 13,825,457	\$ 6,611,111	\$ 1,871,721	\$ 22,308,289
Public safety	28,182,100	2,966,792	913,249		3,880,041
Public works	15,711,235	4,615,743		19,242,892	23,858,635
Parks	6,782,539	1,087,611	765,429	251,420	2,104,460
Interest on long-term debt	1,375,397				
Total governmental activities	81,600,799	22,495,603	8,289,789	21,366,033	52,151,425
Business-type activities:					
Wastewater system	11,377,729	15,166,622		3,964,891	19,131,513
Water system	9,598,777	10,517,877		4,268,647	14,786,524
Refuse collection system	11,527,731	10,224,911		4,620,777	14,845,688
Merced municipal airport	739,812	1,060,895		60,000	1,120,895
Total business-type activities	33,244,049	36,970,305		12,914,315	49,884,620
Total government	\$ 114,844,848	\$ 59,465,908	\$ 8,289,789	\$ 34,280,348	\$ 102,036,045

General revenues:

Taxes:

Property

Sales

Franchise taxes

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 19)

End of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (7,241,239)	\$	\$ (7,241,239)
(24,302,059)		(24,302,059)
8,147,400		8,147,400
(4,678,079)		(4,678,079)
(1,375,397)		(1,375,397)
(29,449,374)		(29,449,374)
	7,753,784	7,753,784
	5,187,747	5,187,747
	3,317,957	3,317,957
	381,083	381,083
	16,640,571	16,640,571
(29,449,374)	16,640,571	(12,808,803)
25,824,787		25,824,787
13,796,334		13,796,334
1,450,967		1,450,967
901,585		901,585
1,286,895		1,286,895
119,682		119,682
91,443		91,443
43,471,693		43,471,693
2,104,907	3,410,691	5,515,598
776,895		776,895
(314,723)	314,723	
46,038,772	3,725,414	49,764,186
16,589,398	20,365,985	36,955,383
413,929,415	143,104,132	557,033,547
\$ 430,518,813	\$ 163,470,117	\$ 593,988,930

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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 - This fund is used to account for all in-lieu fees which 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, 2008

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
ASSETS					
Cash, cash equivalents and investments	\$ 18,908,199	\$ 989,840	\$	\$ 2,811,737	\$ 15,496,201
Cash held by fiscal agent	9,669				
Receivables	635,624	8,356	4,945	16,546	3,078,638
Condemnation deposits					
Due from other governments	1,993,055		373,736		
Due from other funds	61,973	332,131		1,111	
Inventory	22,929				
Land held for resale		3,259,866			
Notes receivable	1,358	7,258,330	15,010,277	969	162,919
Loan guarantee receivable					
Advances to other funds	1,640,638				
Total assets	\$ 23,273,445	\$ 11,848,523	\$ 15,388,958	\$ 2,830,363	\$ 18,737,758
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 216,990	\$ 4,437	\$ 357	\$ 17,816	\$
Payroll liabilities	1,323,737	14,090	10,281		
Deposits		19,000			
Deferred revenue	218,108	3,452,979	15,080,277		
Due to other funds	93,509		14,133		
Advances from other funds					
Other liabilities	6,963		26,109	162,610	2,089,515
Total liabilities	1,859,307	3,490,506	15,131,157	180,426	2,089,515
Fund Balances:					
Reserved	2,298,471	7,116,319	198,124	630,590	
Unreserved, designated, reported in:					
General Fund	5,206,579				
Special revenue funds					
Total unreserved, designated	5,206,579				
Unreserved, undesignated reported in:					
General Fund	13,909,088				
Special revenue funds		1,241,698	59,677	2,019,347	16,648,243
Debt service funds					
Capital project funds					
Total unreserved, undesignated	13,909,088	1,241,698	59,677	2,019,347	16,648,243
Total fund balances	21,414,138	8,358,017	257,801	2,649,937	16,648,243
Total liabilities and fund balances	\$ 23,273,445	\$ 11,848,523	\$ 15,388,958	\$ 2,830,363	\$ 18,737,758

See accompanying Notes to Basic Financial Statements.

Redevelopment Agency Debt Service	Major Funds		Non-Major Governmental Funds	Total
	Park Reserve Capital Projects	Redevelopment Agency Capital Projects		
\$ 1,661,480	\$ 3,246,892	\$ 6,819,465	\$ 15,367,741	\$ 65,301,555
2,430,024				2,439,693
520,517	298,129	27,825	494,228	5,084,808
		92,000		92,000
1,660,655	21,953	675,647	3,371,174	8,096,220
			815,278	1,210,493
				22,929
			286,838	3,546,704
4,000,000	243	52,523		26,486,619
966,899				966,899
				1,640,638
<u>\$ 11,239,575</u>	<u>\$ 3,567,217</u>	<u>\$ 7,667,460</u>	<u>\$ 20,335,259</u>	<u>\$ 114,888,558</u>
\$	\$ 234,873	\$ 103,717	\$ 609,655	\$ 1,187,845
				1,348,108
				19,000
4,507,179			16,673	23,275,216
332,131			770,720	1,210,493
961,620			1,640,638	2,602,258
	2,083,147		409,119	4,777,463
<u>5,800,930</u>	<u>2,318,020</u>	<u>103,717</u>	<u>3,446,805</u>	<u>34,420,383</u>
<u>5,438,645</u>	<u>2,287,346</u>	<u>2,620,003</u>	<u>4,061,013</u>	<u>24,650,511</u>
				5,206,579
			1,573,386	1,573,386
			1,573,386	6,779,965
				13,909,088
			7,532,689	27,501,654
			7,176	7,176
	(1,038,149)	4,943,740	3,714,190	7,619,781
	(1,038,149)	4,943,740	11,254,055	49,037,699
<u>5,438,645</u>	<u>1,249,197</u>	<u>7,563,743</u>	<u>16,888,454</u>	<u>80,468,175</u>
<u>\$ 11,239,575</u>	<u>\$ 3,567,217</u>	<u>\$ 7,667,460</u>	<u>\$ 20,335,259</u>	<u>\$ 114,888,558</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, 2008

Total Fund Balances - Total Governmental Funds		\$ 80,468,175
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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.

Non-depreciable, net of Internal Service Fund assets of \$338,819	\$ 98,566,272	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$6,297,399	238,916,318	337,482,590

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-term debt due within one year	(2,236,056)	
Long-term debt due in more than one year	(33,988,784)	
Compensated absences, net of Internal Service Fund liability of \$323,046	(3,028,388)	(39,253,228)

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

23,040,840

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.

(200,699)

Internal service funds are used by management to charge the costs of certain activities to individual funds. This amount represents the net assets of the Internal Service Funds.

28,981,135

Net Assets of Governmental Activities		\$ 430,518,813
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City of Merced
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
REVENUES:					
Taxes	\$ 28,751,287	\$	\$	\$	\$
Licenses and permits	47,116				
Intergovernmental	688,481		3,149,653		
Service charges	7,106,811			2,901,519	2,836,822
Fines, forfeitures and penalties	580,209				
Other	1,142,017	707,993	36,984	233,996	1,015,585
Total revenues	38,315,921	707,993	3,186,637	3,135,515	3,852,407
EXPENDITURES:					
Current operating:					
General government	5,862,695	1,504,750	2,399,198	4,696,939	74,160
Public safety	27,582,052				
Public works				1,721,341	
Parks	2,386,297				
Total current operating	35,831,044	1,504,750	2,399,198	6,418,280	74,160
Capital outlay	669,320	449		68,346	3,141,359
Debt service:					
Principal	85,000				
Interest	411,769				
Total expenditures	36,997,133	1,505,199	2,399,198	6,486,626	3,215,519
REVENUES OVER (UNDER) EXPENDITURES	1,318,788	(797,206)	787,439	(3,351,111)	636,888
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of debt					
Contributed capital		288,065			
Transfers in	1,145,713	4,412,822	6,958	124,524	85,168
Transfers out	(3,852,284)	(1,186,003)	(1,183,706)	(37,800)	(1,513,833)
Total other financing sources (uses)	(2,706,571)	3,514,884	(1,176,748)	86,724	(1,428,665)
Net change in fund balances	(1,387,783)	2,717,678	(389,309)	(3,264,387)	(791,777)
FUND BALANCES:					
Beginning of year, as restated (Note 16)	22,801,921	5,640,339	647,110	5,914,324	17,440,020
End of year	\$ 21,414,138	\$ 8,358,017	\$ 257,801	\$ 2,649,937	\$ 16,648,243

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
\$ 9,007,647	\$	\$	\$ 5,712,759	\$ 43,471,693
				47,116
	21,953	548,656	5,789,621	10,198,364
212,082			2,193,118	15,250,352
			197,818	778,027
131,106	342,874	261,208	4,628,489	8,500,252
9,350,835	364,827	809,864	18,521,805	78,245,804
1,351,818			10,632,440	26,522,000
			33,263	27,615,315
			3,781,845	5,503,186
			4,017,699	6,403,996
1,351,818			18,465,247	66,044,497
	1,910,232	7,733,433	4,731,739	18,254,878
2,025,273		15,326		2,125,599
961,329		4,180		1,377,278
4,338,420	1,910,232	7,752,939	23,196,986	87,802,252
5,012,415	(1,545,405)	(6,943,075)	(4,675,181)	(9,556,448)
	250,000			250,000
			179,426	467,491
361,330	359,781	4,998,097	9,525,027	21,019,420
(5,645,116)	(83,420)	(2,499,626)	(5,324,280)	(21,326,068)
(5,283,786)	526,361	2,498,471	4,380,173	410,843
(271,371)	(1,019,044)	(4,444,604)	(295,008)	(9,145,605)
5,710,016	2,268,241	12,008,347	17,183,462	89,613,780
\$ 5,438,645	\$ 1,249,197	\$ 7,563,743	\$ 16,888,454	\$ 80,468,175

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, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (9,145,605)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	18,254,878
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Developer contributions that were made during the year in the form of capital asset donations did not constitute revenues that were available and were not recorded in the Governmental funds. They were recorded in the Government-Wide Financial Statements as general revenues.	18,734,308
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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 the governmental funds. This amount includes the allocation of internal service fund depreciation expense of \$1,983,512.	(14,768,448)
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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 the governmental funds.	(54,568)
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Expenses in the Statement of Activities which do not require the use of current financial resources are not reported as expenditures in the governmental funds. These expenditures are reported as loans receivable and deferred revenues in the governmental funds.	(61,373)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Issuance of long term debt	(250,000)
Principal payment	2,125,599

The liability for compensated absences does not require the use of current financial resources. As a result, these costs were not recorded in the governmental funds. This amount represents the current year's costs which were recorded in the Government-Wide Statement of Activities and Changes in Net Assets.	(5,605)
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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.	1,881
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in Net Assets of the internal service funds is reported with governmental activities.	1,758,331
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Change in Net Assets of Governmental Activities	\$ 16,589,398
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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 City and to other governmental units, on a cost reimbursement basis.

City of Merced
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 30,237,628	\$ 38,964,123	\$ 3,607,293	\$ 56,953	\$ 72,865,997	\$ 25,880,641
Cash held by fiscal agent	8,572,573	657,847			9,230,420	
Receivables	2,350,114	1,837,434	779,001	20,212	4,986,761	689,776
Due from other governments	4,173,444	3,923,601		50,975	8,148,020	7,481
Prepaid items						4,271
Inventory	1,500	107,032			108,532	127,772
Total current assets	45,335,259	45,490,037	4,386,294	128,140	95,339,730	26,709,941
Noncurrent assets:						
Notes receivable-private parties	13,787	1,481	125		15,393	
Advances to other funds		900,000			900,000	74,002
Deferred charges	361,853	147,530			509,383	
Capital assets:						
Nondepreciable	14,701,397	13,000,535	357,721	1,240,345	29,299,998	338,819
Depreciable, net of accumulated depreciation	33,757,633	28,091,925	16,329,327	2,532,309	80,711,194	6,297,399
Total capital assets	48,459,030	41,092,460	16,687,048	3,772,654	110,011,192	6,636,218
Total noncurrent assets	48,834,670	42,141,471	16,687,173	3,772,654	111,435,968	6,710,220
Total assets	94,169,929	87,631,508	21,073,467	3,900,794	206,775,698	33,420,161
LIABILITIES						
Current liabilities:						
Accounts payable	573,821	484,095	232,428	4,211	1,294,555	302,095
Payroll payable	101,053	78,172	100,637	11,117	290,979	143,401
Deposits	144,939	711,756	156,336	14,542	1,027,573	
Unearned revenue	850,987	1,016,758	686,311	13,116	2,567,172	
Accrued interest payable	317,995	152,276	371		470,642	
Other liabilities	121,746	11,848			133,594	5,274
Compensated absences payable, due within one year	70,050	4,392	9,734	913	85,089	17,909
Insurance claims, due within one year						1,704,867
Long-term debt, due within one year	1,135,838	410,649			1,546,487	
Total current liabilities	3,316,429	2,869,946	1,185,817	43,899	7,416,091	2,173,546
Noncurrent liabilities:						
Advances from other funds			12,382		12,382	
Compensated absences payable, due in more than one year	171,156	116,791	189,742	5,452	483,141	305,137
Insurance claims, due in more than one year						1,960,343
Long-term debt, due in more than one year	23,631,271	11,762,696			35,393,967	
Total noncurrent liabilities	23,802,427	11,879,487	202,124	5,452	35,889,490	2,265,480
Total liabilities	27,118,856	14,749,433	1,387,941	49,351	43,305,581	4,439,026
NET ASSETS						
Invested in capital assets, net of related debt	23,691,921	29,030,099	16,687,048	3,772,654	73,181,722	6,636,218
Restricted						
Special projects and programs	4,875,727	1,910,717	136,649	28,676	6,951,769	
Debt service	586,841				586,841	
Capital projects				334	8,170,469	
Unrestricted	29,726,449	41,941,259	2,861,829	49,779	74,579,316	22,344,917
Total net assets	\$ 67,051,073	\$ 72,882,075	\$ 19,685,526	\$ 3,851,443	\$ 163,470,117	\$ 28,981,135

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, 2008

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
OPERATING REVENUES:						
Charges for services	\$ 14,701,544	\$ 10,473,936	\$ 10,224,731	\$ 359,038	\$ 35,759,249	\$ 22,801,195
Other revenues	465,078	43,941	180	701,857	1,211,056	80,266
Total operating revenues	15,166,622	10,517,877	10,224,911	1,060,895	36,970,305	22,881,461
OPERATING EXPENSES:						
Personnel services	2,842,964	2,169,219	2,907,808	295,373	8,215,364	3,779,731
Materials, supplies and other services	3,893,962	4,029,391	5,999,872	307,030	14,230,255	6,047,992
Depreciation	1,776,453	1,466,302	748,006	91,310	4,082,071	1,983,514
Administrative shared expenses	817,763	478,038	1,046,146	46,099	2,388,046	571,908
Costs applied-labor, materials, supplies and services	846,056	911,761	825,527		2,583,344	9,904,512
Total operating expenses	10,177,198	9,054,711	11,527,359	739,812	31,499,080	22,287,657
OPERATING INCOME (LOSS)	4,989,424	1,463,166	(1,302,448)	321,083	5,471,225	593,804
NONOPERATING REVENUES (EXPENSES):						
Interest and investment earnings	1,574,376	1,676,438	158,392	1,485	3,410,691	1,118,690
Interest and related expenses	(1,200,531)	(544,066)	(372)		(1,744,969)	
Gain (loss) on sale of equipment						53,912
Total nonoperating revenues (expenses)	373,845	1,132,372	158,020	1,485	1,665,722	1,172,602
INCOME (LOSS) BEFORE TRANSFERS CAPITAL CONTRIBUTIONS	5,363,269	2,595,538	(1,144,428)	322,568	7,136,947	1,766,406
TRANSFERS AND CAPITAL CONTRIBUTIONS:						
Capital contributions	3,964,891	4,268,647	4,620,777	60,000	12,914,315	
Transfers in	3,763,712			314,761	4,078,473	
Transfers out	(3,763,712)	(38)			(3,763,750)	(8,075)
Total transfers and capital contributions	3,964,891	4,268,609	4,620,777	374,761	13,229,038	(8,075)
Change in net assets	9,328,160	6,864,147	3,476,349	697,329	20,365,985	1,758,331
NET ASSETS:						
Beginning of year	57,722,913	66,017,928	16,209,177	3,154,114	143,104,132	27,222,804
End of year	\$ 67,051,073	\$ 72,882,075	\$ 19,685,526	\$ 3,851,443	\$ 163,470,117	\$ 28,981,135

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers, including cash deposits	\$ 15,645,522	\$ 10,870,840	\$ 10,272,091	\$ 359,568	\$ 37,148,021	\$ 22,797,462
Cash paid to suppliers	(5,878,625)	(5,860,922)	(7,649,138)	(375,077)	(19,763,762)	(6,182,669)
Cash paid to employees	(2,842,906)	(2,138,689)	(2,886,384)	(301,613)	(8,169,592)	(3,710,154)
Cash (paid to) received from other governments	547,073	167,685		679,231	1,394,169	(10,633,872)
Net cash provided (used) by operating activities	7,471,064	3,038,914	(263,251)	362,109	10,608,836	2,270,767
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Advances from other funds	(6,728)		(390,123)		(396,851)	432,598
Advances to other funds	6,728				6,728	
Notes receivable						(501,117)
Transfers from other funds	3,763,712			314,761	4,078,473	
Transfers to other funds	(3,763,712)	(38)			(3,763,750)	(8,075)
Net cash provided (used) by noncapital financing activities		(38)	(390,123)	314,761	(75,400)	(76,594)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(4,737,615)	(4,012,435)	(275,597)	(871,840)	(9,897,487)	(2,447,411)
Payment of long-term debt	(1,124,449)	(382,579)			(1,507,028)	
Interest payments	(1,162,339)	(532,190)	(12,076)		(1,706,605)	
Proceeds from disposal of equipment						53,912
Net cash provided (used) by capital and related financing activities	(7,024,403)	(4,927,204)	(287,673)	(871,840)	(13,111,120)	(2,393,499)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment earnings	1,702,498	1,851,831	184,907	2,969	3,742,205	1,252,625
Payments from notes to private parties	(708)	6,845	577		6,714	
Net cash provided (used) by investing activities	1,701,790	1,858,676	185,484	2,969	3,748,919	1,252,625
Net increase (decrease) in cash and cash equivalents	2,148,451	(29,652)	(755,563)	(192,001)	1,171,235	1,053,299
Cash and cash equivalents at beginning of year	36,661,750	39,651,622	4,362,856	248,954	80,925,182	24,827,342
Cash and cash equivalents at end of year	\$ 38,810,201	\$ 39,621,970	\$ 3,607,293	\$ 56,953	\$ 82,096,417	\$ 25,880,641

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds				Total Enterprise Funds	Governmental
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		Activities Internal Service Funds
RECONCILIATION OF OPERATING						
INCOME (LOSS) TO NET CASH PROVIDED						
(USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 4,989,424	\$ 1,463,166	\$ (1,302,448)	\$ 321,083	\$ 5,471,225	\$ 593,804
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,776,453	1,466,302	748,006	91,310	4,082,071	1,983,514
Receivables	840,469	568,732	(9,496)	(12,189)	1,387,516	(3,733)
Inventory		(21,115)			(21,115)	(27,592)
Due from other governments	81,995	123,744		(22,626)	183,113	(880)
Prepays						19,217
Accounts payable	(316,502)	(409,317)	222,407	(10,312)	(513,724)	(126,302)
Payroll liabilities	20,033	16,022	16,898	1,291	54,244	21,324
Deposits	36,659	(242,929)	8,864	(397)	(197,803)	
Deferred revenue	66,850	71,101	47,992	13,116	199,059	
Other liabilities	(4,342)	(11,300)		(11,636)	(27,278)	(5,279)
Insurance claims						(231,559)
Compensated absences	(19,975)	14,508	4,526	(7,531)	(8,472)	48,253
Total adjustments	2,481,640	1,575,748	1,039,197	41,026	5,137,611	1,676,963
Net cash provided (used) by operating activities	\$ 7,471,064	\$ 3,038,914	\$ (263,251)	\$ 362,109	\$ 10,608,836	\$ 2,270,767
NON CASH ITEMS:						
Developer contributions of capital assets	\$ 3,964,891	\$ 4,268,647	\$ 4,620,777	\$ 60,000	\$ 8,949,424	\$

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, 2008

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 375,275	\$ 3,280,995
Restricted cash held by fiscal agent		7,125,870
Receivables	112,008	8,813
Deposits		157,100
Due from other governments		994,595
Total assets	487,283	\$ 11,567,373
LIABILITIES		
Accounts payable	42,927	
Deposits		1,926,320
Other liabilities		248,237
Due to bondholders		9,392,816
Total liabilities	42,927	\$ 11,567,373
NET ASSETS		
Held in trust for other purposes	444,356	
Total net assets	\$ 444,356	

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, 2008

	Private Purpose Trust Funds
ADDITIONS:	
Investment earnings	\$ 22,199
Miscellaneous	551,237
Total additions	<u>573,436</u>
DEDUCTIONS:	
General government	1,027,969
Total deductions	<u>1,027,969</u>
Net decrease	(454,533)
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES:	
Beginning of year	898,889
End of year	<u>\$ 444,356</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, 2008

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 current Charter for the City's government was ratified by electors on April 12, 1949, and approved by the legislature of the State of California on May 11 and May 12, 1949. The 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 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 City'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 (Agency)
- The City of Merced Public Financing Authority (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 Agency can be obtained from the City's Finance Department located at the City of Merced Civic Center.

The Agency of the City 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 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 costs and expenses of acquisition, construction and installation of authorized public capital improvements for the members through any financing procedures legally available to the members. All powers are vested in the governing board.

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

The City provides accounting and investing services for the Merced Mariposa Narcotics 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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 City 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 and change in Net Assets) 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, 2008

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 City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, 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 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, Engineering, 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 Agency.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City reports all of its proprietary funds as major:

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 City, 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 Replacement.

The Private Purpose Trust Funds are used to account for resources legally held in trust for the Task Force Trust, Youth Programs Endowment, Wahneta Hall Trust, Missing Children Trust and Regional Transportation Trust.

The Agency Funds are used to account for resources held by the City 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, 2008

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, 2008

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, 2008

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
Improvements 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, 2008

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 GAAP. 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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

O. Use of Estimates

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

P. New Pronouncements

In 2008, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* - This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues.
- GASB Statement No. 50, *Pension Disclosures - An amendment of GASB Statements No. 25 and 27* - This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI).

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a balance of \$4,703,208 and petty cash of \$2,525. Bank balances in the City's general checking accounts were \$6,639,930 and were fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City did not 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, 2008:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 91,182,196	\$ 72,865,997	\$ 164,048,193	\$ 3,656,270	\$ 167,704,463
Restricted Cash held by fiscal agent	\$ 2,439,693	\$ 9,230,420	\$ 11,670,113	\$ 7,125,870	\$ 18,795,983

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>1 year or less</u>
Cash:		
Cash Deposits	\$ 4,703,208	\$ 4,703,208
Petty Cash	2,525	2,525
Total cash:	<u>4,705,733</u>	<u>4,705,733</u>
Investments:		
Money Market Fund	2,735,695	2,735,695
U.S. Government Agency Securities	79,744,050	79,744,050
Local Agency Investment Fund	80,518,985	80,518,985
Total investments	<u>162,998,730</u>	<u>162,998,730</u>
Total cash and investments	<u>\$ 167,704,463</u>	<u>\$ 167,704,463</u>
Restricted Cash with Fiscal Agents:		
Local Agency Investment Fund	\$ 9,015,955	\$ 9,015,955
Money Market Funds	7,709,028	7,709,028
U.S. Agency Securities	2,071,000	2,071,000
Total restricted cash with fiscal agents	<u>\$ 18,795,983</u>	<u>\$ 18,795,983</u>

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 June 30, 2008 rating which meets the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements:

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

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

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2008 from June 30, 2007 amounted to an unrealized loss of \$345,188.

F. Investments in Local Agency Investment Fund

The City's investments with LAIF at June 30, 2008, 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 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, 2008, the City had \$80,518,985 invested in LAIF, which had invested 14.72% of the pooled investment funds in Structured Notes and Asset-Backed Securities as compared to 3.466% in the previous year. The LAIF fair value factor of 0.999950219 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, 2008, cash and investments with fiscal agents totaling \$18,795,983 were recorded at fair value.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. RECEIVABLES

A. Government Wide Financial Statements

At June 30, 2008, 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	\$ 4,835,974	\$ 4,649,549	\$ 110,267	\$ 9,595,790
Interest receivable	938,610	337,212	10,554	1,286,376
Total	\$ 5,774,584	\$ 4,986,761	\$ 120,821	\$ 10,882,166

B. Fund Financial Statements

At June 30, 2008, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts receivable	\$ 4,266,657	\$ 4,649,549	\$ 569,317	\$ 110,267	\$ 9,595,790
Interest receivable	818,151	337,212	120,459	10,554	1,286,376
Total	\$ 5,084,808	\$ 4,986,761	\$ 689,776	\$ 120,821	\$ 10,882,166

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2008, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 545,822
Redevelopment Special Revenue Fund	537
Development Service Special Revenue Fund	3,500
Public Facilities Impact Special Revenue Fund	3,001,703
Redevelopment Agency Debt Service Fund	5,037
Park Reserve Capital Project Fund	284,339
Nonmajor Funds	425,719
Total governmental funds	4,266,657
<i>Enterprise Funds:</i>	
Wastewater System	2,209,890
Water System	1,657,192
Refuse Collection System	762,255
Merced Municipal Airport	20,212
Total enterprise funds	4,649,549
<i>Internal Service Funds</i>	569,317
Total internal service funds	569,317
<i>Fiduciary Funds - Private Purpose Trust Funds</i>	
Regional Transportation Improvement	110,267
Total Fiduciary Funds	110,267
Total Accounts Receivable	\$ 9,595,790

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Interest Receivable

Interest receivable consisted 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, 2008, was as follows:

	City Pooled Investments	Fiscal Agent Investments	Total
<i>Governmental Funds:</i>			
General Fund	\$ 89,802	\$	\$ 89,802
Redevelopment Agency Special Revenue Fund	7,819		7,819
Housing Special Revenue Fund	4,945		4,945
Development Services Special Revenue Fund	13,046		13,046
Public Facilities Impact Special Revenue Fund	76,935		76,935
Redevelopment Agency Debt Service Fund	8,301	507,179	515,480
Park Reserve Capital Projects Fund	13,790		13,790
Redevelopment Agency Capital Projects Fund	27,825		27,825
Nonmajor Governmental Funds	68,509		68,509
Total governmental funds	<u>310,972</u>	<u>507,179</u>	<u>818,151</u>
<i>Enterprise Funds:</i>			
Wastewater System	140,224		140,224
Water System	180,242		180,242
Refuse Collection System	16,746		16,746
Total enterprise funds	<u>337,212</u>		<u>337,212</u>
<i>Internal Service Funds:</i>	120,088	371	120,459
Total	<u>768,272</u>	<u>507,550</u>	<u>1,275,822</u>
<i>Fiduciary Funds:</i>			
Private Purpose Trust Funds	1,741		1,741
Agency Funds	8,813		8,813
Total fiduciary funds	<u>10,554</u>		<u>10,554</u>
Total interest receivable	<u>\$ 778,826</u>	<u>\$ 507,550</u>	<u>\$ 1,286,376</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. DEFERRED REVENUE/UNEARNED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in the Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2008, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 234,376	\$	\$ 234,376
Service charges received in advance		2,567,172	2,567,172
	<u>\$ 234,376</u>	<u>\$ 2,567,172</u>	<u>\$ 2,801,548</u>

B. Fund Financial Statements

At June 30, 2008, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Redevelopment Agency Revenue	Redevelopment Housing Revenue	Redevelopment Agency Debt Service	Nonmajor Funds	Total
Prepaid business license fees	\$ 218,108	\$	\$	\$	\$ 16,673	\$ 234,781
Long-term loans receivable		3,452,979	15,080,277	4,507,179		23,040,435
Total	<u>\$ 218,108</u>	<u>\$ 3,452,979</u>	<u>\$ 15,080,277</u>	<u>\$ 4,507,179</u>	<u>\$ 16,673</u>	<u>\$ 23,275,216</u>

Proprietary Funds:

	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport	Total
Service charges received in advance	\$ 850,987	\$ 1,016,758	\$ 686,311	\$ 13,116	\$ 2,567,172
Total	<u>\$ 850,987</u>	<u>\$ 1,016,758</u>	<u>\$ 686,311</u>	<u>\$ 13,116</u>	<u>\$ 2,567,172</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. INTERFUND TRANSACTIONS

Fund Financial Statements

Due To, Due From

At June 30, 2008, the City had the following short-term interfund receivables and payables:

	Due From				
	Governmental Activities				
	General	Redevelopment Agency Special Revenue	Redevelopment Agency Debt Service	Non-Major Funds	Total
Due To					
<i>Governmental Activities:</i>					
General	\$	\$	\$	\$ 93,509	\$ 93,509
Housing		14,133			14,133
Redevelopment Agency Debt Service			332,131		332,131
Non-Major Funds		47,840	1,111	721,769	770,720
Totals	\$ 61,973	\$ 332,131	\$ 1,111	\$ 815,278	\$ 1,210,493

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, 2008, 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	\$ 61,620	\$ 961,620
Non-major funds		1,640,638		1,640,638
<i>Business-type Activities:</i>				
Refuse collection			12,382	12,382
Total	\$ 1,640,638	\$ 900,000	\$ 74,002	\$ 2,614,640

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

Long-Term Advances, Continued

Advance to the Community Facility District Fund (a non-major 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 special annual 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, 2008 was \$61,620.

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

- \$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, 2008 was \$12,382.

Transfers

At June 30, 2008, the City had the following transfers:

	Transfers In										Total
	Governmental Activities										
	Redevelopment	Housing	Development	Public	Redevelopment	Park	Redevelopment	Merced			
	Agency Special Revenue	Special Revenue	Services Special Revenue	Facilities Special Revenue	Agency Debt Service	Reserve Capital Projects	Agency Capital Projects	Nonmajor Funds	Municipal Airport		
Governmental Activities:											
General	\$	\$	\$	\$	\$	\$	\$	\$ 3,775,803	\$ 76,481	\$ 3,852,284	
RDA Special Revenue		85,000					1,087,714	13,289		1,186,003	
Housing Special Revenue	230,000		105,000		361,330			487,376		1,183,706	
Development Services	37,800									37,800	
Public Facilities						359,781		1,154,052		1,513,833	
RDA Debt Service		2,476,530	6,958					3,161,628		5,645,116	
Park Reserve Capital								83,420		83,420	
RDA Capital Projects		1,851,292						635,334	13,000	2,499,626	
Nonmajor Funds	877,913		19,524	85,168				113,421	3,989,974	238,280	5,324,280
Business-type Activities:											
Water System									38	38	
Internal Service Funds									8,075	8,075	
Total	\$ 1,145,713	\$ 4,412,822	\$ 6,958	\$ 124,524	\$ 85,168	\$ 361,330	\$ 359,781	\$ 4,998,097	\$ 9,525,027	\$ 314,761	\$ 21,334,181

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

Transfers, Continued

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

1. Transfers from the General Fund to the Merced Municipal Airport Fund were for the General Fund subsidy for airport operations.
2. Transfers from the RDA Special Revenue to the RDA Capital Project Fund were for the capital outlay projects.
3. Transfers from the Housing Fund to General Fund represent funding for police officers and community aide.
4. Transfers from the Housing Fund to the Development Service Funds were for planning and urban development services provided to the Housing Fund.
5. Transfers from the Housing Fund to the Redevelopment Agency Debt Service funds were for HUD 108 loan debt service.
6. Transfers from the Development Services to the General Fund were for LAFCO Operations.
7. Transfers from the Public Facilities Impact Fund to the Capital Projects Funds were for capital outlay projects.
8. 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.
9. Transfers from the Redevelopment Agency Debt Service Funds to the Housing Special Revenue Fund were to reimburse the Housing Fund for debt service on the HUD 108 loan.
10. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds for the funding of capital outlay projects.
11. Transfers from the RDA Capital Projects to the RDA Special Revenue were to reimburse previous transfers for capital outlays.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. LAND HELD FOR RESALE

At June 30, 2008, the City's land held for resale consisted of the following:

Airport Industrial Park	\$	286,838
Southern Pacific Land		413,172
606 W. 19th Street		688,287
376 S West Avenue		96,067
1823 I Street		19,050
33 Parsons Ave		191,704
406 Childs Ave		468,694
2872 N. Hwy 59		286,455
2922 N. Hwy 59		241,366
2940 N. Hwy 59		276,493
2960 N. Hwy 59		135,983
2906 N. Hwy 59		241,302
73 South R St		201,293
Total governmental funds	\$	3,546,704

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2008, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 61,843,612	\$ 258,681	\$ 62,102,293
Construction in process	37,061,479	29,041,317	66,102,796
Total nondepreciable assets	98,905,091	29,299,998	128,205,089
<i>Depreciable Assets:</i>			
Buildings and structures	9,335,272	2,511,934	11,847,206
Machinery and equipment	33,695,138	3,702,440	37,397,578
Improvements other than buildings, structures, and land improvements	74,186,056	77,300,989	151,487,045
Infrastructure	363,633,318	33,573,787	397,207,105
Total depreciable Assets:	480,849,784	117,089,150	597,938,934
Less accumulated depreciation	(235,636,067)	(36,377,956)	(272,014,023)
Total depreciable assets, net	245,213,717	80,711,194	325,924,911
Total capital assets	\$ 344,118,808	\$ 110,011,192	\$ 454,130,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2007	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2008
<i>Non-depreciable Assets:</i>						
Land and improvements	\$ 61,356,707	\$ 486,905	\$	\$	\$	\$ 61,843,612
Construction in progress	47,002,936	13,537,215		(13,433,909)	(10,044,763)	37,061,479
Total nondepreciable assets	108,359,643	14,024,120		(13,433,909)	(10,044,763)	98,905,091
<i>Depreciable Assets:</i>						
Buildings and structures	9,335,272					9,335,272
Machinery and equipment	30,960,542	3,451,992	(717,396)			33,695,138
Improvements other buildings, than buildings, structures, and land improvements	59,702,260	1,073,639	(22,722)	13,432,879		74,186,056
Infrastructure	344,728,866	18,903,422		1,030		363,633,318
Total depreciable assets	444,726,940	23,429,053	(740,118)	13,433,909		480,849,784
<i>Accumulated depreciation:</i>						
Buildings and structures	(4,447,998)	(466,075)				(4,914,073)
Machinery and equipment	(24,254,642)	(2,547,546)	667,338			(26,134,850)
Improvements other buildings, than buildings, structures, and land improvements	(32,971,299)	(2,964,649)	18,122			(35,917,826)
Infrastructure	(159,879,140)	(8,790,178)				(168,669,318)
Total accumulated depreciation	(221,553,079)	(14,768,448)	685,460			(235,636,067)
Total depreciable assets, net	223,173,861	8,660,605	(54,658)	13,433,909		245,213,717
Total governmental activities, net	\$ 331,533,504	\$ 22,684,725	\$ (54,658)	\$	\$ (10,044,763)	\$ 344,118,808

Governmental activities depreciation expense for capital assets for the year ended June 30, 2008 was as follows:

General Government	\$ 2,966,434
Public Safety	740,673
Public Works	10,669,390
Parks	391,951
Total depreciation expense	\$ 14,768,448

Refer to Note 19 for an explanation of the adjustment made to the capital assets.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2007	Additions	Deletions	Reclassification/ Adjustment	Balance June 30, 2008
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$	\$	\$	\$ 258,681
Construction in progress	27,563,618	7,469,193		(5,991,494)	29,041,317
Total nondepreciable assets	27,822,299	7,469,193		(5,991,494)	29,299,998
<i>Depreciable Assets:</i>					
Buildings and structures	2,451,934	60,000			2,511,934
Machinery and equipment	3,206,799	557,955	(62,314)		3,702,440
Improvements other buildings, than buildings, structures, and land improvements	69,423,412	1,886,083		5,991,494	77,300,989
Infrastructure	20,719,472	12,854,315			33,573,787
Total depreciable assets	95,801,617	15,358,353	(62,314)	5,991,494	117,089,150
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,315,744)	(61,508)			(2,377,252)
Machinery and equipment	(2,331,912)	(360,090)	46,570		(2,645,432)
Improvements other buildings, than buildings, structures, and land improvements	(24,448,193)	(3,003,982)			(27,452,175)
Infrastructure	(3,246,606)	(656,491)			(3,903,097)
Total accumulated depreciation	(32,342,455)	(4,082,071)	46,570		(36,377,956)
Total depreciable assets, net	63,459,162	11,276,282	(15,744)	5,991,494	80,711,194
Total business-type activities	\$ 91,281,461	\$ 18,745,475	\$ (15,744)	\$	\$ 110,011,192

Business-type activities depreciation expense for capital assets for the year ended June 30, 2008, was as follows:

Wastewater System Fund	\$ 1,776,453
Water System Fund	1,466,302
Refuse Collection System	748,006
Merced Municipal Airport	91,310
Total depreciation expense	\$ 4,082,071

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The Fund Financial Statements do not present general government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net 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, 2008, the City had the following deferred charges:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
CSCDA Wastewater Revenue Bond	\$ 351,380	\$	\$ (33,495)	\$ 317,885
Improvement Bonds Payable	62,187		(18,219)	43,968
CSCDA Water Revenue Bond	163,073		(15,543)	147,530
Total	<u>\$ 576,640</u>	<u>\$</u>	<u>\$ (67,257)</u>	<u>\$ 509,383</u>

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, 2008 was \$67,257.

9. OTHER LIABILITIES

Other liabilities consists of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2008, was as follows:

Developer Credits	\$ 4,172,662
Miscellaneous Liabilities	<u>610,075</u>
Total	<u>\$ 4,782,737</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due in more than one year	Due within one year
Tax Allocation Bonds	\$ 26,162,825	\$	\$ (1,590,000)	\$ 24,572,825	\$ 22,922,825	\$ 1,650,000
Pension Obligation Bonds	7,200,000		(85,000)	7,115,000	7,000,000	115,000
Participation and Development Agreements	175,000		(100,000)	75,000		75,000
Loan Payable	3,466,653	250,000	(215,326)	3,501,327	3,240,544	260,783
Loan Guarantee	1,095,961		(135,273)	960,688	825,415	135,273
Total	\$ 38,100,439	\$ 250,000	\$ (2,125,599)	\$ 36,224,840	\$ 33,988,784	\$ 2,236,056

A. Government-Wide Financial Statements

Tax Allocation Bonds Payable

Tax allocation bonds payable at June 30, 2008, consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 13,640,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,190,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	8,742,825
Total	\$ 24,572,825

For the year ended June 30, 2008, the combined principal and interest on the Tax Allocation Bonds used 26% of the total tax increment revenues pledged.

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. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issues as a parity debt to the 1999 RDA Project Area 2 Tax Allocation Bonds. Annual principal and interest payments on the 1999 and 2003 RDA Project Area 2 Tax Allocation Bonds were expected to use 68% of tax revenues in 2007-08. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$13,640,000 and 8,742,825, respectively. For the current year, total principal and interest paid was \$2,213,751 and property tax increment revenue was \$5,635,153. The tax allocation bonds used 39% of current year's tax revenue.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

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

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
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	1,730,000	301,375	2,031,375
2014-2016	5,670,000	406,262	6,076,262
Total	\$ 13,640,000	\$ 2,614,416	\$ 16,254,416

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. The tax allocation bonds are secured by property tax increments. Annual principal and interest payments on the 2001 Gateways Tax Allocation Bonds were expected to use 24% of tax revenues in 2007-08. The total principal and interest remaining to be paid on the RDA Gateways Tax Allocation Bonds is \$2,190,000. For the current year, principal and interest paid was \$168,723 and property tax increment revenue was \$3,372,494. The tax allocation bonds used 5% of current year's tax revenue.

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
2009	\$ 45,000	\$ 121,473	\$ 166,473
2010	45,000	119,223	164,223
2011	50,000	116,848	166,848
2012	50,000	114,348	164,348
2013	55,000	111,695	166,695
2014-2018	325,000	510,810	835,810
2019-2023	430,000	404,827	834,827
2024-2028	580,000	262,811	842,811
2029-2032	610,000	72,740	682,740
Total	\$ 2,190,000	\$ 1,834,775	\$ 4,024,775

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

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

2003 \$9,007,825 Tax Allocation Bonds, Series A, Redevelopment Agency, consisting of \$1,220,000 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. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issues as a parity debt to the 1999 RDA Project Area 2 Tax Allocation Bonds. Annual principal and interest payments on the 1999 and 2003 RDA Project Area 2 Tax Allocation Bonds were expected to use 68% of tax revenues in 2007-08. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$13,640,000 and 8,742,825, respectively. For the current year, total principal and interest paid was \$2,213,751 and property tax increment revenue was \$5,635,153. The tax allocation bonds used 39% of current year's tax revenue.

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
2009	\$ 135,000	\$ 36,076	\$	\$	\$
2010	145,000	32,745			
2011	145,000	28,830			
2012	150,000	24,384			
2013	155,000	19,521			
2014-2018	490,000	26,263	1,156,808	953,195	2,110,003
2019-2023			4,832,153	5,717,847	10,550,000
2024			1,533,864	2,686,136	4,220,000
Total	\$ 1,220,000	\$ 167,819	\$ 7,522,825	\$ 9,357,178	\$ 16,880,003

Pension Obligation Bonds

California Statewide Communities Development Authority Taxable Pension Obligation Bonds

On June 1, 2005, the California Statewide Communities Development Authority (CJCDA) issued bonds pursuant to the terms of a Trust Agreement dated June 1, 2005 by and between the CJCDA 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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Pension Obligation Bonds, Continued

California Statewide Communities Development Authority Taxable Pension Obligation Bonds, Continued

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
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	245,000	377,162	622,162
2014-2018	1,890,000	1,638,196	3,528,196
2019-2023	3,425,000	922,429	4,347,429
2024	925,000	54,537	979,537
Total	\$ 7,115,000	\$ 4,587,733	\$ 11,702,733

Participation and Development Agreements

1997 \$800,000 Participation Agreement

1997 \$800,000 Participation Agreement between the Agency and a participant for financing of facilities and capital equipment. Assistance ranges from \$50,000 to \$100,000 beginning in 2001 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
2009	\$ 75,000
Total	\$ 75,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable

Loans payable at June 30, 2008 consisted of the following:

2003 \$4,000,000 Loans Payable	\$ 3,200,000
2003 \$129,109 Real Estate Loan Payable	51,327
2008 \$250,000 Property Acquisition Loan Payable	<u>250,000</u>
Total	\$ 3,501,327

2003 \$4,000,000 Loans Payable

The 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
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	200,000	121,860	321,860
2014-2018	1,000,000	461,810	1,461,810
2019-2023	1,000,000	196,200	1,196,200
2024	200,000	5,690	205,690
Total	\$ 3,200,000	\$ 1,358,440	\$ 4,558,440

2003 \$129,109 Real Estate Purchase Agreement

The 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
2009	\$ 16,434	\$ 3,072	\$ 19,506
2010	17,622	1,884	19,506
2011	17,271	610	17,881
Total	\$ 51,327	\$ 5,566	\$ 56,893

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable, Continued

2008 \$250,000 Real Estate Purchase Agreement

2008 \$250,000 Real Estate Purchase Agreement for the purchase of Parkland in Fahrens Park. Payments are \$59,349 annually for 5 years. Interest accrues at the rate of 6% per annum

The annual debt service requirements for the 2008 \$250,000 Real Estate Purchase Agreement are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	\$ 44,349	\$ 15,000	\$ 59,349
2010	47,010	12,339	59,349
2011	49,831	9,518	59,349
2012	52,820	6,529	59,349
2013	55,990	3,359	59,349
Total	\$ 250,000	\$ 46,745	\$ 296,745

Loan Guarantee

Loans guarantees at June 30, 2008, consisted of the following:

2001 Debt Service Agreement	\$ 364,488
2005 Debt Service Agreement	596,200
Total	\$ 960,688

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 Agency guarantees the monthly payments to the lender. The Agency has a deposit of \$60,748 to be used as a reserve. Payments are \$5,062 for 156 months. The loan does not bear interest and matures in year 2014. The balance outstanding at June 30, 2008 was \$364,488. 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, 2008

10. 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>		
2009	\$	60,748
2010		60,748
2011		60,748
2012		60,748
2013		60,748
2014		60,748
Total	\$	364,488

2005 \$894,300 Debt Service Funding Agreement

2005 \$894,300 Debt Service Funding Agreement for the purchase of property in an Agency 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 for 145 months. The loan does not bear interest and matures in year 2016. The balance outstanding at June 30, 2008 was \$596,200. 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>		
2009	\$	74,525
2010		74,525
2011		74,525
2012		74,525
2013		74,525
2014-2016		223,575
Total	\$	596,200

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. 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, 2008:

	Balance June 30, 2007	Additions	Retirements	Bond Amortization	Balance June 30, 2008	Due in more than one year	Due within one year
Revenue bonds payable	\$ 28,244,645	\$	\$ (1,020,000)	\$ (42,384)	\$ 27,182,261	\$ 26,076,224	\$ 1,106,037
Loan payable	8,152,209		(100,000)		8,052,209	7,927,209	125,000
Water well development agreement	130,628		(19,644)		110,984	90,534	20,450
Improvement bonds payable	1,920,000		(325,000)		1,595,000	1,300,000	295,000
Total	\$ 38,447,482	\$	\$ (1,464,644)	\$ (42,384)	\$ 36,940,454	\$ 35,393,967	\$ 1,546,487

Revenue Bonds Payable

Revenue bonds payable at June 30, 2008, consisted of the following:

CSCDA Water Revenue Bonds Payable	\$ 7,998,386
CSCDA Wastewater Revenue Bonds Payable	19,183,875
Total	\$ 27,182,261

CSCDA Water and Wastewater Revenue Bonds Series 2005A

On June 29, 2005, the 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 the 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, 2008

10. 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 total principal and interest remaining to be paid on the CSCDA Water Revenue Bonds is \$12,056,516. For the current year, principal and interest paid was \$712,736 and water system net revenues were \$4,387,803, all of which are pledged. For the year ended June 30, 2008, principal and interest on the Water bonds used 16% of the system net revenues.

The total principal and interest remaining to be paid on the CSCDA Wastewater Revenue Bonds is \$28,914,513. For the current year, principal and interest paid was \$1,709,905 and water system net revenues were \$7,670,610, all of which are pledged. For the year ended June 30, 2008, principal and interest on the Wastewater Revenue bonds used 22% of the system net revenues.

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

For the Years Ending June 30,	Principal	Interest	Total
2009	\$ 315,000	\$ 400,037	\$ 715,037
2010	325,000	387,517	712,517
2011	335,000	374,543	709,543
2012	350,000	358,540	708,540
2013	370,000	339,954	709,954
2014-2018	2,130,000	1,387,368	3,517,368
2019-2023	2,745,000	739,049	3,484,049
2024-2025	1,310,000	70,675	1,380,675
	7,880,000	4,057,680	11,937,680
Add unamortized premium	118,836		118,836
Total	\$ 7,998,836	\$ 4,057,680	\$ 12,056,516

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Revenue Bonds Payable, Continued

CSCDA Water and Wastewater Revenue Bonds Series 2005A, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2009	\$ 750,000	\$ 959,556	\$ 1,709,556
2010	780,000	929,628	1,709,628
2011	810,000	898,363	1,708,363
2012	845,000	859,701	1,704,701
2013	880,000	815,184	1,695,184
2014-2018	5,115,000	3,326,311	8,441,311
2019-2023	6,580,000	1,772,363	8,352,363
2024-2025	3,140,000	169,624	3,309,624
	<u>18,900,000</u>	<u>9,730,727</u>	<u>28,630,727</u>
Add Unamortized Premium	283,785		283,785
Total	<u><u>\$ 19,183,785</u></u>	<u><u>\$ 9,730,727</u></u>	<u><u>\$ 28,914,512</u></u>

Loan Payable

California Infrastructure and Economic Development Bank Enterprise Fund Installment Sales Agreement

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

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

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

For the Years Ending June 30,	Principal	Interest	Total
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	175,000	235,046	410,046
2014-2018	1,025,000	1,084,096	2,109,096
2019-2023	1,475,000	888,349	2,363,349
2024-2028	1,950,000	617,707	2,567,707
2029-2033	2,350,000	273,762	2,623,762
2034	527,209	8,356	535,565
Total	\$ 8,052,209	\$ 4,095,052	\$ 12,147,261

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 was \$250,000 which the City agreed to pay to the Developer in ten equal annual installments. The accreted interest was calculated at a rate of 4.1% resulting in a principal amount of \$201,767.

The annual debt service requirements of the Development are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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
Total	\$ 110,984	\$ 14,016	\$ 125,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

Improvement Bonds Payable

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

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

For the Years Ending June 30,	Principal	Interest	Total
2009	\$ 295,000	\$ 79,035	\$ 374,035
2010	300,000	63,118	363,118
2011	315,000	46,434	361,434
2012	335,000	28,638	363,638
2013	350,000	9,713	359,713
Total	\$ 1,595,000	\$ 226,936	\$ 1,821,936

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government long-term debt. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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

C. Debt with No City Commitment

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

The City of Merced has issued bonds under the "Mello-Roos Community Facilities Act of 1982." These bonds are secured by real property within the district boundaries. Special taxes levied on these properties are used to pay the bonds. Property tax delinquencies have triggered the foreclosure covenants in CFD 2003-1 Bellevue Ranch East. The City will commence foreclosure and collection proceedings against those properties in default

	Outstanding June 30, 2008
1998 Liberty Park Refunding Assessment District	\$ 407,000
16th Street Refunding Assessment District	320,000
Fahrens Park Refunding Assessment District	4,870,000
Bellevue Ranch East CFD	12,345,000
Bellevue Ranch West CFD	7,330,000
Moraga CFD	5,840,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

11. 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.

A summary of changes in compensated absences for the year ended June 30, 2008, is as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year	Due in more than one year
Governmental Activities	\$ 3,297,575	\$ 1,033,123	\$ (979,264)	\$ 3,351,434	\$ 813,710	\$ 2,537,724
Business-type Activities	576,703	94,202	(102,675)	568,230	85,089	483,141
Total	\$ 3,874,278	\$ 1,127,325	\$ (1,081,939)	\$ 3,919,664	\$ 898,799	\$ 3,020,865

12 CLASSIFICATION OF RESTRICTED NET ASSETS

Restricted net assets for special projects and programs at June 30, 2008 consisted of the following:

Special Projects and Programs	Governmental Activities	Business-Type Activities	Total
Restricted for:			
Capital Projects	\$ 18,593,173	\$ 5,290,744	\$ 23,883,917
Community Development	629,621		629,621
Child Development	452,823		452,823
Housing	249,227		249,227
Public Safety	3,570,446		3,570,446
Streets and Street Lights	1,953,434		1,953,434
Special Districts	892,056		892,056
Other Restrictions	318,221	1,661,025	1,979,246
	\$ 26,659,001	\$ 6,951,769	\$ 33,610,770

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

13 CLASSIFICATION OF FUND BALANCE

In governmental funds, reservation and designations are presented as components 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	\$ 667,156	\$ 51,103	\$ 198,124	\$ 629,621	\$	\$	\$ 2,287,103	\$ 2,475,480	\$ 3,321,725	\$ 9,630,312
Petty cash	1,875									1,875
Condemnation Deposit								92,000		92,000
Notes & loans receivable	1,358	3,805,350		969			243	52,523		3,860,443
Inventory	22,929									22,929
Due from other funds	58,024									58,024
Land held for resale		3,259,866							286,838	3,546,704
Cash Held by Fiscal Agent						2,432,513				2,432,513
Advances to other funds	1,547,129									1,547,129
Child development									452,450	452,450
Park planning zones										
Debt service						3,006,132				3,006,132
Total reserved	2,298,471	7,116,319	198,124	630,590		5,438,645	2,287,346	2,620,003	4,061,013	24,650,511
<i>Unreserved, Designated:</i>										
Contingencies	4,000,000									4,000,000
Future years	1,206,579								953,366	2,159,945
Reported in Special Revenue Funds:										
Pump replacements									341,158	341,158
Facilities development									278,862	278,862
Total unreserved, designated	5,206,579								1,573,386	6,779,965
<i>Unreserved, Undesignated</i>										
Reported in:										
General Fund	13,909,088									13,909,088
Special Revenue Funds		1,241,698	59,677	2,019,347	16,648,243				7,532,689	27,501,654
Debt Service Funds									7,176	7,176
Capital Project Funds							(1,038,149)	4,943,740	3,714,190	7,619,781
Total unreserved, undesignated	13,909,088	1,241,698	59,677	2,019,347	16,648,243		(1,038,149)	4,943,740	11,254,055	49,037,699
Total	\$ 21,414,138	\$ 8,358,017	\$ 257,801	\$ 2,649,937	\$ 16,648,243	\$ 5,438,645	\$ 1,249,197	\$ 7,563,743	\$ 16,888,454	\$ 80,468,175

14. OTHER FUND DISCLOSURES

A. Expenditures Over Appropriations

The following funds had an excess of expenditures over appropriations, but had adequate resources to cover the excess:

Major Fund	
Public Facilities Impact Special Revenue	\$ 167,882
Non-major Special Revenues Funds:	
Public Works Administration	3,294
Parking Enforcement	33,263
Total	\$ 204,439

Public Facilities Impact Special Revenue Fund expenditures exceeded the budget due to infrastructure completed by developers exceeding the budget. The infrastructure was offset by developer credits.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. OTHER FUND DISCLOSURES, Continued

A. Expenditures Over Appropriations, Continued

Public Works Administration Fund expenditures exceeded the budget due to the year-end accrual for payroll payables. The actual payment will be recorded against the 2008-09 approved budget.

Parking Enforcement Fund expenditures exceeded the budget due to the reversal of a prior year accrual.

B. Deficit Fund Balances

At June 30, 2008, the funds below had the following deficit fund balance or net assets:

Special Revenue Funds

Communities Facilities District Funds \$ (698,003)

The CFD-Services established in new developments are generating revenues at a slower pace than anticipated. This is due primarily to the housing market slow-down. In Fiscal Year 2007-08, it was anticipated that the CFD's would get a loan from pooled cash to meet the increased service needs in these new developments. As housing stock develops, funds will be available to carry the full service cost and repay the debt to the governmental funds.

Internal Service Funds

Workers Compensation Insurance Fund \$ (984,949)

The deficit net assets was caused by the adoption of Statement No 10 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Risk Financing and related Insurance," which established accounting and financial reporting standards for risk financing and insurance- related activities of state and local governmental entities. The Governmental Accounting Standards Board No 10 requires an accrual of claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenditures, that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The recording of these estimated future claims and IBNR has caused the net assets deficit balance. The deficit balance will be reduced by future fees from other funds.

Liability Insurance Fund \$ (136,475)

The deficit net assets was caused by the adoption of Statement No 10 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Risk Financing and related Insurance," which established accounting and financial reporting standards for risk financing and insurance- related activities of state and local governmental entities. The Governmental Accounting Standards Board No 10 requires an accrual of claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenditures, that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The recording of these estimated future claims and IBNR has caused the net assets deficit balance. The deficit balance will be reduced by future fees from other funds.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. 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 Statement No. 10. As of June 30, 2008, claims for general liability and workers' compensation were \$780,846 and \$2,884,364 respectively.

The Liability Insurance Fund is used to account for all general liability claims against the City, except for Property and Airport. The City is a member of the Central San Joaquin Valley Risk Management Authority, with a self-insured retention of \$100,000 for general liability and 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	Claims and Changes in Estimates	Claims Payments	Claims Payable June 30	Due Within One Year
2006	\$ 740,440	\$ 569,652	\$ (882,864)	\$ 427,228	\$ 125,000
2007	427,228	1,148,571	(919,207)	656,592	150,000
2008	656,592	1,511,373	(1,387,119)	780,846	727,852

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
2006	\$ 3,891,145	\$ 709,193	\$ (1,075,177)	\$ 3,525,161	\$ 891,250
2006	3,525,161	666,197	(951,181)	3,240,177	992,599
2007	3,240,177	484,987	(840,800)	2,884,364	977,015

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

16. RETIREMENT PLANS

Pension Plan

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

Funding Policy - Active plan members are required by State Statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The required employee contribution was paid by the City on behalf of the employees and for their account. This amounted to \$2,650,079 for the year ended June 30, 2008. The City employer was required to contribute for fiscal year 2007-2008 at an actuarially determined rate of 9.598% and 16.184% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer safety rate of 17.598%, safety employees contributed 2.95% of annual covered payroll. See the Required Supplementary Information for the Schedule of Funding Progress.

Annual Pension Cost - For fiscal year 2007-2008, the City's annual pension cost was equal to the City's required and actual contributions of \$3,847,788. The required contribution was determined as part of the June 30, 2005, 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	Micellaneous	Safety	Total	Percentage of ARC Contributed	Net Pension Obligation
	Employees Annual Required Contribution (ARC)	Employees Annual Required Contribution (ARC)	Annual Required Contribution (ARC)		
6/30/2006	\$ 797,518	\$ 1,231,688	\$ 2,029,206	100%	\$ 0
6/30/2007	1,213,585	1,775,572	2,989,157	100%	0
6/30/2008	1,687,826	2,159,962	3,847,788	100%	0

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

16. RETIREMENT PLANS, Continued

Pension Plan, Continued

Funded Status of Plan

The City contributed to the California Public Employee's Retirement System (CalPERS), as an agent multiple - employer public employee defined benefit pension plan. The amounts reflected herein represent the City's portion as reported by CalPERS.

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2007	\$ 66,657,013	\$ 71,135,615	\$ 4,478,602	93.7%	\$ 17,501,469	25.6%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2007	\$ 74,355,111	\$ 80,024,461	\$ 5,669,350	92.9%	\$ 12,415,816	45.7%

** Additional information regarding the funded status of the miscellaneous employees retirement plan can be found in the Required Supplementary Information section.

17. POST-RETIREMENT HEALTH CARE BENEFITS

The City paid health care insurance for 203 retirees at an annual cost of \$1,037,105. Out of approximately 532 full-time employees, there are approximately 323 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, 2008

18. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

As of June 30, 2008, 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 in these cases, if any, 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.

The City of Merced has issued bonds under the "Refunding Act of 1984 for 1915 Act Improvement Bonds." These bonds are secured by real property within the district boundaries. Assessments levied on these properties are used to pay the bonds. Property tax delinquencies have triggered the foreclosure covenants in the North Merced Sewer Assessment District. The City will commence foreclosure and collection proceedings against those properties in default.

Project Commitments

As of June 30, 2008, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
Eco:Logic	\$ 3,756,564
Merced Union High School	1,576,004
Lockwood General Engineering	1,338,602
Crosswinds At Bellevue LLC	1,075,393
Dawson-Mauldin Construction	902,868
Merced County	774,805
Bellevue Ranch-Merced LP	622,194
The Playa Merced LLC	500,000
Total	\$ 10,546,430

19. 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, 2007 have been restated as follows:

The City made an accounting adjustment of \$10,044,763 to the liability balance resulting from infrastructure credits given to developers. Due to the downturn in economy the infrastructure was not installed as scheduled.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

19. PRIOR PERIOD ADJUSTMENTS, Continued

As a result of the above corrections, the Government-Wide Financial Statements were restated as follows:

	Net Assets as Previously Reported	Accounting Correction to Developer Credits	Adjustment to Fixed Asset Construction in Progress	Net Assets as Restated
Governmental Activities	<u>\$ 413,929,415</u>	<u>\$ 10,044,763</u>	<u>\$ (10,044,763)</u>	<u>\$ 413,929,415</u>

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

	Fund Balance as previously Reported	Accounting Correction to Developer Credits	Fund Balance as Restated
<i>Governmental Funds:</i>			
Public Facilities Impact Special Revenue	<u>\$ 7,395,257</u>	<u>\$ 10,044,763</u>	<u>\$ 17,440,020</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Merced
Required Supplementary Information
For the year ended June 30, 2008

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 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 \$9,813,322. 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 June 30, 2008, 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 GAAP.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported 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, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 5,960,000	\$ 5,960,000	\$ 6,749,524	\$ 789,524
Unsecured	376,000	376,000	357,415	(18,585)
Supplemental roll:				
Prior year - unsecured	4,000	4,000	19,986	15,986
Prior year - supplemental roll	400,000	400,000	374,287	(25,713)
Sales and use	9,567,000	9,567,000	8,196,705	(1,370,295)
Transient occupancy tax	929,000	929,000	901,585	(27,415)
Franchise	1,335,000	1,335,000	1,429,280	94,280
Business license	1,345,000	1,345,000	1,286,895	(58,105)
CRIS fee	860,000	860,000	119,682	(740,318)
Real property transfer	400,000	400,000	189,317	(210,683)
Triple flip backfill	3,347,630	3,347,630	2,584,733	(762,897)
Vehicle in lieu backfill	6,123,553	6,123,553	6,541,878	418,325
Total taxes	30,647,183	30,647,183	28,751,287	(1,895,896)
Licenses and permits:				
Animal licenses	35,000	35,000	30,299	(4,701)
Bicycle licenses	650	650	620	(30)
Other licenses and permits	12,000	12,000	16,197	4,197
Total licenses and permits	47,650	47,650	47,116	(534)
Intergovernmental:				
Motor vehicle in lieu tax	496,000	496,000	370,050	(125,950)
Homeowners property tax relief	75,000	75,000	75,638	638
Police standards and training	90,000	90,000	54,020	(35,980)
Other state grant	10,050	37,050	34,875	(2,175)
Other federal grants		88,828	90,548	1,720
Office BJA - bullet proof vest grant	9,090	26,869	7,758	(19,111)
State mandated cost reimbursement	85,000	85,000	55,592	(29,408)
Total intergovernmental	765,140	898,747	688,481	(210,266)

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES, Continued:				
Service charges:				
Incident recovery fees	\$ 77,700	\$ 77,700	\$ 82,005	\$ 4,305
Fire department special services	85,500	85,500	218,563	133,063
Fire prevention	93,000	93,000	54,490	(38,510)
Accident reports	24,000	24,000	12,136	(11,864)
Weed and lot cleaning	22,225	22,225	45,452	23,227
PERS - EE share 2.5% at 55	163,295	163,295	144,975	(18,320)
PERS - EE share 3% at 50	481,168	481,168	494,790	13,622
Administrative	4,336,677	4,447,282	4,447,497	215
Cost applied	1,499,036	1,499,036	1,499,651	615
Other current service charges	256,800	256,800	107,252	(149,548)
Total service charges	7,039,401	7,150,006	7,106,811	(43,195)
Fines, forfeitures and penalties:				
Criminal fines	55,000	55,000	39,739	(15,261)
Parking Fines	406,000	406,000	540,470	134,470
Total fines, forfeitures and penalties	461,000	461,000	580,209	119,209
Other:				
Investment earnings	717,000	717,000	653,662	(63,338)
Rent and concessions (other than recreation)	141,894	141,894	145,806	3,912
Interest on loans	124	124	1,691	1,567
Unclassified revenue	7,500	7,500	39,713	32,213
Miscellaneous	205,800	205,800	57,561	(148,239)
Animal control services	15,800	15,800	12,553	(3,247)
School police officer	95,358	126,122	142,325	16,203
Valley High School police officer	77,932	85,000	64,941	(20,059)
Cash overages (shortages)	100	100	(124)	(224)
Donations/contributions	2,000	2,670	670	(2,000)
S.M.I.P. fees	4,000	4,000	457	(3,543)
Repayment on loan	23,248	23,248	17,442	(5,806)
Property sales	1,300	1,300	5,320	4,020
Total other	1,292,056	1,330,558	1,142,017	(188,541)
Total revenues	40,252,430	40,535,144	38,315,921	(2,219,223)

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City Council	\$ 516,955	\$ 603,282	\$ 483,866	\$ 119,416
City Manager	1,008,261	1,180,375	1,061,459	118,916
City Attorney	1,088,374	1,154,405	1,034,445	119,960
Finance	2,581,331	2,633,018	2,620,345	12,673
Purchasing	293,505	293,505	291,927	1,578
Economic development	396,390	497,802	366,512	131,290
Visitor's Services			4,141	(4,141)
Total general government	5,884,816	6,362,387	5,862,695	499,692
Public safety:				
Police protection	19,600,425	19,630,195	18,352,900	1,277,295
Fire protection and weed abatement	9,498,080	9,590,298	9,229,152	361,146
Total public safety	29,098,505	29,220,493	27,582,052	1,638,441
Parks				
Total current operating	37,382,759	38,003,224	35,831,044	2,172,180
Capital outlay:				
Purchase of machinery and equipment	439,795	486,290	403,806	82,484
Capital improvements	247,135	391,648	265,514	126,134
Total capital outlay	686,930	877,938	669,320	208,618
Debt service:				
Principal	85,000	85,000	85,000	
Interest	411,769	411,769	411,769	
Total debt service	496,769	496,769	496,769	
Total expenditures	38,566,458	39,377,931	36,997,133	2,380,798
REVENUES OVER (UNDER) EXPENDITURES	1,685,972	1,157,213	1,318,788	161,575
OTHER FINANCING SOURCES (USES):				
Transfers in	1,144,709	1,248,341	1,145,713	(102,628)
Transfers out	(5,210,909)	(4,729,665)	(3,852,284)	877,381
Total other financing sources (uses)	(4,066,200)	(3,481,324)	(2,706,571)	774,753
Net change in fund balance	\$ (2,380,228)	\$ (2,324,111)	(1,387,783)	\$ 936,328
FUND BALANCE:				
Beginning of year			22,801,921	
End of year			<u>\$ 21,414,138</u>	

(Concluded)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Rental income	\$ 110,300	\$ 110,300	\$ 106,169	\$ (4,131)
Investment earnings	1,400	1,400	29,854	28,454
Loan interest	68,518	68,518	47,496	(21,022)
Repayment of note	80,058	80,058	305,605	225,547
Housing set-aside loans	20,180	20,180	42,001	21,821
Miscellaneous	567,830	567,830	176,868	(390,962)
Total revenues	848,286	848,286	707,993	(140,293)
EXPENDITURES:				
Current operating:				
General government	1,302,391	1,356,889	1,138,316	218,573
Administrative shared expenditures	360,394	366,434	366,434	
Total current operating	1,662,785	1,723,323	1,504,750	218,573
Capital outlay	500	500	449	51
Total expenditures	1,663,285	1,723,823	1,505,199	218,624
REVENUES OVER (UNDER) EXPENDITURES	(814,999)	(875,537)	(797,206)	78,331
OTHER FINANCING SOURCES (USES):				
Contributed capital			288,065	288,065
Transfers in	2,141,340	2,318,290	4,412,822	2,094,532
Transfers out	(1,316,646)	(1,346,316)	(1,186,003)	160,313
Total other financing sources (uses)	824,694	971,974	3,514,884	2,542,910
Net change in fund balance	\$ 9,695	\$ 96,437	2,717,678	\$ 2,621,241
FUND BALANCE:				
Beginning of year			5,640,339	
End of year			\$ 8,358,017	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
CDBG Program	\$ 3,237,371	\$ 2,411,324	\$ 2,251,375	\$ (159,949)
Home Grant Program	1,966,477	1,696,769	819,254	(877,515)
BEGIN Program	30,000	670,000	76,412	(593,588)
State Rental Rehabilitation Program	3,000	3,000	2,612	(388)
Other:				
Investment earnings			22,836	22,836
PERS - EE share 2.5% at 55	5,739	5,739	5,063	(676)
Miscellaneous			9,085	9,085
Total revenues	5,242,587	4,786,832	3,186,637	(1,600,195)
EXPENDITURES:				
Current operating:				
General government	3,501,707	4,025,397	2,298,326	1,727,071
Administrative shared expenditures	98,038	100,872	100,872	
Total current operating	3,599,745	4,126,269	2,399,198	1,727,071
Capital outlay	800			
Total expenditures	3,600,545	4,126,269	2,399,198	1,727,071
REVENUES OVER (UNDER) EXPENDITURES	1,642,042	660,563	787,439	126,876
OTHER FINANCING SOURCES (USES):				
Transfers in	361,330	361,330	6,958	(354,372)
Transfers out	(1,595,331)	(1,491,506)	(1,183,706)	307,800
Total other financing sources (uses)	(1,234,001)	(1,130,176)	(1,176,748)	(46,572)
Net change in fund balance	\$ 408,041	\$ (469,613)	(389,309)	\$ 80,304
FUND BALANCE:				
Beginning of year			647,110	
End of year			\$ 257,801	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Services charges	\$ 5,072,529	\$ 4,944,223	\$ 2,901,519	\$ (2,042,704)
Other:				
Investment earnings	89	89	171,902	171,813
Miscellaneous	450,600	692,040	62,094	(629,946)
Total revenues	5,523,218	5,636,352	3,135,515	(2,500,837)
EXPENDITURES:				
Current operating:				
General government	5,133,096	6,139,063	4,195,024	1,944,039
Administrative shared expenditures	487,813	501,915	501,915	
Public works	1,867,858	1,950,091	1,721,341	228,750
Total current operating	7,488,767	8,591,069	6,418,280	2,172,789
Capital outlay	66,437	110,862	68,346	42,516
Total expenditures	7,555,204	8,701,931	6,486,626	2,215,305
REVENUES OVER (UNDER) EXPENDITURES	(2,031,986)	(3,065,579)	(3,351,111)	(285,532)
OTHER FINANCING SOURCES (USES):				
Transfers in	128,870	126,929	124,524	(2,405)
Transfers out	(46,440)	(37,800)	(37,800)	
Total other financing sources (uses)	82,430	89,129	86,724	(2,405)
Net change in fund balance	\$ (1,949,556)	\$ (2,976,450)	(3,264,387)	\$ (287,937)
FUND BALANCE:				
Beginning of year			5,914,324	
End of year			\$ 2,649,937	

City of Merced
 Required Supplementary Information, Continued
 For the year ended June 30, 2008

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

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 6,902,046	\$ 6,902,046	\$ 2,836,822	\$ (4,065,224)
Other:				
Investment earnings	563,000	563,000	942,838	379,838
Miscellaneous			72,747	72,747
Total revenues	7,465,046	7,465,046	3,852,407	(3,612,639)
EXPENDITURES:				
Current operating:				
General government	39,650	39,650	39,650	
Administrative shared expenditures	34,510	34,510	34,510	
Total current operating	74,160	74,160	74,160	
Capital outlay	2,973,477	2,973,477	3,141,359	(167,882)
Total expenditures	3,047,637	3,047,637	3,215,519	(167,882)
REVENUES OVER (UNDER) EXPENDITURES	4,417,409	4,417,409	636,888	(3,780,521)
OTHER FINANCING SOURCES (USES):				
Transfers in		85,168	85,168	
Transfers out	(9,380,904)	(9,805,043)	(1,513,833)	8,291,210
Total other financing sources (uses)	(9,380,904)	(9,719,875)	(1,428,665)	8,291,210
Net change in fund balance	\$ (4,963,495)	\$ (5,302,466)	(791,777)	\$ 4,510,689
FUND BALANCE:				
Beginning of year, as restated			17,440,020	
End of year			\$ 16,648,243	

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City of Merced
 Required Supplementary Information, Continued
 For the year ended June 30, 2008

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	Liability as Percentage of Covered Payroll
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%
6/30/2007	66,657,013	71,135,615	4,478,602	93.7%	17,501,469	25.6%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
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%
6/30/2007	74,355,111	80,024,461	5,669,350	92.9%	12,415,816	45.7%

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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.

PEG Access Fees Fund - This fund is used to account for Public, Educational and Governmental (PEG) access fees paid as part of franchise agreements with local cable providers.

Proposition 1B Fund - This fund is used to account for funds received under Proposition 1B. Proposition 1B was passed by the voters of the State of California in November 2006. This proposition provided for the sale of bonds to provide, among other things, repair of local streets and roads.

Bell Station Facility Fund - This fund is used to account for the operations and maintenance of the Bell Station, which is leased to the United States Post Office and used as a post office location at 415 W. 18th Street.

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.

Merced Theatre Restoration Fund - This fund used to account for revenues and expenditures associated with the Merced Theatre Restoration capital project.

Parks & Community Services Fund - This fund is used to account for capital projects for the purpose of improving City Parks.

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, 2008

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
ASSETS						
Cash, cash equivalents and investments	\$ 132,279	\$ 77,270	\$ 238,618	\$	\$	\$ 26,613
Receivables:						
Account						
Interest	614	359	1,107			
Due from other funds						1,769
Land held for resale						
Due from other governments			171,553	452,207	39,720	
Notes receivable						
Total assets	\$ 132,893	\$ 77,629	\$ 411,278	\$ 452,207	\$ 39,720	\$ 28,382
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 308	\$	\$	\$	\$	\$ 2,096
Other payables						22,994
Deferred revenue		16,268				
Due to other funds				360,000		
Advances from other funds						
Total liabilities	308	16,268		360,000		25,090
Fund Balances:						
Reserved:						
Encumbrances	20,787	15,543				1,523
Land held for resale						
Child development						
Total reserved	20,787	15,543				1,523
Unreserved, designated						
Pump replacement						
Facilities development						
Street Repair and Maintenance						
Total unreserved, designated						
Unreserved, undesignated						
reported in:						
Special revenue funds	111,798	45,818	411,278	92,207	39,720	1,769
Debt service funds						
Capital project funds						
Total unreserved, undesignated	111,798	45,818	411,278	92,207	39,720	1,769
Total fund balances	132,585	61,361	411,278	92,207	39,720	3,292
Total liabilities and fund balances	\$ 132,893	\$ 77,629	\$ 411,278	\$ 452,207	\$ 39,720	\$ 28,382

Special Revenue								
Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Supplemental Law Enforcement Services	Justice Assistance Grant
\$ 43,275	\$ 130,230	\$ 169,434	\$ 692,528	\$ 2,717	\$ 833,399	\$	\$ 500	\$ 1,413
200	360,000	1,033	4,152	13	3,838			7
			633,793	24,831		44,047		
<u>\$ 43,475</u>	<u>\$ 490,230</u>	<u>\$ 170,467</u>	<u>\$ 1,330,473</u>	<u>\$ 27,561</u>	<u>\$ 837,237</u>	<u>\$ 44,047</u>	<u>\$ 500</u>	<u>\$ 1,420</u>
\$	\$ 16,094	\$ 17,297	\$	\$	\$	\$	\$	\$
	38,136	66,895			48,695	523		405
	360,000					43,027		
	414,230	84,192			48,695	43,550		405
	76,000	86,275			2,264			342
	76,000	86,275			2,264			342
43,475			1,330,473	27,561	786,278	497	500	673
43,475			1,330,473	27,561	786,278	497	500	673
43,475	76,000	86,275	1,330,473	27,561	788,542	497	500	1,015
<u>\$ 43,475</u>	<u>\$ 490,230</u>	<u>\$ 170,467</u>	<u>\$ 1,330,473</u>	<u>\$ 27,561</u>	<u>\$ 837,237</u>	<u>\$ 44,047</u>	<u>\$ 500</u>	<u>\$ 1,420</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2008

	Special Revenue					
	Parking Enforcement	Child Development	Maintenance Districts	CFD Services	Measure C	Developer Capital Fee
ASSETS						
Cash, cash equivalents and investments	\$ 37,378	\$ 145,633	\$ 1,482,824	\$ 733,567	\$ 2,756,136	\$ 230,453
Receivables:						
Account						402,999
Interest		676	6,891	3,441	12,781	1,069
Due from other funds				93,509		
Land held for resale						
Due from other governments		661,992	111,676	186,788	979,079	
Notes receivable						
Total assets	\$ 37,378	\$ 808,301	\$ 1,601,391	\$ 1,017,305	\$ 3,747,996	\$ 634,521
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 351,923	\$ 7,095	\$ 23,730	\$ 66,006	\$
Other payables			4,238	46,802	180,836	
Deferred revenue						
Due to other funds		3,555		4,138		
Advances from other funds				1,640,638		
Total liabilities		355,478	11,333	1,715,308	246,842	
Fund Balances:						
Reserved:						
Encumbrances			2,739	37,574	133,607	
Land held for resale						
Child development		452,450				
Total reserved		452,450	2,739	37,574	133,607	
Unreserved, designated						
Pump replacement			341,158			
Facilities development				278,862		
Street Repair and Maintenance					953,366	
Total unreserved, designated			341,158	278,862	953,366	
Unreserved, undesignated reported in:						
Special revenue funds	37,378	373	1,246,161	(1,014,439)	2,414,181	634,521
Debt service funds						
Capital project funds						
Total unreserved, undesignated	37,378	373	1,246,161	(1,014,439)	2,414,181	634,521
Total fund balances	37,378	452,823	1,590,058	(698,003)	3,501,154	634,521
Total liabilities and fund balances	\$ 37,378	\$ 808,301	\$ 1,601,391	\$ 1,017,305	\$ 3,747,996	\$ 634,521

Special Revenue		Debt Service		Capital Projects				
PEG Access Fees	Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers	Merced Theatre Restoration
\$ 21,687	\$ 924,269	\$ 12,002	\$ 7,143	\$ 1,834,263	\$ 3,414,694	\$ 101	\$ 2,190	\$ 1,042,870
	4,454	55	33	8,505	13,778		10	4,839
	360,000			286,838	49,863			
<u>\$ 21,687</u>	<u>\$ 1,288,723</u>	<u>\$ 12,057</u>	<u>\$ 7,176</u>	<u>\$ 2,129,606</u>	<u>\$ 3,478,335</u>	<u>\$ 101</u>	<u>\$ 2,200</u>	<u>\$ 1,047,709</u>
\$	\$	\$	\$	\$	\$ 43,572	\$	\$	\$
					43,572			
				146,195	2,529,243			10,000
				286,838				
				433,033	2,529,243			10,000
21,687	1,288,723	12,057	7,176	1,696,573	905,520	101	2,200	1,037,709
<u>21,687</u>	<u>1,288,723</u>	<u>12,057</u>	<u>7,176</u>	<u>1,696,573</u>	<u>905,520</u>	<u>101</u>	<u>2,200</u>	<u>1,037,709</u>
<u>21,687</u>	<u>1,288,723</u>	<u>12,057</u>	<u>7,176</u>	<u>2,129,606</u>	<u>3,434,763</u>	<u>101</u>	<u>2,200</u>	<u>1,047,709</u>
<u>\$ 21,687</u>	<u>\$ 1,288,723</u>	<u>\$ 12,057</u>	<u>\$ 7,176</u>	<u>\$ 2,129,606</u>	<u>\$ 3,478,335</u>	<u>\$ 101</u>	<u>\$ 2,200</u>	<u>\$ 1,047,709</u>

(Continued)

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2008

	Capital Projects			Total
	Parks & Community Service	PCE Remediation	Fire Station #55	
ASSETS				
Cash, cash equivalents and investments	\$ 324,935	\$ 6,343	\$ 64,664	\$ 15,367,741
Receivables:				
Account				425,719
Interest	1,358	29	300	68,509
Due from other funds				815,278
Land held for resale				286,838
Due from other governments	15,625			3,371,174
Notes receivable				
Total assets	\$ 341,918	\$ 6,372	\$ 64,964	\$ 20,335,259
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 81,534	\$	\$	\$ 609,655
Other payables				409,119
Deferred revenue				16,673
Due to other funds				770,720
Advances from other funds				1,640,638
Total liabilities	81,534			3,446,805
Fund Balances:				
Reserved:				
Encumbrances	259,633			3,321,725
Land held for resale				286,838
Child development				452,450
Total reserved	259,633			4,061,013
Unreserved, designated				
Pump replacement				341,158
Facilities development				278,862
Street Repair and Maintenance				953,366
Total unreserved, designated				1,573,386
Unreserved, undesignated reported in:				
Special revenue funds				7,532,689
Debt service funds				7,176
Capital project funds	751	6,372	64,964	3,714,190
Total unreserved, undesignated	751	6,372	64,964	11,254,055
Total fund balances	260,384	6,372	64,964	16,888,454
Total liabilities and fund balances	\$ 341,918	\$ 6,372	\$ 64,964	\$ 20,335,259

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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, 2008

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
REVENUES:						
Taxes	\$	\$ 91,443	\$	\$	\$	\$
Intergovernmental			458,891	1,361,083		
Service charges						19,937
Fines, forfeitures and penalties					197,818	
Other	79,226	3,063	15,831	6,062		
Total revenues	79,226	94,506	474,722	1,367,145	197,818	19,937
EXPENDITURES:						
Current operating:						
General government	15,215	92,577			192,704	83,450
Public safety						
Public works						1,109,661
Parks						
Total current operating	15,215	92,577			192,704	1,193,111
Capital outlay	521					
Total expenditures	15,736	92,577			192,704	1,193,111
REVENUES OVER (UNDER)						
EXPENDITURES	63,490	1,929	474,722	1,367,145	5,114	(1,173,174)
OTHER FINANCING						
SOURCES (USES):						
Capital contributions						
Transfers in						1,147,669
Transfers out	(114,400)		(607,522)	(1,520,798)		
Total other financing	(114,400)		(607,522)	(1,520,798)		1,147,669
sources (uses)	(114,400)		(607,522)	(1,520,798)		1,147,669
Net change in fund balances	(50,910)	1,929	(132,800)	(153,653)	5,114	(25,505)
FUND BALANCES:						
Beginning of year	183,495	59,432	544,078	245,860	34,606	28,797
End of year	\$ 132,585	\$ 61,361	\$ 411,278	\$ 92,207	\$ 39,720	\$ 3,292

Special Revenue

Traffic Congestion Relief	Streets and Street Lights Maintenance	Recreation and Parks	Surface Transportation Program	Proposition 172	Public Works Administration	OTS Grant	Supplemental Law Enforcement Services	Justice Assistance Grant
\$	\$	\$	\$	\$	\$	\$	\$	\$
	327,397		633,793	326,475	1,607,616	164,554 445	153,581	63,802
9,824	1,012	372,127	62,899	5	35,636		202	1,018
9,824	328,409	372,127	696,692	326,480	1,643,252	164,999	153,783	64,820
	228,024	184,447			1,493,327	104,095		
	2,672,184							
		3,080,809						
	2,900,208	3,265,256			1,493,327	104,095		
	110,321	9,993			34,323	60,361		44,052
	3,010,529	3,275,249			1,527,650	164,456		44,052
9,824	(2,682,120)	(2,903,122)	696,692	326,480	115,602	543	153,783	20,768
	2,561,823	2,799,447	17,836					
(289,829)			(1,025,348)	(359,055)			(155,820)	(20,000)
(289,829)	2,561,823	2,799,447	(1,007,512)	(359,055)			(155,820)	(20,000)
(280,005)	(120,297)	(103,675)	(310,820)	(32,575)	115,602	543	(2,037)	768
323,480	196,297	189,950	1,641,293	60,136	672,940	(46)	2,537	247
\$ 43,475	\$ 76,000	\$ 86,275	\$ 1,330,473	\$ 27,561	\$ 788,542	\$ 497	\$ 500	\$ 1,015

(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, 2008

	Special Revenue					Developer Capital Fee
	Parking Enforcement	Child Development	Maintenance Districts	CFD	Measure C	
REVENUES:						
Taxes	\$	\$	\$	\$	\$ 5,599,629	\$
Intergovernmental		910,035		344,111		
Service charges				71,520	166,203	
Fines, forfeitures and penalties						
Other		334,718	832,497	1,418,779	132,008	47,972
Total revenues		1,244,753	832,497	1,834,410	5,897,840	47,972
EXPENDITURES:						
Current operating:						
General government		9,274	814,610	2,583,277	4,788,194	
Public safety	33,263					
Public works						
Parks		936,890				
Total current operating	33,263	946,164	814,610	2,583,277	4,788,194	
Capital outlay			5,618	53,429	2,367,543	
Total expenditures	33,263	946,164	820,228	2,636,706	7,155,737	
REVENUES OVER (UNDER) EXPENDITURES	(33,263)	298,589	12,269	(802,296)	(1,257,897)	47,972
OTHER FINANCING SOURCES (USES):						
Capital contributions						
Transfers in			84,141	25,847		
Transfers out	(295,559)		(1,300)	(175,621)		
Total other financing sources (uses)	(295,559)		82,841	(149,774)		
Net change in fund balances	(328,822)	298,589	95,110	(952,070)	(1,257,897)	47,972
FUND BALANCES:						
Beginning of year	366,200	154,234	1,494,948	254,067	4,759,051	586,549
End of year	\$ 37,378	\$ 452,823	\$ 1,590,058	\$ (698,003)	\$ 3,501,154	\$ 634,521

Special Revenue		Debt Service			Capital Projects			
PEG Access Fees	Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Streets and Signals	Fire Station	Police Mobile Computers	Merced Theatre Restoration
\$ 21,687	\$ 1,282,162	\$	\$	\$	\$ 41,093	\$	\$	\$
	7,052	61,379	309	84,436	78,693	31	2,307	1,037,709
21,687	1,289,214	61,379	309	84,436	119,786	31	2,307	1,037,709
		33,246		10,000				
		33,246		10,000				
		2,655		122,227	1,585,686	12,943	32,732	
		35,901		132,227	1,585,686	12,943	32,732	
21,687	1,289,214	25,478	309	(47,791)	(1,465,900)	(12,912)	(30,425)	1,037,709
	360,000				2,198,058	705		10,000
	(360,491)	(13,421)		(228,326)	(103,004)		(53,786)	
	(491)	(13,421)		(228,326)	2,095,054	705	(53,786)	10,000
21,687	1,288,723	12,057	309	(276,117)	629,154	(12,207)	(84,211)	1,047,709
			6,867	2,405,723	2,805,609	12,308	86,411	
\$ 21,687	\$ 1,288,723	\$ 12,057	\$ 7,176	\$ 2,129,606	\$ 3,434,763	\$ 101	\$ 2,200	\$ 1,047,709

(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, 2008

	Capital Projects			Total
	Parks & Community Services	PCE Remediation	Fire Station #55	
REVENUES:				
Taxes	\$	\$	\$	\$ 5,712,759
Intergovernmental	50,041			5,789,621
Service charges				2,193,118
Fines, forfeitures and penalties				197,818
Other	751	274	2,669	4,628,489
Total revenues	50,792	274	2,669	18,521,805
EXPENDITURES:				
Current operating:				
General government				10,632,440
Public safety				33,263
Public works				3,781,845
Parks				4,017,699
Total current operating				18,465,247
Capital outlay	289,335			4,731,739
Total expenditures	289,335			23,196,986
REVENUES OVER (UNDER) EXPENDITURES				
	(238,543)	274	2,669	(4,675,181)
OTHER FINANCING SOURCES (USES):				
Capital contributions	179,426			179,426
Transfers in	319,501			9,525,027
Transfers out				(5,324,280)
Total other financing sources (uses)	498,927			4,380,173
Net change in fund balances	260,384	274	2,669	(295,008)
FUND BALANCES:				
Beginning of year		6,098	62,295	17,183,462
End of year	\$ 260,384	\$ 6,372	\$ 64,964	\$ 16,888,454

(Concluded)

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service Fund - Major Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Tax increment	\$ 6,906,697	\$ 7,791,477	\$ 9,007,647	\$ 1,216,170
Service charges:				
Interdepartmental charges	212,082	212,082	212,082	
Other:				
Repayment of note				
Investment earnings	414,330	414,330	124,896	(289,434)
Miscellaneous	135,273	135,273	6,210	(129,063)
Total revenues	7,668,382	8,553,162	9,350,835	797,673
EXPENDITURES:				
Current operating:				
General government	1,011,099	1,377,698	1,351,818	25,880
Total current operating	1,011,099	1,377,698	1,351,818	25,880
Debt service:				
Principal	2,067,748	2,067,749	2,025,273	42,476
Interest and fees	961,329	961,330	961,329	1
Total debt service	3,029,077	3,029,079	2,986,602	42,477
Total expenditures	4,040,176	4,406,777	4,338,420	68,357
REVENUES OVER (UNDER) EXPENDITURES	3,628,206	4,146,385	5,012,415	866,030
OTHER FINANCING SOURCES (USES):				
Transfers in	361,330	361,330	361,330	
Transfers out	(4,871,468)	(5,999,488)	(5,645,116)	354,372
Total other financing sources (uses)	(4,510,138)	(5,638,158)	(5,283,786)	354,372
Net change in fund balance	\$ (881,932)	\$ (1,491,773)	(271,371)	\$ 1,220,402
FUND BALANCE:				
Beginning of year, as restated			5,710,016	
End of year			\$ 5,438,645	

City of Merced

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

Park Reserve Capital Projects Fund - Major Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 92,716	\$ 121,892	\$ 21,953	\$ (99,939)
Other:				
Park planning zones 1-5	2,234,340	2,234,340	201,382	(2,032,958)
Investment earnings	150,531	150,531	141,492	(9,039)
Total revenues	2,477,587	2,506,763	364,827	(2,141,936)
EXPENDITURES:				
Capital outlay	4,622,029	4,855,533	1,910,232	2,945,301
Total expenditures	4,622,029	4,855,533	1,910,232	2,945,301
REVENUES OVER (UNDER) EXPENDITURES	(2,144,442)	(2,348,770)	(1,545,405)	803,365
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt		250,000	250,000	
Transfers in	108,510	359,781	359,781	
Transfers out		(90,116)	(83,420)	6,696
Total other financing sources (uses)	108,510	519,665	526,361	6,696
Net change in fund balance	\$ (2,035,932)	\$ (1,829,105)	(1,019,044)	\$ 810,061
FUND BALANCE:				
Beginning of year			2,268,241	
End of year			\$ 1,249,197	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Capital Projects Fund - Major Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other Federal grants	\$ 7,016	\$ 7,016	\$ 85,146	\$ 78,130
State clean-up funds	207,763	207,763	463,510	255,747
Other:				
Investment earnings	445,000	445,000	224,688	(220,312)
Charges for services		19,800	22,075	2,275
Miscellaneous		116,626	14,445	(102,181)
Total revenues	<u>659,779</u>	<u>796,205</u>	<u>809,864</u>	<u>13,659</u>
EXPENDITURES:				
Capital outlay				
Total current operating	<u>11,481,860</u>	<u>16,896,589</u>	<u>7,733,433</u>	<u>9,163,156</u>
Debt service:				
Principal	15,327	15,327	15,326	1
Interest	4,181	4,181	4,180	1
Total debt service	<u>19,508</u>	<u>19,508</u>	<u>19,506</u>	<u>2</u>
Total expenditures	<u>11,501,368</u>	<u>16,916,097</u>	<u>7,752,939</u>	<u>9,163,158</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,841,589)</u>	<u>(16,119,892)</u>	<u>(6,943,075)</u>	<u>9,176,817</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,260,561	5,158,410	4,998,097	(160,313)
Transfers out	(153,000)	(648,334)	(2,499,626)	(1,851,292)
Total other financing sources (uses)	<u>4,107,561</u>	<u>4,510,076</u>	<u>2,498,471</u>	<u>(2,011,605)</u>
Net change in fund balance	<u>\$ (6,734,028)</u>	<u>\$ (11,609,816)</u>	<u>(4,444,604)</u>	<u>\$ 7,165,212</u>
FUND BALANCE:				
Beginning of year			<u>12,008,347</u>	
End of year			<u>\$ 7,563,743</u>	

City of Merced

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

Downtown Parking Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
In-lieu parking	\$ 56,080	\$ 56,080	\$ 46,875	\$ (9,205)
Leased parking spaces	12,660	12,660	23,975	11,315
Investment earnings			8,376	8,376
Total revenues	68,740	68,740	79,226	10,486
EXPENDITURES:				
Current operating:				
General government	134,403	61,500	13,624	47,876
Administrative shared expenditures	1,546	1,591	1,591	
Total current operating	135,949	63,091	15,215	47,876
Capital outlay	46,333	19,732	521	19,211
Total expenditures	182,282	82,823	15,736	67,087
REVENUES OVER (UNDER) EXPENDITURES	(113,542)	(14,083)	63,490	77,573
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(14,400)	(114,400)	(114,400)	
Total other financing sources (uses)	(14,400)	(114,400)	(114,400)	
Net change in fund balance	\$ (127,942)	\$ (128,483)	(50,910)	\$ 77,573
FUND BALANCE:				
Beginning of year			183,495	
End of year			\$ 132,585	

City of Merced

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

Downtown Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Business improvement area	\$ 114,696	\$ 114,696	\$ 91,443	\$ (23,253)
Other:				
Investment earnings			3,063	3,063
Total revenues	<u>114,696</u>	<u>114,696</u>	<u>94,506</u>	<u>(20,190)</u>
EXPENDITURES:				
Current operating:				
General government	113,244	124,086	56,226	67,860
Administrative shared expenditures	35,330	36,351	36,351	
Total expenditures	<u>148,574</u>	<u>160,437</u>	<u>92,577</u>	<u>67,860</u>
Net change in fund balance	<u>\$ (33,878)</u>	<u>\$ (45,741)</u>	1,929	<u>\$ 47,670</u>
FUND BALANCE:				
Beginning of year			<u>59,432</u>	
End of year			<u>\$ 61,361</u>	

City of Merced

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

Local Transportation Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State and local transportation	\$ 172,666	\$ 172,666	\$ 458,891	\$ 286,225
Other:				
Investment earnings			15,831	15,831
Total revenues	<u>172,666</u>	<u>172,666</u>	<u>474,722</u>	<u>302,056</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(607,522)	(607,522)	(607,522)	
Total other financing sources (uses)	<u>(607,522)</u>	<u>(607,522)</u>	<u>(607,522)</u>	
Net change in fund balance	<u>\$ (434,856)</u>	<u>\$ (434,856)</u>	<u>(132,800)</u>	<u>\$ 302,056</u>
FUND BALANCE:				
Beginning of year			544,078	
End of year			<u>\$ 411,278</u>	

City of Merced

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State gas tax	\$ 1,360,900	\$ 1,360,900	\$ 1,361,083	\$ 183
Other:				
Investment earnings			6,062	6,062
Total revenues	<u>1,360,900</u>	<u>1,360,900</u>	<u>1,367,145</u>	<u>6,245</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,365,013)</u>	<u>(1,365,013)</u>	<u>(1,520,798)</u>	<u>(155,785)</u>
Total other financing sources (uses)	<u>(1,365,013)</u>	<u>(1,365,013)</u>	<u>(1,520,798)</u>	<u>(155,785)</u>
Net change in fund balance	<u>\$ (4,113)</u>	<u>\$ (4,113)</u>	<u>(153,653)</u>	<u>\$ (149,540)</u>
FUND BALANCE:				
Beginning of year			<u>245,860</u>	
End of year			<u>\$ 92,207</u>	

City of Merced

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

Traffic Safety Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 184,000	\$ 184,000	\$ 197,818	\$ 13,818
Total revenues	184,000	184,000	197,818	13,818
EXPENDITURES:				
Current operating:				
General government	210,277	210,277	192,704	17,573
Total expenditures	210,277	210,277	192,704	17,573
REVENUES OVER (UNDER) EXPENDITURES	\$ (26,277)	\$ (26,277)	5,114	\$ 31,391
FUND BALANCE:				
Beginning of year			34,606	
End of year			\$ 39,720	

City of Merced

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

Street Trees Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 22,741	\$ 22,741	\$ 19,937	\$ (2,804)
Total revenues	22,741	22,741	19,937	(2,804)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	81,783	83,449	83,450	(1)
Public works	1,290,779	1,289,389	1,109,661	179,728
Total expenditures	1,372,562	1,372,838	1,193,111	179,727
REVENUES OVER (UNDER) EXPENDITURES	(1,349,821)	(1,350,097)	(1,173,174)	(176,923)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,327,593	1,323,960	1,147,669	(176,291)
Total other financing sources (uses)	1,327,593	1,323,960	1,147,669	(176,291)
Net change in fund balance	\$ (22,228)	\$ (26,137)	(25,505)	\$ 632
FUND BALANCE:				
Beginning of year			28,797	
End of year			<u>\$ 3,292</u>	

City of Merced

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

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 9,824	\$ 9,824
Total revenues			9,824	9,824
OTHER FINANCING SOURCES (USES):				
Transfers out	(289,829)	(289,829)	(289,829)	
Total other financing sources (uses)	(289,829)	(289,829)	(289,829)	
Net change in fund balance	\$ (289,829)	\$ (289,829)	(280,005)	\$ 9,824
FUND BALANCE:				
Beginning of year			323,480	
End of year			\$ 43,475	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets and Street Lights Maintenance Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Service charges	\$ 332,286	\$ 332,286	\$ 327,397	\$ (4,889)
Other:				
Investment earnings			52	52
Miscellaneous	100	100	960	860
Total revenues	332,386	332,386	328,409	(3,977)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	223,579	228,024	228,024	
Public Works	2,947,234	3,028,836	2,672,184	356,652
Total current operating	3,170,813	3,256,860	2,900,208	356,652
Capital outlay	164,536	262,268	110,321	151,947
Total expenditures	3,335,349	3,519,128	3,010,529	508,599
REVENUES OVER (UNDER) EXPENDITURES	(3,002,963)	(3,186,742)	(2,682,120)	504,622
OTHER FINANCING SOURCES (USES):				
Transfers in	2,972,377	3,332,377	2,561,823	(770,554)
Total other financing sources (uses)	2,972,377	3,332,377	2,561,823	(770,554)
Net change in fund balance	\$ (30,586)	\$ 145,635	(120,297)	\$ (265,932)
FUND BALANCE:				
Beginning of year			196,297	
End of year			<u>\$ 76,000</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recreation and Parks Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grant	\$ 191,159	\$	\$	\$
Other:				
Fees for services	342,661	342,661	235,846	(106,815)
Donations	308,747	122,648	85,741	(36,907)
Miscellaneous	10,000	60,000	50,540	(9,460)
Total revenues	852,567	525,309	372,127	(153,182)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	179,265	184,447	184,447	
Parks	3,054,274	3,180,531	3,080,809	99,722
Total current operating	3,233,539	3,364,978	3,265,256	99,722
Capital outlay	1,068,346	11,993	9,993	2,000
Total expenditures	4,301,885	3,376,971	3,275,249	101,722
REVENUES OVER (UNDER) EXPENDITURES	(3,449,318)	(2,851,662)	(2,903,122)	(51,460)
OTHER FINANCING SOURCES (USES):				
Transfers in	3,450,766	2,847,700	2,799,447	(48,253)
Total other financing sources (uses)	3,450,766	2,847,700	2,799,447	(48,253)
Net change in fund balance	\$ 1,448	\$ (3,962)	(103,675)	\$ (99,713)
FUND BALANCE:				
Beginning of year			189,950	
End of year			\$ 86,275	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Surface Transportation Program Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 616,107	\$ 616,107	\$ 633,793	\$ 17,686
Other:				
Investment earnings	2,500	2,500	62,899	60,399
Total revenues	618,607	618,607	696,692	78,085
OTHER FINANCING SOURCES (USES):				
Transfers in		17,836	17,836	
Transfers out	(2,639,392)	(2,228,642)	(1,025,348)	1,203,294
Total other financing sources (uses)	(2,639,392)	(2,210,806)	(1,007,512)	1,203,294
Net change in fund balance	\$ (2,020,785)	\$ (1,592,199)	(310,820)	\$ 1,281,379
FUND BALANCE:				
Beginning of year			1,641,293	
End of year			\$ 1,330,473	

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, 2008**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Public safety funding	\$ 320,000	\$ 320,000	\$ 326,475	\$ 6,475
Other:				
Investment earnings			5	5
Total revenues	320,000	320,000	326,480	6,480
OTHER FINANCING SOURCES (USES):				
Transfers out	(359,055)	(359,055)	(359,055)	
Total other financing sources (uses)	(359,055)	(359,055)	(359,055)	
Net change in fund balances	\$ (39,055)	\$ (39,055)	(32,575)	\$ 6,480
FUND BALANCES:				
Beginning of year			60,136	
End of year			\$ 27,561	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Public Works Administration Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Other federal grants	\$ 1,607,228	\$ 1,607,228	\$ 1,607,616	\$ 388
Service charges				
Other:				
Investment earnings	20,000	20,000	35,247	15,247
Miscellaneous	800	800	389	(411)
Total revenues	<u>1,628,028</u>	<u>1,628,028</u>	<u>1,643,252</u>	<u>15,224</u>
EXPENDITURES:				
Current operating:				
General government	1,476,990	1,487,938	1,493,327	(5,389)
Total current operating	<u>1,476,990</u>	<u>1,487,938</u>	<u>1,493,327</u>	<u>(5,389)</u>
Capital outlay	24,900	36,418	34,323	2,095
Total expenditures	<u>1,501,890</u>	<u>1,524,356</u>	<u>1,527,650</u>	<u>(3,294)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 126,138</u>	<u>\$ 103,672</u>	115,602	<u>\$ 11,930</u>
FUND BALANCE:				
Beginning of year			672,940	
End of year			<u>\$ 788,542</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, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
OTS grant	\$ 236,545	\$ 674,662	\$ 164,554	\$ (510,108)
Service Charges	6,085	6,085	445	(5,640)
Total revenues	242,630	680,747	164,999	(515,748)
EXPENDITURES:				
Current operating:				
Public safety	230,777	616,649	104,095	512,554
Total current operating	230,777	616,649	104,095	512,554
Capital outlay		64,633	60,361	4,272
Total expenditures	230,777	681,282	164,456	516,826
REVENUES OVER (UNDER) EXPENDITURES	\$ 11,853	\$ (535)	543	\$ 1,078
FUND BALANCES:				
Beginning of year			(46)	
End of year			\$ 497	

City of Merced

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Supplemental Law Enforcement Services Special Revenue Fund
 For the year ended June 30, 2008**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 153,285	\$ 153,581	\$ 296
Other:				
Investment earnings			202	202
Total revenues	<u>100,000</u>	<u>153,285</u>	<u>153,783</u>	<u>498</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(103,511)</u>	<u>(155,820)</u>	<u>(155,820)</u>	
Total other financing sources (uses)	<u>(103,511)</u>	<u>(155,820)</u>	<u>(155,820)</u>	
Net change in fund balances	<u>\$ (3,511)</u>	<u>\$ (2,535)</u>	<u>(2,037)</u>	<u>\$ 498</u>
FUND BALANCE:				
Beginning of year			<u>2,537</u>	
End of year			<u>\$ 500</u>	

City of Merced

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

Justice Assistance Grant Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Justice Assistance Grant	\$ 200	\$ 64,407	\$ 63,802	\$ (605)
Other:				
Investment earnings	200	200	1,018	818
Total revenues	400	64,607	64,820	213
EXPENDITURES:				
Capital outlay	200	44,407	44,052	355
Total expenditures	200	44,407	44,052	355
REVENUES OVER (UNDER) EXPENDITURES	200	20,200	20,768	(142)
OTHER FINANCING SOURCES (USES):				
Transfers out		(20,000)	(20,000)	
Total other financing sources (uses)		(20,000)	(20,000)	
Net change in fund balance	\$ 200	\$ 200	768	\$ 568
FUND BALANCE:				
Beginning of year			247	
End of year			\$ 1,015	

City of Merced

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

Parking Enforcement Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Current operating:				
Public Safety	\$	\$	\$ 33,263	\$ (33,263)
Total expenditures			33,263	(33,263)
OTHER FINANCING SOURCES (USES):				
Transfers out	(295,559)	(295,559)	(295,559)	
Total other financing sources (uses)	(295,559)	(295,559)	(295,559)	
Net change in fund balance	<u>\$ (295,559)</u>	<u>\$ (295,559)</u>	(328,822)	<u>\$ (33,263)</u>
FUND BALANCE:				
Beginning of year			366,200	
End of year			<u>\$ 37,378</u>	

City of Merced

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

Child Development Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
YEP Grant	\$ 213,021	\$ 905,912	\$ 910,035	\$ 4,123
Other:				
Investment earnings	5,000	5,000	7,505	2,505
Miscellaneous			327,213	327,213
Total revenues	218,021	910,912	1,244,753	333,841
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	2,130	9,059	9,274	(215)
Parks	345,746	1,037,009	936,890	100,119
Total expenditures	347,876	1,046,068	946,164	99,904
REVENUES OVER (UNDER) EXPENDITURES	\$ (129,855)	\$ (135,156)	298,589	\$ 433,745
FUND BALANCE:				
Beginning of year			154,234	
End of year			\$ 452,823	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Maintenance Districts Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Assessments	\$ 740,196	\$ 740,196	\$ 753,795	\$ 13,599
Investment earnings			56,404	56,404
Miscellaneous	22,212	22,212	22,298	86
Total revenues	762,408	762,408	832,497	70,089
EXPENDITURES:				
Current operating:				
General government	849,362	887,265	770,207	117,058
Administrative shared expenditures	44,403	44,403	44,403	
Total current operating	893,765	931,668	814,610	117,058
Capital outlay	328,858	328,858	5,618	323,240
Total expenditures	1,222,623	1,260,526	820,228	440,298
REVENUES OVER (UNDER) EXPENDITURES	(460,215)	(498,118)	12,269	510,387
OTHER FINANCING SOURCES (USES):				
Transfers in	54,641	84,141	84,141	
Transfers out		(1,300)	(1,300)	
Total other financing sources (uses)	54,641	82,841	82,841	
Net change in fund balance	\$ (405,574)	\$ (415,277)	95,110	\$ 510,387
FUND BALANCE:				
Beginning of year			1,494,948	
End of year			\$ 1,590,058	

City of Merced

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

CFD Services Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 249,600	\$ 249,600	\$ 344,111	\$ 94,511
Charges for Services	54,914	54,914	71,520	16,606
Other:				
Assessments	1,477,040	1,359,667	1,228,226	(131,441)
Investment earnings			32,631	32,631
Miscellaneous	8,324	75,000	157,922	82,922
Total revenues	1,789,878	1,739,181	1,834,410	95,229
EXPENDITURES:				
Current operating:				
General government	3,008,194	3,186,812	2,521,613	665,199
Administrative shared expenditures	61,664	61,664	61,664	
Total current operating	3,069,858	3,248,476	2,583,277	665,199
Capital outlay	68,209	68,209	53,429	14,780
Total expenditures	3,138,067	3,316,685	2,636,706	679,979
REVENUES OVER (UNDER) EXPENDITURES	(1,348,189)	(1,577,504)	(802,296)	775,208
OTHER FINANCING SOURCES (USES):				
Issuance of debt	1,141,189	1,141,189		(1,141,189)
Transfers in			25,847	25,847
Transfers out	(190,331)	(208,143)	(175,621)	32,522
Total other financing sources (uses)	950,858	933,046	(149,774)	58,369
Net change in fund balance	\$ (397,331)	\$ (644,458)	(952,070)	\$ 833,577
FUND BALANCE:				
Beginning of year			254,067	
End of year			<u>\$ (698,003)</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Measure C Special Revenue Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
General sales and use tax	\$ 5,965,400	\$ 5,965,400	\$ 5,599,629	\$ (365,771)
Charges for services	99,017	99,017	166,203	67,186
Investment earnings	90,000	90,000	130,308	40,308
Miscellaneous			1,700	1,700
Total revenues	6,154,417	6,154,417	5,897,840	(256,577)
EXPENDITURES:				
Current operating:				
General government	4,408,590	4,435,508	4,246,611	188,897
Administrative shared expenditures	537,287	541,583	541,583	
Total current operating	4,945,877	4,977,091	4,788,194	188,897
Capital outlay	3,656,908	4,409,967	2,367,543	2,042,424
Total expenditures	8,602,785	9,387,058	7,155,737	2,231,321
REVENUES OVER (UNDER) EXPENDITURES	(2,448,368)	(3,232,641)	(1,257,897)	1,974,744
Net change in fund balance	\$ (2,448,368)	\$ (3,232,641)	(1,257,897)	\$ 1,974,744
FUND BALANCE:				
Beginning of year			4,759,051	
End of year			\$ 3,501,154	

City of Merced

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

Developer Capital Fee Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 2,500	\$ 2,500	\$ 7,972	\$ 5,472
Miscellaneous			40,000	40,000
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>47,972</u>	<u>45,472</u>
Net change in fund balance	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>47,972</u>	<u>\$ 45,472</u>
FUND BALANCE:				
Beginning of year			<u>586,549</u>	
End of year			<u>\$ 634,521</u>	

City of Merced

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

Proposition 1B Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental - Proposition 1B	\$	\$ 1,282,161	\$ 1,282,162	\$ 1
Other:				
Investment earnings			7,052	7,052
Total revenues		<u>1,282,161</u>	<u>1,289,214</u>	<u>7,053</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			360,000	360,000
Transfers out		(1,642,161)	(360,491)	1,281,670
Total other financing sources (uses)		<u>(1,642,161)</u>	<u>(491)</u>	<u>1,641,670</u>
Net change in fund balance	<u>\$</u>	<u>\$ (360,000)</u>	<u>1,288,723</u>	<u>\$ 1,648,723</u>
FUND BALANCE:				
Beginning of year				
End of year			<u>\$ 1,288,723</u>	

City of Merced

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

Bell Station Building Special Revenue Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 491	\$ 491
Miscellaneous		55,728	60,888	5,160
Total revenues		55,728	61,379	5,651
EXPENDITURES:				
Current operating:				
General government		35,878	33,246	2,632
Total current operating		35,878	33,246	2,632
Capital outlay		6,429	2,655	3,774
Total expenditures		42,307	35,901	6,406
REVENUES OVER (UNDER) EXPENDITURES		13,421	25,478	12,057
OTHER FINANCING SOURCES (USES):				
Transfers out		(13,421)	(13,421)	
Total other financing sources (uses)		(13,421)	(13,421)	
Net change in fund balance	\$	\$	12,057	\$ 12,057
FUND BALANCE:				
Beginning of year				
End of year			\$ 12,057	

City of Merced

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

Public Financing Authority Debt Service Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	309	\$ 309
Total revenues			309	309
Net change in fund balance	\$	\$	309	\$ 309
FUND BALANCE:				
Beginning of year			6,867	
End of year			\$ 7,176	

City of Merced

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

Airport Industrial Park Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 90,000	\$ 90,000	\$ 84,436	\$ (5,564)
Total revenues	90,000	90,000	84,436	(5,564)
EXPENDITURES:				
Current operating:				
General government	40,500	125,403	10,000	115,403
Capital outlay	1,180,550	582,568	122,227	460,341
Total expenditures	1,221,050	707,971	132,227	575,744
REVENUES OVER (UNDER) EXPENDITURES	(1,131,050)	(617,971)	(47,791)	570,180
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	675,000	675,000		(675,000)
Transfers out	(1,387,107)	(1,578,372)	(228,326)	1,350,046
Total other financing sources (uses)	(712,107)	(903,372)	(228,326)	675,046
Net change in fund balance	\$ (1,843,157)	\$ (1,521,343)	(276,117)	\$ 1,245,226
FUND BALANCE:				
Beginning of year			2,405,723	
End of year			<u>\$ 2,129,606</u>	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets and Signals Capital Projects Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grants	\$ 167,763	\$ 161,329	\$ 12,348	\$ (148,981)
State grants		986,490	28,745	(957,745)
Other:				
Investment earnings			78,693	78,693
Miscellaneous		11,500		(11,500)
Total revenues	167,763	1,159,319	119,786	(1,039,533)
EXPENDITURES:				
Capital outlay	12,086,859	16,762,142	1,585,686	15,176,456
Total expenditures	12,086,859	16,762,142	1,585,686	15,176,456
REVENUES OVER (UNDER) EXPENDITURES	(11,919,096)	(15,602,823)	(1,465,900)	14,136,923
OTHER FINANCING SOURCES (USES):				
Transfers in	11,919,096	12,900,577	2,198,058	(10,702,519)
Transfers out		(103,004)	(103,004)	
Total other financing sources (uses)	11,919,096	12,797,573	2,095,054	(10,702,519)
Net change in fund balance	\$	\$ (2,805,250)	629,154	\$ 3,434,404
FUND BALANCE:				
Beginning of year			2,805,609	
End of year			\$ 3,434,763	

City of Merced

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

Fire Station Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 31	\$ 31
Total revenues			31	31
EXPENDITURES:				
Capital outlay	4,325	12,943	12,943	
Total expenditures	4,325	12,943	12,943	
REVENUES OVER (UNDER) EXPENDITURES	(4,325)	(12,943)	(12,912)	31
OTHER FINANCING SOURCES (USES):				
Transfers in	4,325	705	705	
Total other financing sources (uses)	4,325	705	705	
Net change in fund balance	\$	\$ (12,238)	(12,207)	\$ 31
FUND BALANCE:				
Beginning of year			12,308	
End of year			\$ 101	

City of Merced

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

Police Mobile Computers Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 2,307	\$ 2,307
Total revenues			2,307	2,307
EXPENDITURES:				
Capital outlay	91,361	32,733	32,732	1
Total expenditures	91,361	32,733	32,732	1
REVENUES OVER (UNDER) EXPENDITURES	(91,361)	(32,733)	(30,425)	2,308
OTHER FINANCING SOURCES (USES):				
Transfers out		(53,786)	(53,786)	
Total other financing sources (uses)		(53,786)	(53,786)	
Net change in fund balance	\$ (91,361)	\$ (86,519)	(84,211)	\$ 2,308
FUND BALANCE:				
Beginning of year			86,411	
End of year			\$ 2,200	

City of Merced

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

Merced Theatre Restoration Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 2,709	\$ 2,709
Contributions			1,035,000	1,035,000
Total revenues			1,037,709	1,037,709
EXPENDITURES:				
Capital outlay		10,000		10,000
Total expenditures		10,000		10,000
REVENUES OVER (UNDER) EXPENDITURES		(10,000)	1,037,709	1,047,709
OTHER FINANCING SOURCES (USES):				
Transfers in		10,000	10,000	
Total other financing sources (uses)		10,000	10,000	
Net change in fund balance	\$	\$	1,047,709	\$ 1,047,709
FUND BALANCE:				
Beginning of year				
End of year			\$ 1,047,709	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parks & Community Services Capital Projects Fund For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$	\$ 191,159	\$ 50,041	\$ (141,118)
Other:				
Investment earnings			751	751
Total revenues		<u>191,159</u>	<u>50,792</u>	<u>(140,367)</u>
EXPENDITURES:				
Capital outlay		1,017,856	289,335	728,521
Total expenditures		<u>1,017,856</u>	<u>289,335</u>	<u>728,521</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>(826,697)</u>	<u>(238,543)</u>	<u>588,154</u>
OTHER FINANCING SOURCES (USES):				
Contributed capital		179,426	179,426	
Transfers in		647,271	319,501	(327,770)
Total other financing sources (uses)		<u>826,697</u>	<u>498,927</u>	<u>(327,770)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>260,384</u>	<u>\$ 260,384</u>
FUND BALANCE:				
Beginning of year				
End of year			<u>\$ 260,384</u>	

City of Merced

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

PCE Remediation Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 274	\$ 274
Total revenues			<u>274</u>	<u>274</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	274	<u>\$ 274</u>
FUND BALANCE:				
Beginning of year			<u>6,098</u>	
End of year			<u>\$ 6,372</u>	

City of Merced

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

Fire Station #55 Fund Capital Projects Fund

For the year ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 2,669	\$ 2,669
Total revenues			<u>2,669</u>	<u>2,669</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	2,669	<u>\$ 2,669</u>
FUND BALANCE:				
Beginning of year			<u>62,295</u>	
End of year			<u>\$ 64,964</u>	

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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 Operations 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
Enterprise Funds
June 30, 2008

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 11,273,932	\$ 18,699,493	\$ 122,667	\$ 141,536
Cash held with fiscal agent	8,572,573			
Receivables:				
Accounts	1,016,546	1,193,344		
Interest	67,960	71,664	600	
Due from other governments	89,696			4,083,748
Inventory	1,500			
Total current assets	<u>21,022,207</u>	<u>19,964,501</u>	<u>123,267</u>	<u>4,225,284</u>
Noncurrent assets:				
Notes receivable-private parties	597	9,535	3,655	
Advances to other funds		15,896		
Deferred charges	361,853			
Capital assets:				
Nondepreciable	1,246,619	13,454,778		
Depreciable, net of accumulated depreciation	19,994,351	13,763,282		
Total capital assets	<u>21,240,970</u>	<u>27,218,060</u>		
Total noncurrent assets	<u>21,603,420</u>	<u>27,243,491</u>	<u>3,655</u>	
Total assets	<u>42,625,627</u>	<u>47,207,992</u>	<u>126,922</u>	<u>4,225,284</u>
LIABILITIES				
Current liabilities:				
Accounts payable	314,940	258,881		
Payroll liabilities	101,053			
Deposits	144,939			
Deferred revenue	838,825	8,507	3,655	
Accrued interest payable	265,349			52,646
Other liabilities	27	121,669	50	
Compensated absences payable, due within one year	70,050			
Long-term debt due within one year	1,073,963			61,875
Total current liabilities	<u>2,809,146</u>	<u>389,057</u>	<u>3,705</u>	<u>114,521</u>
Long-term liabilities:				
Advances from other funds			15,896	
Compensated absences payable, due in more than one year	171,156			
Long-term debt due in more than one year	19,704,911			3,926,360
Total long-term liabilities	<u>19,876,067</u>		<u>15,896</u>	<u>3,926,360</u>
Total liabilities	<u>22,685,213</u>	<u>389,057</u>	<u>19,601</u>	<u>4,040,881</u>
NET ASSETS				
Invested in capital assets, net of related debt	462,096	27,218,060		(3,988,235)
Restricted for:				
Special projects and programs	780,133	4,095,594		
Debt service	402,438			184,403
Capital projects	8,170,135			
Unrestricted	10,125,612	15,505,281	107,321	3,988,235
Total net assets	<u>\$ 19,940,414</u>	<u>\$ 46,818,935</u>	<u>\$ 107,321</u>	<u>\$ 184,403</u>

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 30,237,628	\$ 7,595,922	\$ 26,126,176	\$ 5,106,039	\$ 135,986	\$ 38,964,123	\$ 3,595,785	\$ 11,508
8,572,573	657,847				657,847		
2,209,890	1,124,357	442,873	89,962		1,657,192	734,588	27,667
140,224	35,324	121,226	23,692		180,242	16,693	53
4,173,444				3,923,601	3,923,601		
1,500	107,032				107,032		
45,335,259	9,520,482	26,690,275	5,219,693	4,059,587	45,490,037	4,347,066	39,228
13,787	158	1,108	215		1,481		125
15,896		900,000			900,000		
361,853	147,530				147,530		
14,701,397	7,457,199	5,425,494	117,842		13,000,535	357,721	
33,757,633	24,728,538	2,599,791	763,596		28,091,925	16,067,103	262,224
48,459,030	32,185,737	8,025,285	881,438		41,092,460	16,424,824	262,224
48,850,566	32,333,425	8,926,393	881,653		42,141,471	16,424,824	262,349
94,185,825	41,853,907	35,616,668	6,101,346	4,059,587	87,631,508	20,771,890	301,577
573,821	370,517	113,578			484,095	232,428	
101,053	78,172				78,172	100,637	
144,939	711,756				711,756	156,336	
850,987	1,016,758				1,016,758	686,311	
317,995	98,566			53,710	152,276	371	
121,746	11,848				11,848		
70,050	4,392				4,392	9,734	
1,135,838	327,074	20,450		63,125	410,649		
3,316,429	2,619,083	134,028		116,835	2,869,946	1,185,817	
15,896						12,382	
171,156	116,791				116,791	189,742	
23,631,271	7,671,312	90,534		4,000,850	11,762,696		
23,818,323	7,788,103	90,534		4,000,850	11,879,487	202,124	
27,134,752	10,407,186	224,562		4,117,685	14,749,433	1,387,941	
23,691,921	24,187,351	8,025,285	881,438	(4,063,975)	29,030,099	16,424,824	262,224
4,875,727	738,483	1,116,329	55,905		1,910,717	136,649	
586,841							
8,170,135							
29,726,449	6,520,887	26,250,492	5,164,003	4,005,877	41,941,259	2,822,476	39,353
\$ 67,051,073	\$ 31,446,721	\$ 35,392,106	\$ 6,101,346	\$ (58,098)	\$ 72,882,075	\$ 19,383,949	\$ 301,577

(Continued)

City of Merced
Combining Schedule of Net Assets, Continued
Enterprise Funds
June 30, 2008

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 3,607,293	\$ 56,953	\$ 72,865,997
Cash held with fiscal agent			9,230,420
Receivables			
Accounts	762,255	20,212	4,649,549
Interest	16,746		337,212
Due from other governments		50,975	8,148,020
Inventory			108,532
Total current assets	<u>4,386,294</u>	<u>128,140</u>	<u>95,339,730</u>
Noncurrent assets:			
Notes receivable-private parties	125		15,393
Advances to other funds			915,896
Deferred charges			509,383
Capital assets:			
Nondepreciable	357,721	1,240,345	29,299,998
Depreciable, net of accumulated depreciation	16,329,327	2,532,309	80,711,194
Total capital assets	<u>16,687,048</u>	<u>3,772,654</u>	<u>110,011,192</u>
Total noncurrent assets	<u>16,687,173</u>	<u>3,772,654</u>	<u>111,451,864</u>
Total assets	<u>21,073,467</u>	<u>3,900,794</u>	<u>206,791,594</u>
LIABILITIES			
Current liabilities:			
Accounts payable	232,428	4,211	1,294,555
Payroll liabilities	100,637	11,117	290,979
Deposits	156,336	14,542	1,027,573
Deferred revenue	686,311	13,116	2,567,172
Accrued interest payable	371		470,642
Other liabilities			133,594
Compensated absences payable, due within one year	9,734	913	85,089
Long-term debt due within one year			1,546,487
Total current liabilities	<u>1,185,817</u>	<u>43,899</u>	<u>7,416,091</u>
Long-term liabilities:			
Advances from other funds	12,382		28,278
Compensated absences payable, due in more than one year	189,742	5,452	483,141
Long-term debt due in more than one year			35,393,967
Total long-term liabilities	<u>202,124</u>	<u>5,452</u>	<u>35,905,386</u>
Total liabilities	<u>1,387,941</u>	<u>49,351</u>	<u>43,321,477</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,687,048	3,772,654	73,181,722
Restricted for:			
Special projects and programs	136,649	28,676	6,951,769
Debt service			586,841
Capital projects		334	8,170,469
Unrestricted	2,861,829	49,779	74,579,316
Total net assets	<u>\$ 19,685,526</u>	<u>\$ 3,851,443</u>	<u>\$ 163,470,117</u>

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City of Merced
Combining Schedule of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
For the year ended June 30, 2008

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
OPERATING REVENUES:				
Charges for services	\$ 13,692,714	\$ 804,858	\$	\$ 203,972
Other revenues	464,764		314	
Total operating revenues	14,157,478	804,858		203,972
OPERATING EXPENSES:				
Personnel services	2,842,964			
Materials, supplies and other services	3,879,773	14,189		
Depreciation	1,014,629	761,824		
Administrative shared expenses	817,763			
Costs applied - labor, materials, supplies and services	846,056			
Total operating expenses	9,401,185	776,013		
OPERATING INCOME (LOSS)	4,756,293	28,845		203,972
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	880,628	687,628	5,529	591
Interest and related expenses	(1,058,280)			(142,251)
Total nonoperating revenues (expenses)	(177,652)	687,628	5,529	(141,660)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	4,578,641	716,473	5,843	62,312
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Capital contributions	3,964,891			
Transfers in	405,169	3,358,543		
Transfers out	(3,763,712)			
Total transfers and capital contributions	606,348	3,358,543		
Change in net assets	5,184,989	4,075,016	5,843	62,312
NET ASSETS:				
Beginning of year	14,755,425	42,743,919	101,478	122,091
End of year	\$ 19,940,414	\$ 46,818,935	\$ 107,321	\$ 184,403

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 14,701,544	\$ 9,723,768	\$ 458,284	\$ 91,950	\$ 199,934	\$ 10,473,936	\$ 10,198,145	\$ 26,586
465,078	43,941				43,941	180	
15,166,622	9,767,709	458,284	91,950	199,934	10,517,877	10,198,325	26,586
2,842,964	2,169,219				2,169,219	2,907,808	
3,893,962	3,924,867		104,524		4,029,391	5,999,611	261
1,776,453	1,148,175	229,141	88,986		1,466,302	651,551	96,455
817,763	478,038				478,038	1,046,146	
846,056	911,761				911,761	825,527	
10,177,198	8,632,060	229,141	193,510		9,054,711	11,430,643	96,716
4,989,424	1,135,649	229,143	(101,560)	199,934	1,463,166	(1,232,318)	(70,130)
1,574,376	369,320	1,090,784	215,767	567	1,676,438	158,310	82
(1,200,531)	(400,984)	(5,356)		(137,726)	(544,066)	(372)	
373,845	(31,664)	1,085,428	215,767	(137,159)	1,132,372	157,938	82
5,363,269	1,103,985	1,314,571	114,207	62,775	2,595,538	(1,074,380)	(70,048)
3,964,891	4,268,647				4,268,647	4,620,777	
3,763,712	(38)				(38)		
(3,763,712)							
3,964,891	4,268,609				4,268,609	4,620,777	
9,328,160	5,372,594	1,314,571	114,207	62,775	6,864,147	3,546,397	(70,048)
57,722,913	26,074,127	34,077,535	5,987,139	(120,873)	66,017,928	15,837,552	371,625
\$ 67,051,073	\$ 31,446,721	\$ 35,392,106	\$ 6,101,346	\$ (58,098)	\$ 72,882,075	\$ 19,383,949	\$ 301,577

(Continued)

City of Merced
Combining Schedule of Revenues, Expenses and Changes in Net Assets, Continued
Enterprise Funds
For the year ended June 30, 2008

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 10,224,731	\$ 359,038	\$ 35,759,249
Other revenues	180	701,857	1,211,056
Total operating revenues	10,224,911	1,060,895	36,970,305
OPERATING EXPENSES:			
Personnel services	2,907,808	295,373	8,215,364
Materials, supplies and other services	5,999,872	307,030	14,230,255
Depreciation	748,006	91,310	4,082,071
Administrative shared expenses	1,046,146	46,099	2,388,046
Costs applied - labor, materials, supplies and services	825,527		2,583,344
Total operating expenses	11,527,359	739,812	31,499,080
OPERATING INCOME (LOSS)	(1,302,448)	321,083	5,471,225
NONOPERATING REVENUES (EXPENSES):			
Interest and investment earnings	158,392	1,485	3,410,691
Interest and related expenses	(372)		(1,744,969)
Total nonoperating revenues (expenses)	158,020	1,485	1,665,722
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(1,144,428)	322,568	7,136,947
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital contributions	4,620,777	60,000	12,914,315
Transfers in		314,761	4,078,473
Transfers out			(3,763,750)
Total transfers and capital contributions	4,620,777	374,761	13,229,038
Change in net assets	3,476,349	697,329	20,365,985
NET ASSETS:			
Beginning of year	16,209,177	3,154,114	143,104,132
End of year	\$ 19,685,526	\$ 3,851,443	\$ 163,470,117

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City of Merced
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2008

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 13,691,037	\$ 1,750,828	\$ (315)	\$ 203,972
Cash paid to suppliers	(5,682,117)	(196,508)		
Cash paid to employees	(2,842,906)			
Cash (paid to) received from other governments	417,964			128,795
Net cash provided (used) by operating activities	5,583,978	1,554,320	(1)	332,767
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds			(6,728)	
Advances to other funds		6,728		
Transfers from other funds	405,169	3,358,543		
Transfers to other funds	(3,763,712)			
Net cash provided (used) by noncapital financing activities	(3,358,543)	3,365,271	(6,728)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(996,971)	(3,740,644)		
Payment of long-term debt	(1,074,912)			(49,537)
Interest payments	(1,019,434)			(142,905)
Net cash provided (used) by capital and related financing activities	(3,091,317)	(3,740,644)		(192,442)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	916,381	779,397	6,129	591
Payments from notes to private parties	2,756	(3,779)	315	
Net cash provided (used) by investing activities	919,137	775,618	6,444	591
Net increase (decrease) in cash cash and cash equivalents	53,255	1,954,565	(285)	140,916
Cash and cash equivalents at beginning of year	19,793,250	16,744,928	122,952	620
Cash and cash equivalents at end of year	\$ 19,846,505	\$ 18,699,493	\$ 122,667	\$ 141,536

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 15,645,522	\$ 9,444,518	\$ 1,030,963	\$ 195,425	\$ 199,934	\$ 10,870,840	\$ 10,198,028	\$ 74,063
(5,878,625)	(5,848,855)	92,457	(104,524)		(5,860,922)	(7,648,877)	(261)
(2,842,906)	(2,138,689)				(2,138,689)	(2,886,384)	
547,073				123,744	167,685		
7,471,064	1,500,915	1,123,420	90,901	323,678	3,038,914	(337,053)	73,802
(6,728)						(390,123)	
6,728							
3,763,712							
(3,763,712)	(38)				(38)		
	(38)				(38)	(390,123)	
(4,737,615)	(3,072,619)	(862,617)	(77,199)		(4,012,435)	(275,596)	(1)
(1,124,449)	(312,473)	(19,644)		(50,462)	(382,579)		
(1,162,339)	(388,441)			(138,393)	(532,190)	(12,076)	
(7,024,403)	(3,773,533)	(887,617)	(77,199)	(188,855)	(4,927,204)	(287,672)	(1)
1,702,498	401,445	1,210,389	239,430	567	1,851,831	184,878	29
(708)	727	5,115	1,003		6,845		577
1,701,790	402,172	1,215,504	240,433	567	1,858,676	184,878	606
2,148,451	(1,870,484)	1,451,307	254,135	135,390	(29,652)	(829,970)	74,407
36,661,750	10,124,253	24,674,869	4,851,904	596	39,651,622	4,425,755	(62,899)
\$ 38,810,201	\$ 8,253,769	\$ 26,126,176	\$ 5,106,039	\$ 135,986	\$ 39,621,970	\$ 3,595,785	\$ 11,508

(Continued)

City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2008

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers, including cash deposits	\$ 10,272,091	\$ 359,568	\$ 37,148,021
Cash paid to suppliers	(7,649,138)	(375,077)	(19,763,762)
Cash paid to employees	(2,886,384)	(301,613)	(8,169,592)
Cash (paid to) received from other governments		679,231	1,394,169
Net cash provided (used) by operating activities	<u>(263,251)</u>	<u>362,109</u>	<u>10,608,836</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	(390,123)		(396,851)
Advances to other funds			6,728
Transfers from other funds		314,761	4,078,473
Transfers to other funds			(3,763,750)
Net cash provided (used) by noncapital financing activities	<u>(390,123)</u>	<u>314,761</u>	<u>(75,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(275,597)	(871,840)	(9,897,487)
Payment of long-term debt			(1,507,028)
Interest payments	(12,076)		(1,706,605)
Net cash provided (used) by capital and related financing activities	<u>(287,673)</u>	<u>(871,840)</u>	<u>(13,111,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings received (paid)	184,907	2,969	3,742,205
Payments from notes to private parties	577		6,714
Net cash provided (used) by investing activities	<u>185,484</u>	<u>2,969</u>	<u>3,748,919</u>
Net increase (decrease) in cash cash and cash equivalents	<u>(755,563)</u>	<u>(192,001)</u>	<u>1,171,235</u>
Cash and cash equivalents at beginning of year	4,362,856	248,954	80,925,182
Cash and cash equivalents at end of year	<u>\$ 3,607,293</u>	<u>\$ 56,953</u>	<u>\$ 82,096,417</u>

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City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2008

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 4,756,293	\$ 28,845	\$ 314	\$ 203,972
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,014,629	761,824		
Receivables	(96,994)	937,463		
Inventory				
Due from other governments	(46,800)			128,795
Accounts payable	(134,183)	(182,319)		
Payroll liabilities	20,033			
Deposits	36,659			
Deferred revenue	58,658	8,507	(315)	
Other liabilities	(4,342)			
Compensated absences	(19,975)			
Total adjustments	<u>827,685</u>	<u>1,525,475</u>	<u>(315)</u>	<u>128,795</u>
Net cash provided (used) by operating activities	<u>\$ 5,583,978</u>	<u>\$ 1,554,320</u>	<u>\$ (1)</u>	<u>\$ 332,767</u>
NON CASH ITEMS:				
Developer contributions of capital assets	<u>\$ 3,964,891</u>	<u>\$</u>	<u>\$</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>
\$ 4,989,424	\$ 1,135,649	\$ 229,143	\$ (101,560)	\$ 199,934	\$ 1,463,166	\$ (1,232,318)	\$ (70,130)
1,776,453	1,148,175	229,141	88,986		1,466,302	651,551	96,455
840,469	(107,422)	572,679	103,475		568,732	(56,973)	47,477
	(21,115)				(21,115)		
81,995				123,744	123,744		
(316,502)	(501,774)	92,457			(409,317)	222,407	
20,033	16,022				16,022	16,898	
36,659	(242,929)				(242,929)	8,864	
66,850	71,101				71,101	47,992	
(4,342)	(11,300)				(11,300)		
(19,975)	14,508				14,508	4,526	
<u>2,481,640</u>	<u>365,266</u>	<u>894,277</u>	<u>192,461</u>	<u>123,744</u>	<u>1,575,748</u>	<u>895,265</u>	<u>143,932</u>
\$ 7,471,064	\$ 1,500,915	\$ 1,123,420	\$ 90,901	\$ 323,678	\$ 3,038,914	\$ (337,053)	\$ 73,802
\$ 3,964,891	\$ 4,268,647	\$	\$	\$	\$ 4,268,647	\$ 4,620,777	\$

(Continued)

City of Merced
Combining Schedule of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2008

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
RECONCILIATION OF OPERATING			
INCOME (LOSS) TO NET CASH PROVIDED			
(USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,302,448)	\$ 321,083	\$ 5,471,225
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	748,006	91,310	4,082,071
Receivables	(9,496)	(12,189)	1,387,516
Inventory			(21,115)
Due from other governments		(22,626)	183,113
Accounts payable	222,407	(10,312)	(513,724)
Payroll liabilities	16,898	1,291	54,244
Deposits	8,864	(397)	(197,803)
Deferred revenue	47,992	13,116	199,059
Other liabilities		(11,636)	(27,278)
Compensated absences	4,526	(7,531)	(8,472)
Total adjustments	<u>1,039,197</u>	<u>41,026</u>	<u>5,137,611</u>
Net cash provided (used) by operating activities	<u>\$ (263,251)</u>	<u>\$ 362,109</u>	<u>\$ 10,608,836</u>
NON CASH ITEMS:			
Developer contributions of capital assets	<u>\$ 4,620,777</u>	<u>\$ 60,000</u>	<u>\$ 12,914,315</u>
			(Concluded)

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 Replacement 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, 2008

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 1,834,919	\$ 718,176	\$ 19,881	\$ 4,686,601
Receivables				
Accounts	1,500	50,615		9,121
Notes				
Interest	8,514	3,332	92	21,746
Due from other governments				
Prepaid items		4,271		
Inventory				
Total current assets	1,844,933	776,394	19,973	4,717,468
Non-current assets:				
Advances to other funds	61,620			
Capital assets:				
Nondepreciable				
Depreciable, net of accumulated depreciation				
Total capital assets				
Total noncurrent assets	61,620			
Total assets	1,906,553	776,394	19,973	4,717,468
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts payable	7,138	132,023		4,384
Payroll liabilities				
Other liabilities				5,274
Insurance claims, due within one year	977,015	727,852		
Compensated absences payable, due within one year				
Total current liabilities	984,153	859,875		9,658
Insurance claims, due in more than one year	1,907,349	52,994		
Compensated absences payable, due in more than one year				
Total liabilities	2,891,502	912,869		9,658
Net Assets:				
Invested in capital assets, net of related debt				
Unrestricted	(984,949)	(136,475)	19,973	4,707,810
Total net assets	\$ (984,949)	\$ (136,475)	\$ 19,973	\$ 4,707,810

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 1,222,080	\$ 13,259,395	\$ 810,392	\$ 1,389,216	\$ 1,939,981	\$ 25,880,641
		6,964			68,200
	501,117				501,117
5,671	61,896	3,760	6,446	9,002	120,459
7,481					7,481
					4,271
127,772					127,772
1,363,004	13,822,408	821,116	1,395,662	1,948,983	26,709,941
	12,382				74,002
		287,676	51,143		338,819
194,392	3,662,031	769,706	872,508	798,762	6,297,399
194,392	3,662,031	1,057,382	923,651	798,762	6,636,218
194,392	3,674,413	1,057,382	923,651	798,762	6,710,220
1,557,396	17,496,821	1,878,498	2,319,313	2,747,745	33,420,161
51,230	4,658	58,181	41,168	3,313	302,095
35,107		31,269	77,025		143,401
					5,274
					1,704,867
2,538		3,747	11,624		17,909
88,875	4,658	93,197	129,817	3,313	2,173,546
					1,960,343
106,251		45,282	153,604		305,137
195,126	4,658	138,479	283,421	3,313	4,439,026
194,392	3,662,031	1,057,382	923,651	798,762	6,636,218
1,167,878	13,830,132	682,637	1,112,241	1,945,670	22,344,917
\$ 1,362,270	\$ 17,492,163	\$ 1,740,019	\$ 2,035,892	\$ 2,744,432	\$ 28,981,135

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2008

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
OPERATING REVENUES:				
Charges for services	\$ 1,075,936	\$ 1,169,425	\$ 92,741	\$ 7,564,812
Other	6,874	57,977		
Total operating revenues	1,082,810	1,227,402	92,741	7,564,812
OPERATING EXPENSES:				
Personnel services				
Materials, supplies and other services	264,372	376,711	2,140	204,113
Depreciation				
Administrative shared expenses	53,170	41,262	2,276	161,362
Insurance	484,987	1,511,371	79,112	7,764,575
Total operating expenses	802,529	1,929,344	83,528	8,130,050
OPERATING INCOME (LOSS)	280,281	(701,942)	9,213	(565,238)
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	81,888	32,123	1,211	215,827
Gain (loss) on sale of equipment				
Total nonoperating revenues (expenses)	81,888	32,123	1,211	215,827
INCOME (LOSS) BEFORE TRANSFERS	362,169	(669,819)	10,424	(349,411)
TRANSFERS:				
Transfers in				
Transfers out				
Total transfers				
NET INCOME (LOSS)	362,169	(669,819)	10,424	(349,411)
NET ASSETS:				
Beginning of the year	(1,347,118)	533,344	9,549	5,057,221
End of the year	\$ (984,949)	\$ (136,475)	\$ 19,973	\$ 4,707,810

<u>Fleet Management</u>	<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Replacement</u>	<u>Total</u>
\$ 4,003,043	\$ 2,714,961	\$ 1,747,858	\$ 3,670,374	\$ 762,045	\$ 22,801,195
14,615	560		240		80,266
<u>4,017,658</u>	<u>2,715,521</u>	<u>1,747,858</u>	<u>3,670,614</u>	<u>762,045</u>	<u>22,881,461</u>
989,563		770,283	2,019,885		3,779,731
2,785,081	5,575	664,109	1,732,934	12,957	6,047,992
	1,464,570	54,970	245,393	218,581	1,983,514
214,910			98,928		571,908
		27,302	37,165		9,904,512
<u>3,989,554</u>	<u>1,470,145</u>	<u>1,516,664</u>	<u>4,134,305</u>	<u>231,538</u>	<u>22,287,657</u>
28,104	1,245,376	231,194	(463,691)	530,507	593,804
57,283	546,718	30,628	77,785	75,227	1,118,690
51,840		24	2,048		53,912
<u>109,123</u>	<u>546,718</u>	<u>30,652</u>	<u>79,833</u>	<u>75,227</u>	<u>1,172,602</u>
137,227	1,792,094	261,846	(383,858)	605,734	1,766,406
		(8,075)			(8,075)
		(8,075)			(8,075)
137,227	1,792,094	253,771	(383,858)	605,734	1,758,331
1,225,043	15,700,069	1,486,248	2,419,750	2,138,698	27,222,804
<u>\$ 1,362,270</u>	<u>\$ 17,492,163</u>	<u>\$ 1,740,019</u>	<u>\$ 2,035,892</u>	<u>\$ 2,744,432</u>	<u>\$ 28,981,135</u>

City of Merced
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 1,074,436	\$ 1,157,774	\$ 92,741	\$ 7,555,691
Cash paid to suppliers	(279,044)	(228,471)	(2,140)	(199,729)
Cash paid to employees				
Cash receipts (payments) other	(887,096)	(1,370,402)	(81,388)	(7,931,216)
Net cash provided (used) by operating activities	(91,704)	(441,099)	9,213	(575,254)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances to other funds	42,475			
Notes receivable				
Transfers from other funds				
Transfers to other funds				
Net cash provided (used) by noncapital financing activities	42,475			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets				
Proceeds from disposal of equipment				
Net cash provided (used) by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	90,877	39,718	1,211	243,065
Net cash provided (used) by investing activities	90,877	39,718	1,211	243,065
Net increase (decrease) in cash cash and cash equivalents	41,648	(401,381)	10,424	(332,189)
Cash and cash equivalents at beginning of year	1,793,271	1,119,557	9,457	5,018,790
Cash and cash equivalents at end of year	\$ 1,834,919	\$ 718,176	\$ 19,881	\$ 4,686,601

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 4,003,043	\$ 2,714,961	\$ 1,750,002	\$ 3,686,769	\$ 762,045	\$ 22,797,462
(2,839,165)	(209,502)	(645,500)	(1,764,737)	(14,381)	(6,182,669)
(942,030)		(771,226)	(1,996,898)		(3,710,154)
(201,175)	560	(27,302)	(135,853)		(10,633,872)
20,673	2,506,019	305,974	(210,719)	747,664	2,270,767
	390,123				432,598
	(501,117)				(501,117)
		(8,075)			(8,075)
	(110,994)	(8,075)			(76,594)
20,909	(1,246,521)	(133,151)	(744,362)	(344,286)	(2,447,411)
51,840		24	2,048		53,912
72,749	(1,246,521)	(133,127)	(742,314)	(344,286)	(2,393,499)
62,023	609,156	32,849	93,289	80,437	1,252,625
62,023	609,156	32,849	93,289	80,437	1,252,625
155,445	1,757,660	197,621	(859,744)	483,815	1,053,299
1,066,635	11,501,735	612,771	2,248,960	1,456,166	24,827,342
\$ 1,222,080	\$ 13,259,395	\$ 810,392	\$ 1,389,216	\$ 1,939,981	\$ 25,880,641

City of Merced
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2008

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
(USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 280,281	\$ (701,942)	\$ 9,213	\$ (565,238)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation				
Accounts receivable	(1,500)	(11,651)		(9,121)
Due from other governments				
Prepaid		19,217		
Inventory				
Accounts payable	(14,672)	129,023		4,384
Payroll liabilities				
Other liabilities				(5,279)
Insurance claim payable	(355,813)	124,254		
Compensated absence payable				
Total adjustments	<u>(371,985)</u>	<u>260,843</u>		<u>(10,016)</u>
Net cash provided (used) by operating activities	<u>\$ (91,704)</u>	<u>\$ (441,099)</u>	<u>\$ 9,213</u>	<u>\$ (575,254)</u>

<u>Fleet Management</u>	<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Replacement</u>	<u>Total</u>
\$ 28,104	\$ 1,245,376	\$ 231,194	\$ (463,691)	\$ 530,507	\$ 593,804
	1,464,570	54,970	245,393	218,581	1,983,514
		2,144	16,395		(3,733)
(880)					(880)
					19,217
(27,592)					(27,592)
(26,492)	(203,927)	18,609	(31,803)	(1,424)	(126,302)
7,881		1,741	11,702		21,324
					(5,279)
					(231,559)
39,652		(2,684)	11,285		48,253
<u>(7,431)</u>	<u>1,260,643</u>	<u>74,780</u>	<u>252,972</u>	<u>217,157</u>	<u>1,676,963</u>
\$ 20,673	\$ 2,506,019	\$ 305,974	\$ (210,719)	\$ 747,664	\$ 2,270,767

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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.

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.

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, 2008

	Task Force Trust	Youth Programs Endowment	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ASSETS						
Cash, cash equivalents and investments	\$ 129	\$ 140,940	\$ 170,438	\$ 20,841	\$ 42,927	\$ 375,275
Accounts receivable					110,267	110,267
Interest receivable		654	791	97	199	1,741
Total assets	129	141,594	171,229	20,938	153,393	487,283
LIABILITIES						
Accounts payable					42,927	42,927
Total liabilities					42,927	42,927
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES						
Held in trust for other purposes	129	141,594	171,229	20,938	110,466	444,356
Total net assets	\$ 129	\$ 141,594	\$ 171,229	\$ 20,938	\$ 110,466	\$ 444,356

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2008

	Task Force Trust	Youth Programs Endowment	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ADDITIONS:						
Investment earnings	\$ 2,342	\$ 7,743	\$ 7,411	\$ 800	\$ 3,903	\$ 22,199
Miscellaneous				7,779	543,458	551,237
Total additions	2,342	7,743	7,411	8,579	547,361	573,436
DEDUCTIONS:						
General government	224,520	50,000	10,185		743,264	1,027,969
Total deductions	224,520	50,000	10,185		743,264	1,027,969
Net change in fund balances	(222,178)	(42,257)	(2,774)	8,579	(195,903)	(454,533)
NET ASSETS:						
Beginning of year	222,307	183,851	174,003	12,359	306,369	898,889
End of year	\$ 129	\$ 141,594	\$ 171,229	\$ 20,938	\$ 110,466	\$ 444,356

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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, 2008

	<u>Deposits</u>	<u>RDA Deposits</u>	<u>Payroll Clearing</u>	<u>Liberty Park</u>	<u>16th Street Assessment</u>
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 1,386,504	\$ 198,473	\$ 3,612	\$ 46,633	\$ 40,844
Restricted cash held by fiscal agent					
Interest receivables				216	189
Deposits	81,193	75,907			
Due from other governments				5,061	8,099
Total assets	<u><u>\$ 1,467,697</u></u>	<u><u>\$ 274,380</u></u>	<u><u>\$ 3,612</u></u>	<u><u>\$ 51,910</u></u>	<u><u>\$ 49,132</u></u>
LIABILITIES					
Other payables	\$ 207,142	\$	\$ 3,612	\$	\$
Deposits	1,260,555	274,380			
Due to bondholders				51,910	49,132
Total liabilities	<u><u>\$ 1,467,697</u></u>	<u><u>\$ 274,380</u></u>	<u><u>\$ 3,612</u></u>	<u><u>\$ 51,910</u></u>	<u><u>\$ 49,132</u></u>

Fahrens Park Debt Service	Fahrens Park Capital Projects	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
\$ 601,312	\$ 663,674	\$ 2,807	\$ 994,562	\$ 3,908	\$ 650,837	\$ 2	\$ 388,055
2,790	4,045	13	3,412,877	18	902,196		777,343
86,229	31,288	362,280		212,122		230,772	
<u>\$ 690,331</u>	<u>\$ 699,007</u>	<u>\$ 1,359,662</u>	<u>\$ 3,412,877</u>	<u>\$ 866,885</u>	<u>\$ 902,196</u>	<u>\$ 618,829</u>	<u>\$ 777,343</u>
\$	\$	\$	\$ 6,896	\$	\$ 5,505	\$	\$ 22,955
690,331	699,007	1,359,662	3,405,981	866,885	896,691	618,829	754,388
<u>\$ 690,331</u>	<u>\$ 699,007</u>	<u>\$ 1,359,662</u>	<u>\$ 3,412,877</u>	<u>\$ 866,885</u>	<u>\$ 902,196</u>	<u>\$ 618,829</u>	<u>\$ 777,343</u>

(Continued)

City of Merced
Balance Sheet, Continued
Agency Funds
June 30, 2008

	MM Narcotics Task Force Special Revenue	MMNTF Federal Sharing	Merced Somoto Sister City	Merced Merced Community's VIP	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 119,662	\$ 207,987	\$ 4,677	\$ 900	\$ 3,280,995
Restricted cash held by fiscal agent					7,125,870
Interest receivables	555	965	22		8,813
Deposits					157,100
Due from other governments	58,744				994,595
Total assets	\$ 178,961	\$ 208,952	\$ 4,699	\$ 900	\$ 11,567,373
LIABILITIES					
Other payables	\$ 2,127	\$	\$	\$	\$ 248,237
Deposits	176,834	208,952	4,699	900	1,926,320
Due to bondholders					9,392,816
Total liabilities	\$ 178,961	\$ 208,952	\$ 4,699	\$ 900	\$ 11,567,373

(Concluded)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,548,687	\$ 390,560,366	\$ 390,722,549	\$ 1,386,504
Deposits	90,718	156,337	165,862	81,193
Total assets	\$ 1,639,405	\$ 390,716,703	\$ 390,888,411	\$ 1,467,697
Liabilities:				
Other payables	\$ 229,122	\$ 2,503,232	\$ 2,525,212	\$ 207,142
Deposits	1,410,283	388,213,471	388,363,199	1,260,555
Total liabilities	\$ 1,639,405	\$ 390,716,703	\$ 390,888,411	\$ 1,467,697
<u>RDA Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 284,367	\$ 63,334	\$ 149,228	\$ 198,473
Deposits	73,113	3,663	869	75,907
Total assets	\$ 357,480	\$ 66,997	\$ 150,097	\$ 274,380
Liabilities:				
Other payables	\$ 894	\$ 63,334	\$ 64,228	\$
Deposits	356,586	3,663	85,869	274,380
Total liabilities	\$ 357,480	\$ 66,997	\$ 150,097	\$ 274,380
<u>Payroll Clearing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,660	\$ 21,548,431	\$ 21,548,479	\$ 3,612
Total assets	\$ 3,660	\$ 21,548,431	\$ 21,548,479	\$ 3,612
Liabilities:				
Other payables	\$ 3,660	\$ 21,548,431	\$ 21,548,479	\$ 3,612
Total liabilities	\$ 3,660	\$ 21,548,431	\$ 21,548,479	\$ 3,612

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Liberty Park</u>				
Assets:				
Cash, cash equivalents and investments	\$ 45,949	\$ 46,631	\$ 45,947	\$ 46,633
Interest receivable	448	216	448	216
Due from other governments	2,746	5,061	2,746	5,061
Total assets	\$ 49,143	\$ 51,908	\$ 49,141	\$ 51,910
Liabilities:				
Due to bondholders	\$ 49,143	\$ 51,908	\$ 49,141	\$ 51,910
Total liabilities	\$ 49,143	\$ 51,908	\$ 49,141	\$ 51,910
<u>16th Street Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 44,283	\$ 44,906	\$ 48,345	\$ 40,844
Interest receivable	432	189	432	189
Due from other governments	2,007	8,099	2,007	8,099
Total assets	\$ 46,722	\$ 53,194	\$ 50,784	\$ 49,132
Liabilities:				
Due to bondholders	\$ 46,722	\$ 53,194	\$ 50,784	\$ 49,132
Total liabilities	\$ 46,722	\$ 53,194	\$ 50,784	\$ 49,132
<u>Fahrens Park Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 619,553	\$ 458,218	\$ 476,459	\$ 601,312
Interest receivable	6,047	2,790	6,047	2,790
Due from other governments	36,453	86,229	36,453	86,229
Total assets	\$ 662,053	\$ 547,237	\$ 518,959	\$ 690,331
Liabilities:				
Due to bondholders	\$ 662,053	\$ 547,237	\$ 518,959	\$ 690,331
Total liabilities	\$ 662,053	\$ 547,237	\$ 518,959	\$ 690,331

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Fahrens Park Capital Projects</u>				
Assets:				
Cash, cash equivalents and investments	\$ 671,711	\$ 56,472	\$ 64,509	\$ 663,674
Interest receivable	6,506	4,045	6,506	4,045
Due from other governments		31,288		31,288
Total assets	\$ 678,217	\$ 91,805	\$ 71,015	\$ 699,007
Liabilities:				
Due to bondholders	\$ 678,217	\$ 91,805	\$ 71,015	\$ 699,007
Total liabilities	\$ 678,217	\$ 91,805	\$ 71,015	\$ 699,007
<u>Bellevue Ranch East Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 556,083	\$ 382,723	\$ 935,999	\$ 2,807
Restricted cash held by fiscal agent	896,163	923,074	824,675	994,562
Interest receivable	5,533	13	5,533	13
Due from other governments	25,815	351,435	14,970	362,280
Total assets	\$ 1,483,594	\$ 1,657,245	\$ 1,781,177	\$ 1,359,662
Liabilities:				
Other Payables	\$ 3,660	\$ 10,722	\$ 14,382	\$
Due to bondholders	1,479,934	1,646,523	1,766,795	1,359,662
Total liabilities	\$ 1,483,594	\$ 1,657,245	\$ 1,781,177	\$ 1,359,662
<u>Bellevue Ranch East Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 1,048,101	\$ 1,048,101	\$
Restricted cash held by fiscal agent	4,330,071	297,562	1,214,756	3,412,877
Total assets	\$ 4,330,071	\$ 1,345,663	\$ 2,262,857	\$ 3,412,877
Liabilities:				
Other Payables	\$ 398,635	\$ 23,240	\$ 414,979	\$ 6,896
Due to bondholders	3,931,436	1,322,423	1,847,878	3,405,981
Total liabilities	\$ 4,330,071	\$ 1,345,663	\$ 2,262,857	\$ 3,412,877

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Bellevue Ranch West Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 97,045	\$ 697,775	\$ 790,912	\$ 3,908
Restricted cash held by fiscal agent	515,917	783,495	648,575	650,837
Interest receivable	947	18	947	18
Due from other governments	1,343	212,122	1,343	212,122
Total assets	\$ 615,252	\$ 1,693,410	\$ 1,441,777	\$ 866,885
Liabilities:				
Other payables	\$ 3,637	\$ 9,084	\$ 12,721	\$
Due to bondholders	611,615	1,684,326	1,429,056	866,885
Total liabilities	\$ 615,252	\$ 1,693,410	\$ 1,441,777	\$ 866,885
<u>Bellevue Ranch West Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 6,209,417	\$ 6,209,417	\$
Restricted cash held by fiscal agent	6,831,356	270,840	6,200,000	902,196
Total assets	\$ 6,831,356	\$ 6,480,257	\$ 12,409,417	\$ 902,196
Liabilities:				
Other payables	\$	\$ 6,737	\$ 1,232	\$ 5,505
Due to bondholders	6,831,356	6,473,520	12,408,185	896,691
Total liabilities	\$ 6,831,356	\$ 6,480,257	\$ 12,409,417	\$ 902,196
<u>Moraga Development Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 74,572	\$ 99,776	\$ 174,346	\$ 2
Restricted cash held by fiscal agent	506,824	157,279	276,048	388,055
Interest receivable	728		728	
Due from other governments	39	230,772	39	230,772
Total assets	\$ 582,163	\$ 487,827	\$ 451,161	\$ 618,829
Liabilities:				
Other payables	\$ 4,095	\$ 4,763	\$ 8,858	\$
Due to bondholders	578,068	483,064	442,303	618,829
Total liabilities	\$ 582,163	\$ 487,827	\$ 451,161	\$ 618,829
<u>Moraga Development Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 4,462,654	\$ 4,462,654	\$
Restricted cash held by fiscal agent	5,074,253	148,090	4,445,000	777,343
Total assets	\$ 5,074,253	\$ 4,610,744	\$ 8,907,654	\$ 777,343
Liabilities:				
Other payables	\$	\$ 41,365	\$ 18,410	\$ 22,955
Due to bondholders	5,074,253	4,569,379	8,889,244	754,388
Total liabilities	\$ 5,074,253	\$ 4,610,744	\$ 8,907,654	\$ 777,343

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>MM Narcotics Task Force Special Revenue</u>				
Assets:				
Cash, cash equivalents and investments	\$ 167,611	\$ 12,732	\$ 60,681	\$ 119,662
Interest receivable	1,635	555	1,635	555
Due from other governments		58,744		58,744
Total assets	\$ 169,246	\$ 72,031	\$ 62,316	\$ 178,961
Liabilities:				
Other payables	\$ 3,917	\$ 58,603	\$ 60,393	\$ 2,127
Deposits	165,329	13,428	1,923	176,834
Total liabilities	\$ 169,246	\$ 72,031	\$ 62,316	\$ 178,961
 <u>MMNTF Federal Sharing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 13,986	\$ 194,436	\$ 435	\$ 207,987
Interest receivable	137	965	137	965
Total assets	\$ 14,123	\$ 195,401	\$ 572	\$ 208,952
Liabilities:				
Deposits	\$ 14,123	\$ 195,401	\$ 572	\$ 208,952
Total liabilities	\$ 14,123	\$ 195,401	\$ 572	\$ 208,952
 <u>Merced - Somoto Sister City</u>				
Assets:				
Cash, cash equivalents and investments	\$ 4,530	\$ 22,990	\$ 22,843	\$ 4,677
Interest receivable	44	22	44	22
Total assets	\$ 4,574	\$ 23,012	\$ 22,887	\$ 4,699
Liabilities:				
Deposits	\$ 4,574	\$ 23,012	\$ 22,887	\$ 4,699
Total liabilities	\$ 4,574	\$ 23,012	\$ 22,887	\$ 4,699
 <u>Merced - Merced Community's VIP</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 900	\$	\$ 900
Total assets	\$	\$ 900	\$	\$ 900
Liabilities:				
Deposits	\$	\$ 900	\$	\$ 900
Total liabilities	\$	\$ 900	\$	\$ 900

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 4,132,037	\$ 425,909,862	\$ 426,760,904	\$ 3,280,995
Restricted cash held by fiscal agents	18,154,584	2,580,340	13,609,054	7,125,870
Interest receivable	22,457	8,813	22,457	8,813
Deposits	163,831	160,000	166,731	157,100
Due from other governments	68,403	983,750	57,558	994,595
Total assets	<u>\$ 22,541,312</u>	<u>\$ 429,642,765</u>	<u>\$ 440,616,704</u>	<u>\$ 11,567,373</u>
Liabilities:				
Other payables	\$ 647,620	\$ 24,269,511	\$ 24,668,894	\$ 248,237
Deposits	1,950,895	388,449,875	388,474,450	1,926,320
Due to bondholders	19,942,797	16,923,379	27,473,360	9,392,816
Total liabilities	<u>\$ 22,541,312</u>	<u>\$ 429,642,765</u>	<u>\$ 440,616,704</u>	<u>\$ 11,567,373</u>
				(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	<u>Page</u>
Financial Trends <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>	189
Revenue Capacity <i>These schedules contain information to help the reader assess the government's property tax revenue, which is the most significant revenue source.</i>	196
Debt Capacity <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>	200
Demographic and Economic Information <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>	206
Operating Information <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>	209

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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental Activities						
Invested in capital assets, net of related debt	\$ 235,052,801	\$ 236,399,619	\$ 231,913,108	\$ 256,320,458	\$ 298,036,557	\$ 319,244,656
Restricted	35,314,733	10,091,205	37,004,317	36,675,609	38,115,079	39,957,242
Unrestricted	46,436,664	78,720,262	70,167,890	82,681,152	77,777,779	71,316,915
Total governmental activities net assets	\$ 316,804,198	\$ 325,211,086	\$ 339,085,315	\$ 375,677,219	\$ 413,929,415	\$ 430,518,813
Business-type activities						
Invested in capital assets, net of related debt	\$ 32,503,366	\$ 17,104,566	\$ 20,971,218	\$ 45,873,700	\$ 52,964,607	\$ 73,181,722
Restricted	409,189	7,662,242	15,949,482	7,959,849	19,382,097	15,709,079
Unrestricted	30,577,213	59,660,550	64,308,694	70,139,087	70,757,428	74,579,316
Total business-type activities net assets	\$ 63,489,768	\$ 84,427,358	\$ 101,229,394	\$ 123,972,636	\$ 143,104,132	\$ 163,470,117
Primary government						
Invested in capital assets, net of related debt	\$ 267,556,167	\$ 253,504,185	\$ 252,884,326	\$ 302,194,158	\$ 351,001,164	\$ 392,426,378
Restricted	35,723,922	17,753,447	52,953,799	44,635,458	57,497,176	55,666,321
Unrestricted	77,013,877	138,380,812	134,476,584	152,820,239	148,535,207	145,896,231
Total primary government net assets	\$ 380,293,966	\$ 409,638,444	\$ 440,314,709	\$ 499,649,855	\$ 557,033,547	\$ 593,988,930

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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 16,267,444	\$ 16,195,768	\$ 19,939,236	\$ 21,610,432	\$ 24,535,552	\$ 29,549,528
Public safety	17,863,142	27,661,654	20,928,903	22,801,910	25,733,837	28,182,100
Public works	3,752,106	11,839,346	12,126,647	11,679,497	12,657,996	15,711,235
Parks	3,407,203	3,861,545	4,481,158	4,830,613	5,779,350	6,782,539
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	1,375,397
Total governmental activities expenses	54,304,077	61,081,254	59,174,148	62,370,110	70,184,570	81,600,799
Business-type activities:						
Wastewater system	7,375,599	6,400,525	9,105,525	9,772,349	7,803,288	11,377,729
Water system	5,742,221	6,410,058	8,947,005	7,747,807	6,725,616	9,598,777
Refuse collection system	7,650,496	7,321,227	8,848,455	9,649,845	7,945,319	11,527,731
Merced municipal airport	559,054	515,942	599,528	749,698	738,941	739,812
Total business-type activities expenses	21,327,370	20,647,752	27,500,513	27,919,699	23,213,164	33,244,049
Total primary government expenses	\$ 75,631,447	\$ 81,729,006	\$ 86,674,661	\$ 90,289,809	\$ 93,397,734	\$ 114,844,848
Program Revenues						
Governmental activities:						
Charges for services						
General government	\$ 10,401,555	\$ 16,765,806	\$ 19,641,727	\$ 28,642,848	\$ 20,458,280	\$ 13,825,457
Other activities	5,135,651	4,875,699	6,177,065	9,304,592	10,791,169	8,670,146
Operating grants and contributions	7,533,162	8,626,722	7,815,350	8,631,130	9,440,351	8,289,789
Capital grants and contributions	191,735	744,933	593,935	12,042,606	20,804,576	21,366,033
Total governmental activities program revenues	23,262,103	31,013,160	34,228,077	58,621,176	61,494,376	52,151,425
Business-type activities:						
Charges for services						
Wastewater system	7,191,841	10,274,278	13,936,226	17,301,835	14,891,056	15,166,622
Water system	8,023,831	11,487,131	14,128,349	16,303,612	11,770,342	10,517,877
Refuse collection system	6,894,531	8,566,514	9,182,490	10,170,367	10,447,295	10,224,911
Merced municipal airport	1,167,597	420,362	258,675	1,838,491	547,335	1,060,895
Capital grants and contributions				2,342,250		12,914,315
Total business-type activities program revenues	23,277,800	30,748,285	37,505,740	47,956,555	37,656,028	49,884,620
Total primary government program revenues	\$ 46,539,903	\$ 61,761,445	\$ 71,733,817	\$ 106,577,731	\$ 99,150,404	\$ 102,036,045
Net (expense)/revenue						
Governmental activities	\$ (31,041,974)	\$ (30,068,094)	\$ (24,946,071)	\$ (3,748,934)	\$ (8,689,694)	\$ (29,449,374)
Business-type activities	1,950,430	10,100,533	10,005,227	20,036,856	14,442,864	16,640,571
Total primary government net (expense)/revenue	\$ (29,091,544)	\$ (19,967,561)	\$ (14,940,844)	\$ 16,287,922	\$ 5,753,170	\$ (12,808,803)

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156	\$ 25,824,787
Sales	9,799,975	10,409,903	8,821,966	9,826,786	16,104,789	13,796,334
Other	3,739,270	5,076,323	6,776,776	6,949,509	4,677,469	3,850,572
Investment earnings	679,613	466,163	805,643	1,403,994	2,699,785	2,104,907
Miscellaneous	5,745,068	4,996,952	1,867,486	1,915,362	2,054,865	776,895
Developer contributions of capital assets	832,661	8,232,230	3,067,067			
Transfers	(533,224)	(216,371)	(205,599)	(145,030)	(596,551)	(314,723)
Total governmental activities	29,077,678	38,474,982	37,484,140	40,340,837	48,927,513	46,038,772
Business-type activities:						
Investment earnings	1,215,989	608,035	1,551,101	2,561,355	4,092,081	3,410,691
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	314,723
Total business-type activities	3,703,932	10,837,057	7,261,488	2,706,385	4,688,632	3,725,414
Total primary government	\$ 32,781,610	\$ 49,312,039	\$ 44,745,628	\$ 43,047,222	\$ 53,616,145	\$ 49,764,186
Change in Net Assets						
Governmental activities	\$ (1,964,296)	\$ 8,406,888	\$ 12,538,069	\$ 36,591,903	\$ 40,237,819	\$ 16,589,398
Business-type activities	5,654,362	20,937,590	17,266,715	22,743,241	19,131,496	20,365,985
Total primary government	\$ 3,690,066	\$ 29,344,478	\$ 29,804,784	\$ 59,335,144	\$ 59,369,315	\$ 36,955,383

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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156	\$ 25,824,787
Sales	9,779,975	10,409,903	8,821,966	9,826,786	16,104,789	13,796,334
Motor Vehicle (1)						
Franchise	989,185	1,107,172	1,194,132	1,270,076	1,363,288	1,450,967
Transient Occupancy	672,192	716,819	604,210	910,755	816,855	901,585
Business License	938,003	1,089,317	1,161,454	1,280,686	1,234,700	1,286,895
Cost Recovery Impact Study	1,042,078	2,050,047	2,109,039	2,885,238	659,980	119,682
Business Improvement Area			108,112	107,229	100,166	91,443
Other	97,812	112,968	1,599,829	495,525	502,480	
Total	\$ 22,353,560	\$ 24,996,008	\$ 31,949,543	\$ 37,166,511	\$ 44,769,414	\$ 43,471,693

Notes:

(1) 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 Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 1,988,068	\$ 1,231,989	\$ 913,612	\$ 1,014,604	\$ 1,224,215	\$ 2,298,471
Unreserved	12,828,865	15,952,063	19,265,788	22,318,502	21,577,706	19,115,667
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>	<u>21,414,138</u>
All other governmental funds						
Reserved	\$ 13,754,073	\$ 17,734,090	\$ 24,253,686	\$ 28,110,594	\$ 26,338,922	\$ 22,352,040
Unreserved reported in:						
Special revenue funds	12,615,666	19,015,330	25,351,249	21,843,082	23,168,682	29,075,040
Debt service funds		(694,014)	6,295	6,503	6,867	7,176
Capital project funds	12,212,409	11,805,317	11,470,519	16,327,698	7,252,625	7,619,781
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>	<u>59,054,037</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>	<u>\$ 80,468,175</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 22,373,560	\$ 24,996,008	\$ 30,354,133	\$ 38,244,770	\$ 45,240,907	\$ 43,471,693
Licenses and permits	46,741	39,474	42,222	45,397	47,953	47,116
Intergovernmental	11,965,906	13,093,883	10,456,810	8,748,689	11,366,663	10,198,364
Service charges	11,454,584	17,036,906	20,659,343	24,649,666	18,431,262	15,250,352
Fines, forfeitures and penalties	959,229	542,351	567,387	650,294	607,976	778,027
Other	4,902,565	4,652,592	7,035,248	11,513,971	12,846,859	8,500,252
Total revenues	51,702,585	60,361,214	69,115,143	83,852,787	88,541,620	78,245,804
Expenditures						
General government	12,270,297	14,102,947	16,525,030	18,200,995	22,303,991	26,522,000
Public safety	18,199,199	27,052,794	21,523,427	23,880,753	26,857,739	27,615,315
Public works	3,651,120	4,173,888	4,924,123	5,159,499	6,014,516	5,503,186
Parks	3,462,241	3,532,567	4,213,350	4,603,647	5,539,601	6,403,996
Capital outlay	14,751,194	6,183,331	5,251,642	21,843,780	32,552,434	18,254,878
Debt service						
Principal	2,930,748	1,627,341	1,988,914	3,242,392	2,049,565	2,125,599
Interest	1,380,795	1,432,309	1,702,387	1,510,920	1,453,796	1,377,278
Total expenditures	56,645,594	58,105,177	56,128,873	78,441,986	96,771,642	87,802,252
Excess of revenues over (under) expenditures	(4,943,009)	2,256,037	12,986,270	5,410,801	(8,230,022)	(9,556,448)
Other financing sources (uses)						
Proceeds from issuance of debt	14,627,825	7,355,000	894,300			250,000
Proceeds from sale of capital assets	811,990	510,548	1,277,170	3,058,088		
Contributed capital						467,491
Transfers in	12,467,921	12,956,435	15,040,584	22,672,905	23,487,728	21,019,420
Transfers out	(13,135,736)	(13,136,031)	(15,318,108)	(22,781,960)	(24,092,679)	(21,326,068)
Total other financing sources (uses)	14,772,000	7,685,952	1,893,946	2,949,033	(604,951)	410,843
Net change in fund balances	\$ 9,828,991	\$ 9,941,989	\$ 14,880,216	\$ 8,359,834	\$ (8,834,973)	\$ (9,145,605)
Debt service as a percentage of noncapital expenditures	10.29%	5.89%	7.26%	8.40%	5.46%	5.04%

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

Category (1)	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Residential	\$ 1,542,149,603	\$ 1,721,235,012	\$ 2,003,632,974	\$ 2,461,278,299	\$ 3,218,032,212	\$ 3,620,711,309
Commercial	463,467,608	492,778,330	538,643,273	589,638,618	714,668,621	789,925,689
Industrial	294,836,878	304,966,444	318,438,325	347,470,296	402,565,666	425,150,740
Dry Farm	798,839	808,794	1,036,690	1,051,071	1,071,942	28,632,172
Government		241,740	378,678	386,250	267,494	917,658
Institutional	802,425	679,772	3,514,069	1,055,078	42,863,162	46,527,072
Irrigated	7,903,179	9,538,872	20,588,114	12,063,855	18,459,310	783,861
Miscellaneous	2,560,873	2,628,383	1,299,497	3,130,621	3,295,906	3,387,356
Vacant Land	61,826,684	80,172,364	161,808,575	214,252,716	270,513,956	360,552,867
SBE Nonunitary	5,889,898	5,836,087	5,016,662	4,827,110	4,587,465	2,806,260
Unsecured	180,291,286	203,546,477	224,848,955	224,967,085	294,104,211	315,927,671
Unknown	10,000	33,500	48,500	123,500	151,097	8,559,342
Total Assessed Value	2,560,537,273	2,822,465,775	3,279,254,312	3,860,244,499	4,970,581,042	5,603,881,997
Total Direct Rate (2)	0.29949	0.29901	0.29063	0.27899	0.26201	0.25157
Estimated Actual Taxable Value (3)	\$ 2,540,501,011	\$ 2,847,791,319	\$ 3,279,254,312	\$ 3,856,170,239	\$ 4,796,073,752	\$ 5,414,273,316

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, 2008

	Fiscal Year			
	2006	2007	2008	
City basic rate	0.22367	0.22367	0.22367	(1)
County General Fund	0.32776	0.32776	0.32776	
Merced Cemetary	0.00698	0.00698	0.00698	
Merced Co Region Occupation Program	0.00217	0.00217	0.00217	
Merced Community College	0.05081	0.05081	0.05081	
Merced Elementary	0.16628	0.16628	0.16628	
Merced High	0.12821	0.12821	0.12821	
Merced Irrigation District	0.03553	0.03553	0.03553	
Mosquito Abatement	0.01211	0.01211	0.01211	
School Capital Outlay	0.00353	0.00353	0.00353	
School Equalization	0.01430	0.01430	0.01430	
School Service	0.02865	0.02865	0.02865	
Total Prop 13 Rate	1.00000	1.00000	1.00000	
Overlapping Rates:				
County of Merced				
Merced City School Bonds	0.02600	0.01890	0.01860	
Merced High School Bond 1999	0.01400	0.01350	0.01350	
Merced Community College #1	0.02000	0.02000	0.01750	
Schelby School Bond				
Weaver Union Bond 2000			0.03550	
Merced Irrigation District				
School Service				
Total Direct and Overlapping Rates	1.06000	1.05240	1.08510	
City Direct Rates:				
Total city direct rate (Weighted Average)	0.27899	0.26201	0.25157	(2)
Redevelopment agency	1.00000	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 44 in fiscal year ended June 30, 2006

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Total Assessed Value	\$ 5,603,881,997		100%	\$2,479,835,094		100%
World Color Press, Inc.	\$ 186,862,230	1	3.76%	\$103,706,680	1	4.18%
Safeway Inc.	37,156,328	2	0.75%	\$17,636,052	3	0.71%
Scholle Corporation	30,278,730	3	0.61%	\$10,225,385	10	0.41%
Morning Star Merced	22,310,500	4	0.45%			
Costco Wholesale Corporation	19,390,085	5	0.39%	\$12,842,560	6	0.52%
Comcast Corporation	17,209,070	6	0.35%			
Werner Company	17,150,333	7	0.35%			
Arvin Sango	13,724,852	8	0.28%			
Timothy F. Razzari	11,164,314	9	0.22%	\$10,381,602	9	0.42%
Grief Containers	8,888,704	10	0.18%			
Grayblock LLC						
Don Gragnani						
Wamco Inc.				\$10,592,057	8	0.43%
HD Development of Maryland						
Unilever Supply Chain			0.00%			
Conopco Inc.				\$54,898,938	2	2.21%
McLane Company Inc.				\$15,321,187	4	0.62%
Crown Cork & Seal Co. Inc.				\$13,863,057	5	0.56%
Merced Mall LTD a Partnership				\$12,542,518	7	0.51%
California Rental Properties						
Wainwright Enterprises a Partnership						
Dayton Hudson Corporation						
Total	\$ 364,135,146		7.33%	\$165,384,336		10.57%

Source: HDL Coren & Cone

City of Merced
Property Tax Levies and Collections
Last Six 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%
2008	15,728,794	13,689,918	87.0%	2,038,876	15,728,794	100%

Source: County of Merced Auditor-Controller

Notes:

- (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

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City of Merced
Ratios of Outstanding Debt by Type
Last Six Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities	
	(1) Redevelopment Bonds	Pension Obligation Bonds	Loans	Participation and Development Agreements	Total Governmental Activities	Sewer Revenue Bonds	Water Revenue Bonds
2003	\$ 31,612,825	\$	\$ 6,421,526	\$ 725,000	\$ 38,759,351	\$ 2,410,000	\$
2004	30,352,825	7,355,000	6,204,185	575,000	44,487,010	8,925,237	21,408,228
2005	29,047,825	7,305,000	6,614,571	425,000	43,392,396	8,911,839	21,376,096
2006	27,697,825	7,265,000	4,912,179	275,000	40,150,004	8,613,711	20,664,609
2007	26,162,825	7,200,000	4,562,614	511,000	38,436,439	8,310,859	19,933,786
2008	24,572,825	7,115,000	4,462,015	75,000	36,224,840	7,998,386	19,183,875

Notes:

- (1) 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
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis

Business-Type Activities					(3)	
Improvement Bonds	Loans	Participation and Development Agreements	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	(3) Per Capita
\$ 3,125,000	\$	\$	\$ 5,535,000	\$ 44,294,351	3.15%	\$ 2,145
2,880,000	4,863,497		38,076,962	82,563,972	1.82%	3,839
2,615,000	8,262,209	167,626	41,332,770	84,725,166	2.03%	3,624
2,185,000	8,227,209	149,499	39,840,028	79,990,032	2.23%	3,411
1,920,000	8,152,209	130,628	38,447,482	76,883,921	2.37%	3,362
1,595,000	8,052,209	110,984	36,940,454	73,165,294	2.55%	3,156

City of Merced
Ratios of General Bonded Debt Outstanding
Last Six Fiscal Years

Fiscal Year	Outstanding General Bonded Debt			(1) Actual Taxable Value of Property	(2) Percentage of Actual Taxable Value of Property	(3) Percentage of Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total			
2003	\$	\$ 31,612,825	\$ 31,612,825	\$ 2,540,501,011	1.244%	0.07%
2004		30,352,825	30,352,825	2,847,791,319	1.066%	0.07%
2005		29,047,825	29,047,825	3,279,254,312	0.886%	0.08%
2006		27,697,825	27,697,825	3,856,170,239	0.718%	0.08%
2007		26,162,825	26,162,825	4,796,073,752	0.546%	0.09%
2008		24,572,825	24,572,825	5,414,273,316	0.454%	0.09%

Notes:

- (1) Estimated Actual Taxable 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
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis

City of Merced
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Debt Outstanding June 30, 2008</u>	<u>Share of Overlapping Debt June 30, 2008</u>
<u>Overlapping Debt repaid with Property Taxes:</u>			
Merced Community College District School Facilities Improvement District No. 1	34.568%	\$ 39,170,000	\$ 13,540,286
Merced Union High School District	41.831%	17,326,061	7,247,665
Merced City School District	79.333%	25,214,571	20,003,476
Weaver Union School District	63.578%	12,199,225	7,756,023
McSwain Union School District Community Facilities District No.2004-1	0.013%	2,965,000	385
Total overlapping debt repaid with property taxes:			48,547,835
<u>Overlapping Other Debt:</u>			
Merced County Certificates of Participation	25.066%	23,265,000	5,831,605
Merced County Pension Obligations	25.066%	51,740,000	12,969,148
Merced County Office of Education Certificates of Participation	25.066%	1,580,000	396,043
Merced City School District Certificates of Participation	79.333%	4,500,000	3,569,985
Weaver Union School District Certificates of Participation	63.578%	5,555,000	3,531,758
McSwain Union School District Certificates of Participation	0.013%	2,645,000	344
Total overlapping other debt:			26,298,883
Total overlapping debt:			74,846,717
City direct debt			36,224,840
Total direct and overlapping debt			\$ 111,071,558

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 Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Assessed value	\$ 2,639,946,727	\$ 2,847,866,471	\$ 3,279,254,312	\$ 3,856,177,239	\$ 4,796,157,552	\$ 5,410,352,797
25% of Full Assessed Value	659,986,682	711,966,618	819,813,578	964,044,310	1,199,039,388	1,352,588,199
Debt limit (15% of reduced assessed value)	98,998,002	106,794,993	122,972,037	144,606,646	179,855,908	202,888,230
Total net debt applicable to limit	0	0	0	0	0	0
Legal debt margin	\$ 98,998,002	\$ 106,794,993	\$ 122,972,037	\$ 144,606,646	\$ 179,855,908	\$ 202,888,230
Total net debt applicable to the limit as a percentage of debt limit	0%	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 Six 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	
2008	28,021,230	15,989,154	12,032,076	1,020,000	1,360,255	5.05	

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
2008	373,133	325,000	95,355		0.89

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
2008	9,007,647	1,590,000	792,474		3.78

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 Six 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%
2008	80,608	1,868,655	23,182	18,781	11.8%

- 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
2008 Weaver Union School added due to change in City limits
 - (5) Metropolitan Statistical Area (Merced County) as reported by the California Employment Development Department
 - (6) 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 2008**

Employer (1)	2008		Percentage of Total Employment
	Number of Employees	Rank	
County of Merced	2,500	1	7.84%
Merced City School District	1,280	2	4.01%
University of California, Merced	1,192	3	3.74%
Merced Union High School District	948	4	2.97%
Merced College	850	5	2.66%
Cingular	792	6	2.48%
Quebecor	750	7	2.35%
City of Merced	674	8	2.11%
WalMart	285	9	0.89%
Bianchi & Sons Packing	206	10	0.65%
	<u>9,477</u>		<u>29.71%</u>
Total Labor Force (2)	31,900		

Source:

- (1) City of Merced Economic Development Department
- (2) State of California EDD
- (3) The city reporting information beginning when it implemented GASB Statement 44 in fiscal year ended June 30, 2006

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 Six Fiscal Years

Function	Full-Time-Equivalent Employees as of June 30					
	2003	2004	2005	2006	2007	2008
General Government	88	99	109	115	117	124
Redevelopment	4	5	4	4	5	5
Public Safety						
Police						
Officers	96	90	97	103	123	130
Civilians	22	20	21	22	28	27
Fire						
Firefighters and						
Officers	53	54	53	61	80	82
Civilians						4
Streets	24	24	26	25	34	32
Refuse	29	27	30	31	26	34
Parks and Recreation	88	59	83	79	22	27
Water	21	19	20	22	26	28
Wastewater	26	26	31	30	28	34
Other Public Works	38	37	33	38	40	42
Total	489	460	507	530	529	569

Source: City Finance Department

Labor Quarterly Reports month of June 2003-2006

City Payroll 2007,2008

(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 Six Fiscal Years

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Government						
* Area (square miles)	21.52	22.09	22.34	22.76	22.91	23.07
* Bldg permits issued	2,328	2,892	2,854	3,514	2,189	1,351
Police						
Physical arrests (3)	3,727	3,905	3,577	3,969	4,139	4,480
Traffic violations	7,797	9,037	8,214	8,105	6,849	7,456
Fire						
Number of Incidents	3,795	4,289	4,277	4,420	4,458	4,735
Inspections	4,385	4,264	4,884	4,997	4,642	4,460
Parks and Recreation						
Number of recreation classes	13	13	13	9	11	13
Number of facility rentals	781	876	851	651	598	811
Water						
New connections	724	1007	926	977	861	214
Wastewater						
New connections	491	1005	1133	1074	860	15

Source:
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
 - (3) Prior year numbers on physical arrests have been restated due to the inclusion of cite and releases.

City of Merced
Capital Asset Statistics by Function
Last Six Fiscal Years

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Public Safety						
Police						
* Number of Stations	3	3	3	3	3	3
Fire Stations						
* Number of Stations	4	4	4	5	5	5
Public Works						
* Street miles (Center Line) (1)	207.7	276.1	276.1	298	307	307
Parks and recreation						
* Number of Parks	29	29	29	35	40	60
Parks acreage (a)	339.6	339.6	339.6	380	387.26	395
Water						
* Water mains (miles)	256.3	256.3	274.19	275.53	276.7	306.3
Wastewater						
* Sanitary sewers (miles)	245	413.5	420.09	420.75	421.28	439.1
* Storm sewers (miles)	48	78.3	84.23	84.23	84.5	101.53

Source:
City of Merced

Note:
(1) The city reporting information beginning when it implemented GASB Statement 34 in fiscal year ended June 30, 2003
(2) Prior year numbers on street miles have been restated due to the inclusion of State maintained highways.