



City of Merced, California



Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2010

The historic Merced Theatre, built in the 1930'S, has long been a landmark in the Merced downtown area. This Spanish Colonial Revival building with its arcades and tower is one of the most prominent landmarks in the City of Merced.

The Merced Theatre Foundation and City of Merced are working together to restore the Theatre back to its 1930's grandeur.

Cover Art: The reuse of the image of the Merced Theatre was granted by Avila Design. The image was created by Yick K. Chan/Avila Design.

City of Merced

Merced, California

Comprehensive Annual Financial Report

For the year ended June 30, 2010

PREPARED BY THE CITY OF MERCED, CALIFORNIA

FINANCE DEPARTMENT

**City of Merced
 Comprehensive Annual Financial Report
 For the year ended June 30, 2010**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Transmittal Letter.....	v
Organization Chart.....	xi
Responsible Officials.....	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xiii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities and Changes in Net Assets.....	18
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances.....	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets.....	28
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets.....	30
Statement of Revenues, Expenses and Changes in Net Assets.....	31
Statement of Cash Flows.....	32
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets.....	36
Statement of Changes in Fiduciary Net Assets.....	37
Notes to Basic Financial Statements.....	39

City of Merced
Comprehensive Annual Financial Report
For the year ended June 30, 2010

Table of Contents, Continued

Page

FINANCIAL SECTION, Continued

Required Supplementary Information:

Budgetary Control and Accounting	90
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	91
Redevelopment Agency Special Revenue Fund – Major Fund	94
Housing Special Revenue Fund – Major Fund	95
Development Services Special Revenue Fund – Major Fund	96
Public Facilities Impact Special Revenue Fund – Major Fund	97
Public Employee Retirement Systems Schedule of Funding Progress	99
Postemployment Healthcare Plan Schedule of Funding Progress	99

Supplementary Information:

Non-Major Governmental Funds:

Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	112
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Redevelopment Agency Debt Service Fund	116
Park Reserve Capital Projects Fund – Major Fund	117
Streets and Signals Capital Projects Fund – Major Fund	118
Redevelopment Agency Capital Projects Fund – Major Fund	119
Downtown Parking Special Revenue Fund	120
Downtown Special Revenue Fund	121
Local Transportation Special Revenue Fund	122
Gas Tax Special Revenue Fund	123
Traffic Safety Special Revenue Fund	124
Street Trees Special Revenue Fund	125
Traffic Congestion Relief Special Revenue Fund	126
Streets and Street Lights Maintenance Special Revenue Fund	127
Recreation and Parks Special Revenue Fund	128
Surface Transportation Program Special Revenue Fund	129
Proposition 172 Special Revenue Fund	130
Public Works Administration Special Revenue Fund	131
OTS Grant Special Revenue Fund	132
Supplemental Law Enforcement Services Special Revenue Fund	133
Justice Assistance Grant Special Revenue Fund	134

**City of Merced
 Comprehensive Annual Financial Report
 For the year ended June 30, 2010**

Table of Contents, Continued

Page

FINANCIAL SECTION, Continued

Supplementary Information, Continued:

Non-Major Governmental Funds, Continued:

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

Child Development Special Revenue Fund	135
Maintenance Districts Special Revenue Fund.....	136
CFD Services Special Revenue Fund	137
Measure C Special Revenue Fund	138
Developer Capital Fees Special Revenue Fund	139
PEG Access Fee Special Revenue Fund	140
Proposition 1B Special Revenue Fund	141
Bell Station Building Special Revenue Fund.....	142
Public Financing Authority Debt Service Fund.....	143
Airport Industrial Park Capital Projects Fund	144
Fire Station Capital Projects Fund	145
Merced Theatre Restoration Capital Projects Fund	146
Parks & Community Service Capital Projects Fund	147

Enterprise Funds:

Combining Statement of Net Assets	150
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	154
Combining Statement of Cash Flows	158

Internal Service Funds:

Combining Statement of Net Assets	166
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	168
Combining Statement of Cash Flows	170

Private Purpose Trust Funds:

Statement of Fiduciary Net Assets	176
Statement of Changes in Fiduciary Net Assets.....	177

Agency Funds:

Balance Sheet	180
Statement of Changes in Fiduciary Assets and Liabilities	183

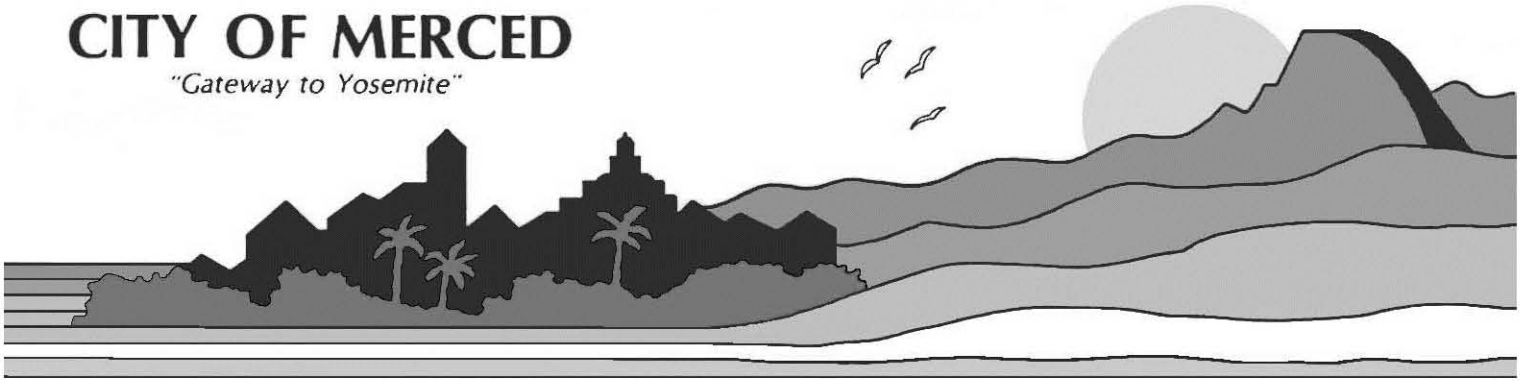
**City of Merced
 Comprehensive Annual Financial Report
 For the year ended June 30, 2010**

Table of Contents, Continued

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Assets by Component – Last Eight Fiscal Years (accrual basis of accounting).....	190
Changes in Net Assets – Last Eight Fiscal Years (accrual basis of accounting)	192
Governmental Activities Tax Revenues By Source - Last Eight Fiscal Years (accrual basis of accounting)	196
Fund Balances of Governmental Funds - Last Eight Fiscal Years (modified accrual basis of accounting).....	197
Changes in Fund Balances of Governmental Funds -	
Last Eight Years (modified accrual basis of accounting).....	198
Assessed Value and Estimated Actual Value of Taxable Property - Last Eight Fiscal Years	200
Property Tax Rates, Direct and Overlapping Governments	202
Ratios of Outstanding Debt by Type - Last Eight Fiscal Years	203
Principal Property Taxpayers - Current Year and Nine Years Ago.....	205
Property Tax Levies and Collections - Last Eight Fiscal Years.....	206
Ratios of General Bonded Debt Outstanding - Last Eight Fiscal Years	208
Direct and Overlapping Governmental Activities Debt.....	209
Legal Debt Margin Information - Last Eight Fiscal Years	210
Pledged-Revenue Coverage - Last Eight Fiscal Years.....	212
Demographic and Economic Statistics – Last Eight Fiscal Years	213
Principal Employers for Fiscal Year 2010	214
Full-Time Equivalent City Government Employees by Function - Last Eight Fiscal Years	215
Operating Indicators by Function - Last Eight Fiscal Years.....	216
Capital Asset Statistics by Function - Last Eight Fiscal Years.....	217
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	219

CITY OF MERCED

"Gateway to Yosemite"



March 14, 2011

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, 2010 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, Inc., a Subsidiary of Marcum LLP, 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, 2010. The independent auditor's report is located at the front of the financial section of this report.

In addition to the 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.

PROFILE OF THE GOVERNMENT

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.

LOCAL ECONOMY

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, a major 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.

The City of Merced has experienced three years of economic downturn. The community has been severely impacted by an unemployment rate ranging between 18% to 20% and a continuing high rate of foreclosure.

Nationally, Merced ranked in the top 10 for the areas with the highest number of foreclosures. Declining home values has caused a record number of negative loans to value ratios. Declining property values have had a direct effect on property tax revenues.

Stalled real estate and construction markets and on-going job losses have resulted in a steady decline of sales tax revenue. The closure of businesses added to the high number of job losses and declining retail sales. Industry closures included B&T Cabinets and Arvin Sango. Significant layoffs were experienced by Malibu Boats, Fineline Industries, and World Color USA LLC. The local Hyundai auto dealer closed its doors while other auto dealers experienced declining sales.

Downtown Merced experienced an increase in businesses including Sweet Temptations, Red Sky Comics, and The Coffee Block. Hospitality services expanded as Simply Delightful Frozen Yogurt, DiCicco's Italian Restaurant, Subway, and Fusion Café opened their doors in neighborhood shopping centers.

Mercy Medical Center completed its \$200 million campus. Construction at the University of California (UC) Merced campus continued with new dorms. In addition, the Ernest & Julio Gallo School of Management building, and UC Merced Stem Cell Research Laboratory are under construction.

LONG-TERM FINANCIAL PLANNING

The City of Merced maintains a "Cash Basis Fund," which holds operating reserves sufficient to meet the demands against the City for the first five months, or other necessary period, of the succeeding fiscal year prior to the receipt of ad valorem tax revenues. Transfers may be made by the City Council from such funds to any fund for the purpose of placing the fund on a cash basis. All moneys transferred from the Cash Basis Fund are required to be returned before the end of the fiscal year.

The City of Merced adopts a Five-Year Capital Improvement Program (Program) each year. The Program identifies physical improvements, provides a planning schedule and identifies options for financing. The Program provides a link between the City's comprehensive General Plan, Public Facility Financing Plan, the overall priorities and the annual budget. The Program assists in implementing the General Plan; encourages early review of priorities; provides opportunities for project coordination and planning; and is a tool for long-range financial planning. The fiscal year 2010-14 Five-Year Capital Improvement Program identifies capital improvement projects with estimated total costs of \$722.7 million.

A Public Facilities Financing Plan was implemented in 2003 to meet the goals and objectives of the General Plan and to mitigate the impacts caused by future development in Merced. Public facilities impact fees are charged in order to finance public facilities and to pay for each development's fair share of the construction costs of these improvements.

RELEVANT FINANCIAL POLICIES

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. 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.

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. 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 average yield on investments was 1.16 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, 2010 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 uninsured risks of loss, with the exception of the Property and Airport coverage that 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. 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.

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 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.

MAJOR INITIATIVES

Merced Theatre

Since 2002, the City of Merced and the Merced Theatre Foundation have been working towards restoring the historic Merced Theatre to its 1931 grandeur. The restoration has been broken into three separate phases. Phase I included the restoration of five retail stores fronting Main Street and ten second story residential units. Phase I was funded and constructed by the Agency. Phase II included the restoration of the iconic tower and the neon "MERCED" signage. Phase II was funded and constructed by the Merced Theatre Foundation. Currently, the Foundation, Agency and City are working to secure adequate funding to complete the third and final phase.

Phase III includes the renovation of the theatre house, which will include the reconstruction of the Mediterranean castle courtyard, auditorium seating and the stage. This project is estimated to cost over \$14,000,000.

High Speed Rail

The California voters approved Proposition 1A in November 2008, authorizing \$9.95 billion in bonds for the High Speed Rail system. The High Speed Rail system will connect San Francisco to Los Angeles with a segment of the system running through the Central Valley with stations in key cities. Merced has been suggested as a key city for a station. The High Speed Rail will greatly improve mobility and increase accessibility throughout Central California. The system will strengthen California's economy by creating an estimated 450,000 jobs and will help stimulate a new industry for a skilled workforce and Career Technology Education programs.

A public workshop held in the spring of 2010 featured presentations by the California High Speed Rail Station Planning Team from AECOM, Inc. AECOM is a consultant hired by the California High Speed Rail Authority to design station plans for the Merced area. The workshop was hosted by the City of Merced, with support from the Greater Merced High Speed Rail Committee, Inc. The Committee was created to take a unified approach to the high-speed rail through Merced County. Members include Merced County, the cities of Merced and Atwater, UC Merced, Merced College and local businesses and industries.

G Street Undercrossing Project

On August 28, 2008, the California Transportation Commission awarded the City of Merced a \$9 million grant to construct the G Street Railroad Undercrossing at the Burlington Northern Santa Fe (BNSF) tracks. This is part of the Proposition 1B \$250 million Highway-Railroad Crossing Safety Account Program.

The conversion of the City's G Street at-grade railroad crossing to an undercrossing has been a long-term goal of the City of Merced. The Merced Vision 2015 General Plan describes how the long freight trains have created significant traffic congestion and delays for vehicles waiting for them to pass, especially during peak hours, along the major north-south routes on G, M and R Streets.

The total project cost is estimated at \$19 million. The project will be funded with the \$9 million grant and the remaining local matching funds will come from four sources: BNSF Railroad, existing and future City impact fees, and Agency bond funds.

In fiscal year 2010, grant funding was allocated, and construction of the bridge portion of the project was slated to start in July, 2010.

The completed project will eliminate the delay motorists and trucks experience on the streets. The undercrossing will help improve air quality, save fuel and reduce greenhouse gas emissions.

Wastewater Treatment Plant Project

The City of Merced's upgrade and expansion project for the City's Gove Road Wastewater Treatment Plant (WWTP) is approximately 80% complete. The project is required to comply with new state and federal water quality mandates as well as expansion of treatment capacity for the City. The City received a \$34.9 million loan from the State Water Resources Control Board State Revolving Fund Loan Program (SRF) to partially fund the construction of the upgrade of the WWTP. The SRF Loan Program is a joint federal and state program that provides low interest loans to local governments in California for construction of wastewater treatment facilities. \$2 million of the contingent SRF Loan principal will be funded by American Recovery and Reinvestment Act funds.

AWARDS AND ACKNOWLEDGEMENTS

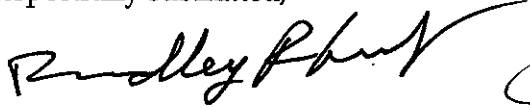
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Merced for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2009. This was the thirteenth consecutive 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.

This report was prepared through the commitment and team efforts of the entire Finance Department. We wish to express our gratitude to Teri Albrecht, Deputy Finance Officer for her leadership in preparing the report and the entire Finance Department staff for their assistance. In addition, we would like to thank the independent auditors', Caporicci & Larson, Inc., a Subsidiary of Marcum LLP, Certified Public Accountants, staff for their recommendations and assistance during the preparation of this Comprehensive Annual Financial Report.

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

Respectfully submitted,

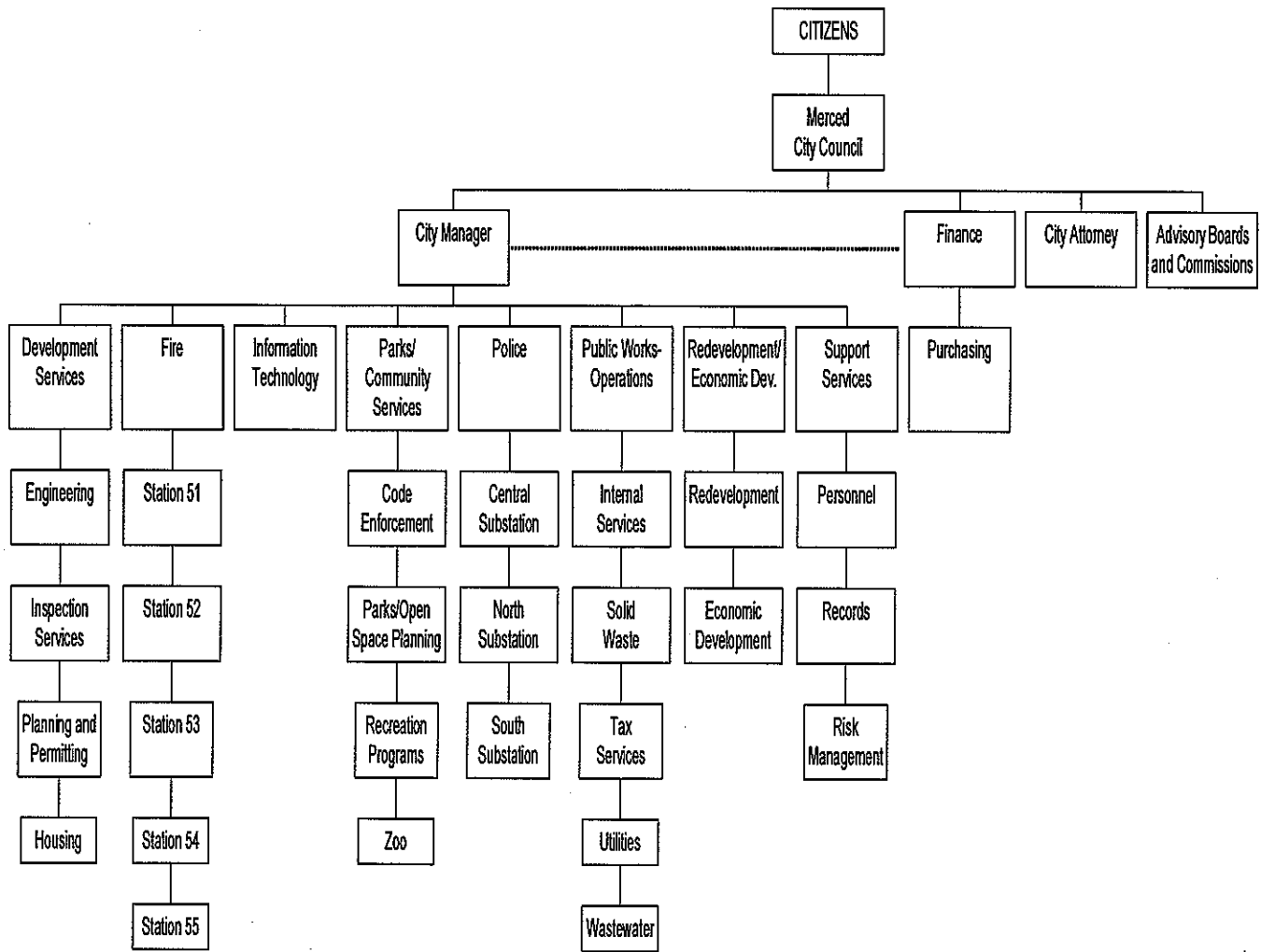


Bradley R. Grant
Finance Officer



John Bramble
City Manager

City of Merced Organizational Chart June 30, 2010



CITY OF MERCED

RESPONSIBLE OFFICIALS

June 30, 2010

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

William Spriggs
Bill Blake
John Carlisle
Joshua Pedrozo
Mary-Michal Rawling
Michele Gabriault-Acosta
Noah Lor

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

John M. Bramble
William Cahill
Gregory Diaz
Bradley R. Grant
Norman Andrade
Kenneth W. Mitten
Mike Wegley
Stan Murdock
Deneen Proctor
Alexander Hall
Dave Gonzalves
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, 2009

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



President

Executive Director

This page intentionally left blank.

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, 2010, 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 auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the 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, 2010, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011 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 results 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 considered in assessing the results of our audit.

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

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 such 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 introductory section, combining fund statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
March 14, 2011

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, 2010. 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 decreased by \$6.8 million. The governmental net assets decreased by \$15.7 million and the business-type net assets increased by \$8.9 million.
- As shown on the Statement of Net Assets, the assets of the City exceeded its liabilities at the close of the fiscal year by \$597.1 million.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$10.8 million, or 63% percent of the General Fund fund balance.
- The net decrease to governmental activity long-term debt was \$2.2 million. The net increase to the business-type activity long-term debt was \$33.3 million. New debt issued during the year was a \$35 million California State Water Resources Control Board Clean Water State Revolving Fund Loan for upgrading and expanding facilities at the Wastewater Treatment Plant.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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

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

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

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

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

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

The City maintains thirty-seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Redevelopment Agency Special Revenue Fund, Housing Special Revenue Fund, Development Services Special Revenue Fund, Public Facilities Impact Special Revenue Fund, Redevelopment Agency Debt Service Fund, Park Reserve Capital Project Fund, Streets and Signals Capital Projects Fund and Redevelopment Agency Capital Projects Fund, which are considered to be major funds. Data from the other twenty-eight 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 and Internal Service 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 and postemployment health care benefits to its employees and budgetary comparison schedules for the General Fund and major special revenue funds.

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 \$597.1 million at the close of the most recent fiscal year.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 126,047,674	\$ 142,155,383	\$ 130,301,886	\$ 105,004,133	\$ 256,349,560	\$ 247,159,516
Capital assets	354,655,874	351,935,319	136,734,255	114,306,813	491,390,129	466,242,132
Total assets	480,703,548	494,090,702	267,036,141	219,310,946	747,739,689	713,401,648
Current liabilities	15,088,406	14,171,615	12,223,850	7,362,780	27,312,256	21,534,395
Noncurrent liabilities	54,414,347	53,001,516	68,911,361	34,939,890	123,325,708	87,941,406
Total liabilities	69,502,753	67,173,131	81,135,211	42,302,670	150,637,964	109,475,801
Net assets:						
Invested in capital assets, net of debt	324,434,267	315,446,531	81,107,174	78,912,846	405,541,441	394,359,377
Restricted	44,702,806	53,595,622	16,759,584	15,532,992	61,462,390	69,128,614
Unrestricted	42,063,722	57,875,418	88,034,172	82,562,438	130,097,894	140,437,856
Total net assets	\$ 411,200,795	\$ 426,917,571	\$ 185,900,930	\$ 177,008,276	\$ 597,101,725	\$ 603,925,847

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The largest portion of the City's net assets, 68%, 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.

Ten 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 \$130.4 million is the unrestricted net assets. The Governmental Activities unrestricted net assets of \$42.4 million includes \$37.8 million of funds that are for specific purposes including encumbrances, contingencies, debt service and internal service operations. The Business-Type Activities unrestricted net assets of \$88.0 million include \$45.4 million earmarked for special projects

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

Statement of Activities

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 19,517,624	\$ 23,757,949	\$ 41,383,059	\$ 41,041,644	\$ 60,900,683	\$ 64,799,593
Operating grants and contributions	8,410,891	7,321,285			8,410,891	7,321,285
Capital grants and contributions	3,802,900	10,380,895		1,761,808	3,802,900	12,142,703
General revenues and transfers:						
Property taxes	20,767,841	24,560,717			20,767,841	24,560,717
Sales taxes	11,206,239	11,768,163			11,206,239	11,768,163
Franchise taxes	1,574,193	1,572,984			1,574,193	1,572,984
Transient occupancy tax	745,071	904,175			745,071	904,175
Business license tax	1,167,393	1,159,991			1,167,393	1,159,991
Cost recovery impact study	11,001	4,135			11,001	4,135
Business improvement area	82,288	79,798			82,288	79,798
Other	1,103,069	1,773,517	1,301,053	2,623,993	2,404,122	4,397,510
Total revenues	68,388,510	83,283,609	42,684,112	45,427,445	111,072,622	128,711,054
Expenses						
Governmental activities:						
General government	32,272,561	33,551,460			32,272,561	33,551,460
Public Safety	27,080,093	29,146,402			27,080,093	29,146,402
Public Works	20,138,631	15,264,700			20,138,631	15,264,700
Parks	3,930,014	5,658,167			3,930,014	5,658,167
Other	2,015,366	1,536,098			2,015,366	1,536,098
Business-type activities:						
Wastewater system			11,497,313	11,997,758	11,497,313	11,997,758
Water system			9,833,245	9,956,804	9,833,245	9,956,804
Refuse collection			10,222,077	10,839,549	10,222,077	10,839,549
Merced municipal airport			907,444	823,199	907,444	823,199
Total expenses	85,436,665	85,156,827	32,460,079	33,617,310	117,896,744	118,774,137
Increase in net assets before transfers	(17,048,155)	(1,873,218)	10,224,033	11,810,135	(6,824,122)	9,936,917
Transfers	1,331,379	(1,728,024)	(1,331,379)	1,728,024	0	0
Increase in net assets	(15,716,776)	(3,601,242)	8,892,654	13,538,159	(6,824,122)	9,936,917
Net assets beginning of year	426,917,571	430,518,813	177,008,276	163,470,117	603,925,847	593,988,930
Net assets ending of year	\$ 411,200,795	\$ 426,917,571	\$ 185,900,930	\$ 177,008,276	\$ 597,101,725	\$ 603,925,847

Governmental Activities- Governmental Activities decreased the City's net assets by \$15.7 million. Taxes provided 52% of the revenue and charges for services provided 29% of the revenue, and capital grants and contributions provided 6% of the revenue received during the year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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, 2010

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 32,272,561	\$ (15,724,475)
Public Safety	27,080,093	(22,033,092)
Public Works	20,138,631	(11,578,076)
Parks	3,930,014	(2,354,241)
Other	2,015,366	(2,015,366)
Total	<u>\$ 85,436,665</u>	<u>\$ (53,705,250)</u>

The costs for all governmental activities during the year were \$85.4 million, which is 72% of total expenses. The City's taxpayers paid for \$35.6 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 \$8.9 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities total \$42.7 million. Program revenues of the City's business-type activities total \$41.4 million. Expenses of business-type activities were \$32.4 million. Transfers from the City's business-type activities were \$1.3 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The City's governmental funds reported a combined fund balance at June 30, 2010 of \$70.7 million, a decrease of \$13.4 million. The net decrease was due to use of accumulated funds to maintain operations and finance capital projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$17.1 million and the unreserved, undesignated fund balance was \$10.8 million. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The unreserved fund balance represents 32% of total General Fund expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund net change in fund balance decreased by \$1.7 million during the fiscal year. Sales tax and property tax, the primary revenues of the General Fund, decreased 7% and 17%, respectively. Due to the continued decline in revenues caused by the economic downturn, the City implemented a five year financial plan beginning in fiscal year 2009-10 that reduced expenditures and utilized General Fund reserves in order to maintain core services.

Other changes in fund balances include the following:

Redevelopment Agency Special Revenue Fund-

- This major fund decreased by \$1.6 million primarily due to transferring land held for resale to capital assets and the use of accumulated funds for operating expenditures.

Housing Special Revenue Fund-

- This major fund increased by \$1.0 million due to receipt of grant funds for activities benefiting low and moderate income citizens.

Development Services Special Revenue Fund-

- This major fund decreased by more than \$300,000 due to the use of accumulated funds for operations.

Public Facilities Impact Fees Special Revenue Fund-

- This major fund decreased by \$3.7 million due to the use of accumulated funds for capital outlay for the new police station, new street and signal projects and new park projects.

Redevelopment Agency Debt Service Fund-

- The State of California shift of \$2.8 million of tax increment from the Agency to the Supplemental Educational Revenue Augmentation Funds (SERAF) contributed to this major fund net decrease of \$1.8 million.

Park Reserve Capital Projects Fund-

- This major fund decreased by more than \$182,000 due to the use of accumulated funds to finance capital projects.

Streets & Signals Capital Projects Fund-

- This major fund decreased by more \$24,000 due to the use of accumulated funds for capital outlay.

Redevelopment Agency Capital Projects Fund-

- This major fund decreased by \$3.4 million due to the use of accumulated funds for capital outlay.

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 \$15 million. The unrestricted net assets of the enterprise funds were \$88.0 million. The total change in net assets for the Governmental Activities Internal Service Funds and the Enterprise Funds were (\$5.5) million and \$8.9 million, respectively. Other factors concerning the finances of the Proprietary funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between the General Fund original budget and the final budget was an increase of \$2.8 million, which includes interfund transactions, machinery and equipment, professional services, utilities and personnel related expenditures. The actual expenditures were under budget by \$2.6 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, 2010, amounted to \$491.4 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.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Non-depreciable Assets:						
Land and improvements	\$ 69,025,623	\$ 68,337,337	\$ 258,681	\$ 258,681	\$ 69,284,304	\$ 68,596,018
Construction in progress	37,966,773	38,387,789	48,610,547	25,178,935	86,577,320	63,566,724
Total non-depreciable assets	106,992,396	106,725,126	48,869,228	25,437,616	155,861,624	132,162,742
Depreciable Assets:						
Building and structures	20,848,739	9,632,640	2,705,525	2,511,934	23,554,264	12,144,574
Machinery and equipment	37,822,363	36,542,387	3,950,996	3,878,228	41,773,359	40,420,615
Improvements other than buildings, structures and land improvements	81,680,916	79,092,738	91,712,501	88,111,673	173,393,417	167,204,411
Infrastructure	375,065,051	371,314,610	35,963,639	35,541,395	411,028,690	406,856,005
Accumulated depreciation	(267,753,591)	(251,372,182)	(46,467,634)	(41,174,033)	(314,221,225)	(292,546,215)
Total depreciable assets, net	247,663,478	245,210,193	87,865,027	88,869,197	335,528,505	334,079,390
Total capital assets	\$ 354,655,874	\$ 351,935,319	\$ 136,734,255	\$ 114,306,813	\$ 491,390,129	\$ 466,242,132

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

- Infrastructure was added in the amount of \$4.1 million.
- The Wastewater Treatment Plant upgrade and expansion had \$25.4 million in construction costs.
- Construction costs of \$5.2 million for the G Grade BNSF Railroad Separation.
- Improvement costs of \$2.1 million for Olive and Yosemite Resurfacing.
- Land costs of \$1.1 million for the New Police Facility.
- Improvement costs of \$1.0 million for 16th & G Street Overlay.
- Improvement costs of \$928,000 for Safe Routes to School Project.

Long-term debt - At the end of the current fiscal year, the City had \$113.6 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 10. Long-Term Debt.

CAPITAL ASSET AND DEBT ADMINISTRATION, Continued

Outstanding Debt June 30, 2010

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Tax allocation bonds payable	\$ 34,327,825	\$ 36,042,825			\$ 34,327,825	\$ 36,042,825
Pension obligation bonds	6,860,000	7,000,000			6,860,000	7,000,000
Loan payable	3,067,271	3,284,893			3,067,271	3,284,893
Loan guarantee	690,142	825,415			690,142	825,415
Revenue bonds payable			24,931,445	26,076,224	24,931,445	26,076,224
Loan payable			42,852,087	8,017,743	42,852,087	8,017,743
Improvement bonds payable			940,000	1,300,000	940,000	1,300,000
Total	\$ 44,945,238	\$ 47,153,133	\$ 68,723,532	\$ 35,393,967	\$ 113,668,770	\$ 82,547,100

During the current fiscal year, the City's total debt increased by \$31.1 million or 37.7%. The overall increase in outstanding debt was a result of a new California State Water Resources Control Board Clean Water State Revolving Fund Loan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Fiscal year 2009-10 saw a continued weak economy and loss in property values that significantly reduced revenue sources to the General Fund. The city experienced a decline in sales and use taxes over 11 quarters and property taxes continued to decline leaving the City's General Fund revenues at a level below fiscal year 2005-06.
- A wastewater rate study was conducted during fiscal year 2009-10. Based on the study, sewer rates and connection fees were reduced due to decrease in construction costs for the wastewater treatment plant construction.
- Over \$8.5 million in American Recovery and Reinvestment Act (ARRA) grants were awarded to the City in fiscal year 2009-10. These grants were funding sources for various public improvements including repaving, overlay and reconstruction of certain streets, as well as funding for public safety positions, energy efficiency activities, pollution assessments, and assistance for homeless individuals.
- The City developed a five year financial plan beginning in fiscal year 2008-09 that utilizes prior one time revenues, General Fund reserves and reduces expenditure yet maintains core services. Although the revenue loss in fiscal year 2009-10 was greater than expected, the five year financial plan was used to prepare the fiscal year 2010-11 budget in order to maintain City services.
- In order to address the structural deficit the fiscal year 2010-11 departmental budgets were reduced 5% to 20%. The reductions include the elimination of seven positions.
- In May 2010, the Sacramento Superior Court approved taking \$2.05 billion in funds from redevelopment agencies throughout the State of California under Assemble Bill 4X26. The bill uses RDA funds to balance the state budget by transferring the money to the Supplemental Educational Revenue Augmentation Fund. This take away results in loss in revenue of \$2,806,916 for fiscal year 2009-10 and \$578,000 for fiscal year 2010-11 for the City of Merced RDA. This has a serious impact on RDA's ability to build needed capital improvements and attract new jobs to the community.

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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

City of Merced
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 78,531,698	\$ 95,217,679	\$ 173,749,377
Restricted cash held by fiscal agents	3,396,762	764,136	4,160,898
Receivables, net	2,674,691	3,557,680	6,232,371
Internal balances	(1,200,000)	1,200,000	
Due from other governments	8,784,457	29,003,502	37,787,959
Prepaid items	9,137		9,137
Inventory	62,880	158,443	221,323
Total current assets	92,259,625	129,901,440	222,161,065
Noncurrent assets:			
Land held for resale	5,489,806		5,489,806
Notes receivable	27,408,563	12,100	27,420,663
Loan guarantee receivable	696,353		696,353
Other assets	193,327		193,327
Deferred charges		388,346	388,346
Subtotal noncurrent assets	33,788,049	400,446	34,188,495
Capital assets:			
Non-depreciable	106,992,396	48,869,228	155,861,624
Depreciable, net of accumulated depreciation	247,663,478	87,865,027	335,528,505
Total capital assets, net	354,655,874	136,734,255	491,390,129
Total noncurrent assets	388,443,923	137,134,701	525,578,624
Total assets	480,703,548	267,036,141	747,739,689
LIABILITIES			
Current liabilities:			
Accounts payable	2,045,746	5,723,686	7,769,432
Payroll liabilities	2,332,326	413,943	2,746,269
Deposits	26,099	844,751	870,850
Unearned revenue	151,877	2,975,108	3,126,985
Accrued interest payable	442,835	434,662	877,497
Other liabilities	5,588,443	153,193	5,741,636
Compensated absences, due within one year	556,302	28,016	584,318
Claims payable, due within one year	1,467,234		1,467,234
Long-term debt, due within one year	2,477,544	1,650,491	4,128,035
Total current liabilities	15,088,406	12,223,850	27,312,256
Noncurrent liabilities:			
Compensated absences, due in more than one year	2,898,073	475,962	3,374,035
Claims payable, due in more than one year	1,975,935		1,975,935
Long-term debt, due in more than one year	42,467,694	67,073,041	109,540,735
Net other postemployment benefits obligation	7,072,645	1,362,358	8,435,003
Total noncurrent liabilities	54,414,347	68,911,361	123,325,708
Total liabilities	69,502,753	81,135,211	150,637,964
NET ASSETS			
Invested in capital assets, net of related debt	324,434,267	81,107,174	405,541,441
Restricted for:			
Streets and street lights	2,819,375		2,819,375
Community development	12,993,185		12,993,185
Housing	505,040		505,040
Public safety	1,289,601		1,289,601
Special districts	1,758,224		1,758,224
Other special projects and programs	1,268,631	1,656,490	2,925,121
Debt service	6,795,016	456,382	7,251,398
Capital projects	17,273,734	14,646,712	31,920,446
Total restricted	44,702,806	16,759,584	61,462,390
Unrestricted	42,063,722	88,034,172	130,097,894
Total net assets	\$ 411,200,795	\$ 185,900,930	\$ 597,101,725

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 32,272,561	\$ 9,791,315	\$ 6,635,952	\$ 120,819	\$ 16,548,086
Public safety	27,080,093	3,840,185	1,206,816		5,047,001
Public works	20,138,631	4,954,196	513	3,605,846	8,560,555
Parks	3,930,014	931,928	567,610	76,235	1,575,773
Interest on long-term debt	2,015,366				
Total governmental activities	85,436,665	19,517,624	8,410,891	3,802,900	31,731,415
Business-type activities:					
Wastewater system	11,497,313	18,505,036			18,505,036
Water system	9,833,245	11,404,187			11,404,187
Refuse collection system	10,222,077	10,750,755			10,750,755
Merced municipal airport	907,444	723,081			723,081
Total business-type activities	32,460,079	41,383,059			41,383,059
Total government	\$ 117,896,744	\$ 60,900,683	\$ 8,410,891	\$ 3,802,900	\$ 73,114,474

General revenues:

Taxes:

Property

Sales

Franchise taxes

Transient occupancy tax

Business license tax

Business improvement tax

Cost recovery impact study taxes

Total taxes

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net Assets:

Beginning of year

End of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (15,724,475)	\$	\$ (15,724,475)
(22,033,092)		(22,033,092)
(11,578,076)		(11,578,076)
(2,354,241)		(2,354,241)
(2,015,366)		(2,015,366)
<u>(53,705,250)</u>		<u>(53,705,250)</u>
	7,007,723	7,007,723
	1,570,942	1,570,942
	528,678	528,678
	(184,363)	(184,363)
	<u>8,922,980</u>	<u>8,922,980</u>
<u>(53,705,250)</u>	<u>8,922,980</u>	<u>(44,782,270)</u>
20,767,841		20,767,841
11,206,239		11,206,239
1,574,193		1,574,193
745,071		745,071
1,167,393		1,167,393
82,288		82,288
11,001		11,001
<u>35,554,026</u>		<u>35,554,026</u>
620,821	1,301,053	1,921,874
482,248		482,248
<u>1,331,379</u>	<u>(1,331,379)</u>	
<u>37,988,474</u>	<u>(30,326)</u>	<u>37,958,148</u>
<u>(15,716,776)</u>	<u>8,892,654</u>	<u>(6,824,122)</u>
426,917,571	177,008,276	603,925,847
<u>\$ 411,200,795</u>	<u>\$ 185,900,930</u>	<u>\$ 597,101,725</u>

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

Housing Special Revenue Fund - This fund is used to account for 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 is used 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 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.

Redevelopment Agency Debt Service Fund - This fund is used to account for tax increment revenue and 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.

Streets and Signals Capital Projects Fund - This fund is used to account for projects which are funded by State and Federal sources and Public Facilities Impact Fees.

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

City of Merced
Balance Sheet
Governmental Funds
June 30, 2010

	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	\$ 14,472,172	\$ 540,921	\$ 505	\$ 262,786	\$ 12,959,557
Restricted cash held by fiscal agents	161				
Receivables	526,508	112,779	237,475	3,696	496,990
Due from other governments	2,100,133		794,149	71,751	
Due from other funds	70,827	142,141			
Inventory	25,400				
Land held for resale		3,273,198	853,592		
Notes receivable		6,130,711	16,882,949		147,402
Loan guarantee receivable					
Advances to other funds	1,710,992				
Other assets					193,327
Total assets	\$ 18,906,193	\$ 10,199,750	\$ 18,768,670	\$ 338,233	\$ 13,797,276
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 115,787	\$ 890	\$ 35,584	\$ 3,922	\$
Payroll liabilities	1,417,159	17,648	14,196	178,688	
Deposits		13,400			
Deferred revenue	142,628	3,444,506	17,431,784		
Due to other funds			29,888		
Advances from other funds					
Other liabilities	35,101		3,038		2,185,178
Total liabilities	1,710,675	3,476,444	17,514,490	182,610	2,185,178
Fund Balances:					
Reserved	2,444,678	6,094,060	1,315,126	101,897	147,402
Unreserved, designated, reported in:					
General fund	4,000,000				
Special revenue funds					
Total unreserved, designated	4,000,000				
Unreserved, undesignated reported in:					
General fund	10,750,840				
Special revenue funds		629,246	(60,946)	53,726	11,464,696
Debt service funds					
Capital project funds					
Total unreserved, undesignated	10,750,840	629,246	(60,946)	53,726	11,464,696
Total fund balances	17,195,518	6,723,306	1,254,180	155,623	11,612,098
Total liabilities and fund balances	\$ 18,906,193	\$ 10,199,750	\$ 18,768,670	\$ 338,233	\$ 13,797,276

See accompanying Notes to Basic Financial Statements.

Major Funds					
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Streets & Signals Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 3,314,791	\$ 2,036,320	\$ 3,092,022	\$ 12,474,194	\$ 9,959,130	\$ 59,112,398
3,396,601					3,396,762
724,041	23,192	4,036	22,753	447,374	2,598,844
710,704	9,806	2,174,761	727,090	2,174,752	8,763,146
				44,762	257,730
					25,400
			1,076,178	286,838	5,489,806
4,000,000					27,161,062
696,353					696,353
					1,710,992
					193,327
<u>\$ 12,842,490</u>	<u>\$ 2,069,318</u>	<u>\$ 5,270,819</u>	<u>\$ 14,300,215</u>	<u>\$ 12,912,856</u>	<u>\$ 109,405,820</u>
\$	\$ 930	\$ 1,100,683	\$ 31,132	\$ 488,407	\$ 1,777,335
				530,656	2,158,347
			3,240	9,459	26,099
4,712,695				290,983	26,022,596
142,141				85,701	257,730
1,200,000				1,710,992	2,910,992
	3,348,809				5,572,126
<u>6,054,836</u>	<u>3,349,739</u>	<u>1,100,683</u>	<u>34,372</u>	<u>3,116,198</u>	<u>38,725,225</u>
<u>6,677,231</u>	<u>1,740,445</u>	<u>10,180,739</u>	<u>1,715,263</u>	<u>1,250,873</u>	<u>31,667,714</u>
					4,000,000
				589,131	589,131
				589,131	4,589,131
					10,750,840
				7,197,699	19,284,421
110,423				7,464	117,887
	(3,020,866)	(6,010,603)	12,550,580	751,491	4,270,602
<u>110,423</u>	<u>(3,020,866)</u>	<u>(6,010,603)</u>	<u>12,550,580</u>	<u>7,956,654</u>	<u>34,423,750</u>
<u>6,787,654</u>	<u>(1,280,421)</u>	<u>4,170,136</u>	<u>14,265,843</u>	<u>9,796,658</u>	<u>70,680,595</u>
<u>\$ 12,842,490</u>	<u>\$ 2,069,318</u>	<u>\$ 5,270,819</u>	<u>\$ 14,300,215</u>	<u>\$ 12,912,856</u>	<u>\$ 109,405,820</u>

This page intentionally left blank.

City of Merced
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 70,680,595

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 the governmental funds.

Non-depreciable, net of Internal Service Fund assets of \$121,142	\$ 106,871,254	
Depreciable, net of accumulated depreciation and net of Internal Service Fund assets of \$6,817,403	<u>240,846,075</u>	347,717,329

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	(2,477,544)	
Long-term debt due in more than one year	(42,467,694)	
Net other postemployment health care benefits obligation, net of Internal Service Fund obligation of \$624,126	(6,448,519)	
Compensated absences, net of Internal Service Fund liability of \$333,366	<u>(3,121,009)</u>	(54,514,766)

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.

25,870,719

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.

(442,835)

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.

21,889,753

Net Assets of Governmental Activities

\$ 411,200,795

City of Merced
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds				
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Public Facilities Impact Special Revenue
REVENUES:					
Taxes	\$ 22,488,861	\$	\$	\$ 99,438	\$
Licenses and permits	35,582				
Intergovernmental	1,204,004		3,525,416		
Service charges	6,199,849		52,893	3,560,753	530,518
Fines, forfeitures and penalties	559,928				
Other	894,528	750,706	10,494	43,625	219,580
Total revenues	31,382,752	750,706	3,588,803	3,703,816	750,098
EXPENDITURES:					
Current operating:					
General government	5,615,165	1,760,663	1,330,543	3,959,681	36,233
Public safety	24,775,913				
Public works				1,335,070	
Parks	1,908,936				
Total current operating	32,300,014	1,760,663	1,330,543	5,294,751	36,233
Capital outlay	1,142,999	688,286	1,325	2,487	1,917,753
Debt service:					
Principal	140,000				
Interest	403,063				
Total expenditures	33,986,076	2,448,949	1,331,868	5,297,238	1,953,986
REVENUES OVER (UNDER) EXPENDITURES	(2,603,324)	(1,698,243)	2,256,935	(1,593,422)	(1,203,888)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,958,235	1,694,888	7,933	1,340,762	
Transfers out	(2,030,292)	(1,571,124)	(1,218,278)	(56,693)	(2,494,213)
Total other financing sources (uses)	927,943	123,764	(1,210,345)	1,284,069	(2,494,213)
Net change in fund balances	(1,675,381)	(1,574,479)	1,046,590	(309,353)	(3,698,101)
FUND BALANCES:					
Beginning of year	18,870,899	8,297,785	207,590	464,976	15,310,199
End of year	\$ 17,195,518	\$ 6,723,306	\$ 1,254,180	\$ 155,623	\$ 11,612,098

See accompanying Notes to Basic Financial Statements.

Major Funds					
Redevelopment Agency Debt Service	Park Reserve Capital Projects	Streets & Signals Capital Projects	Redevelopment Agency Capital Projects	Non-Major Governmental Funds	Total
\$ 8,187,745	\$	\$	\$	\$ 4,877,523	\$ 35,653,567
					35,582
	6,556	2,040,565	120,819	4,057,292	10,954,652
201,722				1,362,993	11,908,728
				146,975	706,903
113,862	138,798	53,022	457,384	3,930,688	6,612,687
8,503,329	145,354	2,093,587	578,203	14,375,471	65,872,119
4,132,494				7,963,880	24,798,659
				237,908	25,013,821
				6,768,110	8,103,180
				918,944	2,827,880
4,132,494				15,888,842	60,743,540
	321,759	10,036,878	2,078,577	1,657,744	17,847,808
2,050,273			17,622		2,207,895
1,413,426	15,000		1,884		1,833,373
7,596,193	336,759	10,036,878	2,098,083	17,546,586	82,632,616
907,136	(191,405)	(7,943,291)	(1,519,880)	(3,171,115)	(16,760,497)
313,430	8,734	8,071,247	3,031,653	5,202,656	22,629,538
(3,037,715)		(152,608)	(4,882,240)	(3,804,349)	(19,247,512)
(2,724,285)	8,734	7,918,639	(1,850,587)	1,398,307	3,382,026
(1,817,149)	(182,671)	(24,652)	(3,370,467)	(1,772,808)	(13,378,471)
8,604,803	(1,097,750)	4,194,788	17,636,310	11,569,466	84,059,066
\$ 6,787,654	\$ (1,280,421)	\$ 4,170,136	\$ 14,265,843	\$ 9,796,658	\$ 70,680,595

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (13,378,471)
--	-----------------

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 and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	16,591,074
---	------------

Developer contributions that were made during the year in the form of capital asset dedication and donations did not constitute revenues that were available and were not recorded in the governmental funds. They were recorded in the Government-Wide Statement of Activities and Changes in Net Assets as general revenues.	1,565,281
--	-----------

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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 is net of internal service fund depreciation expense of \$2,323,026	(14,318,428)
--	--------------

Loss on disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, the loss was not reported as expenditures in the governmental funds.	(272,083)
--	-----------

Expenses in the Government-Wide Statement of Activities and Changes in Net Assets 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.	682,048
--	---------

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. Principal payment	2,207,895
---	-----------

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.	8,439
---	-------

Some expenses reported in the Government-Wide Statement of Activities and Changes in Net Assets do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Change in net other postemployment health care benefits obligation, net of Internal Service Fund obligation expense of \$624,126	(3,105,380)
---	-------------

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from the prior year.	(181,993)
---	-----------

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.	(5,515,158)
---	-------------

Change in Net Assets of Governmental Activities	\$ (15,716,776)
--	------------------------

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

City of Merced
Statement of Net Assets
Proprietary Funds
June 30, 2010

	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	\$ 46,278,251	\$ 42,886,760	\$ 5,950,202	\$ 102,466	\$ 95,217,679	\$ 19,419,300
Cash held by fiscal agents	728,471	35,665			764,136	
Receivables, net	1,601,991	1,104,387	838,330	12,972	3,557,680	75,847
Due from other governments	25,117,276	3,749,583		136,643	29,003,502	21,311
Prepaid items						9,137
Inventory	1,540	156,903			158,443	37,480
Total current assets	73,727,529	47,933,298	6,788,532	252,081	128,701,440	19,563,075
Noncurrent assets:						
Notes receivable-private parties	12,100				12,100	247,501
Advances to other funds		1,558,206			1,558,206	
Deferred charges	270,448	117,898			388,346	
Capital assets:						
Non-depreciable	42,823,128	4,146,653	42,412	1,857,035	48,869,228	121,142
Depreciable, net of accumulated depreciation	31,107,942	36,385,937	15,860,313	4,510,835	87,865,027	6,817,403
Total capital assets	73,931,070	40,532,590	15,902,725	6,367,870	136,734,255	6,938,545
Total noncurrent assets	74,213,618	42,208,694	15,902,725	6,367,870	138,692,907	7,186,046
Total assets	147,941,147	90,141,992	22,691,257	6,619,951	267,394,347	26,749,121
LIABILITIES						
Current liabilities:						
Accounts payable	5,291,404	174,558	217,394	40,330	5,723,686	268,411
Payroll payable	140,296	114,547	144,752	14,348	413,943	173,979
Deposits	217,746	432,468	176,241	18,296	844,751	
Unearned revenue	1,197,303	948,163	829,642		2,975,108	
Accrued interest payable	290,129	144,533			434,662	
Other liabilities	122,055	11,348		19,790	153,193	16,317
Compensated absences payable, due within one year	13,063	5,064	8,976	913	28,016	9,025
Claims payable, due within one year						1,467,234
Long-term debt, due within one year	1,206,300	444,191			1,650,491	
Total current liabilities	8,478,296	2,274,872	1,377,005	93,677	12,223,850	1,934,966
Noncurrent liabilities:						
Advances from other funds				358,206	358,206	
Compensated absences payable, due in more than one year	179,364	145,668	137,819	13,111	475,962	324,341
Claims payable, due in more than one year						1,975,935
Long-term debt, due in more than one year	56,175,570	10,897,471			67,073,041	
Net other postemployment benefits obligation	494,115	350,218	468,421	49,604	1,362,358	624,126
Total noncurrent liabilities	56,849,049	11,393,357	606,240	420,921	69,269,567	2,924,402
Total liabilities	65,327,345	13,668,229	1,983,245	514,598	81,493,417	4,859,368
NET ASSETS						
Invested in capital assets, net of related debt	29,620,389	29,216,190	15,902,725	6,367,870	81,107,174	6,938,545
Restricted						
Other special projects and programs	735,565	563,156	284,976	72,793	1,656,490	
Debt service	402,438			53,944	456,382	
Capital projects	13,181,362	1,440,155		25,195	14,646,712	
Unrestricted	38,674,048	45,254,262	4,520,311	(414,449)	88,034,172	14,951,208
Total net assets	\$ 82,613,802	\$ 76,473,763	\$ 20,708,012	\$ 6,105,353	\$ 185,900,930	\$ 21,889,753

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, 2010

	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	\$ 18,031,050	\$ 11,367,852	\$ 10,707,070	\$ 477,321	\$ 40,583,293	\$ 19,357,418
Other revenues	473,986	36,335	43,685	245,760	799,766	360,795
Total operating revenues	18,505,036	11,404,187	10,750,755	723,081	41,383,059	19,718,213
OPERATING EXPENSES:						
Personnel services	3,323,112	2,542,934	3,180,680	318,124	9,364,850	3,945,827
Materials, supplies and other services	3,341,092	3,392,194	4,835,355	252,682	11,821,323	5,240,014
Depreciation	2,015,581	2,056,410	949,727	279,028	5,300,746	2,323,026
Administrative shared expenses	490,544	367,775	377,951	34,326	1,270,596	450,530
Costs applied-labor, materials, supplies and services	1,226,476	960,649	878,364		3,065,489	11,513,868
Total operating expenses	10,396,805	9,319,962	10,222,077	884,160	30,823,004	23,473,265
TOTAL EXPENSES	10,396,805	9,319,962	10,222,077	884,160	30,823,004	23,473,265
OPERATING INCOME (LOSS)	8,108,231	2,084,225	528,678	(161,079)	10,560,055	(3,755,052)
NONOPERATING REVENUES (EXPENSES):						
Interest and investment earnings	631,580	585,993	82,020	1,460	1,301,053	269,062
Interest and related expenses	(1,100,508)	(513,283)		(23,284)	(1,637,075)	
Gain (loss) on sale of equipment						21,479
Total nonoperating revenues (expenses)	(468,928)	72,710	82,020	(21,824)	(336,022)	290,541
INCOME (LOSS) BEFORE TRANSFERS	7,639,303	2,156,935	610,698	(182,903)	10,224,033	(3,464,511)
TRANSFERS						
Transfers in	88,713	80,033	75,415	140,551	384,712	204,871
Transfers out	(15,833)	(1,100,037)	(600,000)	(221)	(1,716,091)	(2,255,518)
Total transfers	72,880	(1,020,004)	(524,585)	140,330	(1,331,379)	(2,050,647)
Change in net assets	7,712,183	1,136,931	86,113	(42,573)	8,892,654	(5,515,158)
NET ASSETS:						
Beginning of year	74,901,619	75,336,832	20,621,899	6,147,926	177,008,276	27,404,911
End of year	\$ 82,613,802	\$ 76,473,763	\$ 20,708,012	\$ 6,105,353	\$ 185,900,930	\$ 21,889,753

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	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	\$ 19,269,177	\$ 11,613,177	\$ 10,929,837	\$ 732,534	\$ 42,544,725	\$ 19,748,962
Cash paid to suppliers	(105,183)	(5,174,267)	(6,062,195)	(286,484)	(11,628,129)	(5,666,229)
Cash paid to employees	(3,139,369)	(2,335,533)	(2,976,474)	(289,789)	(8,741,165)	(3,636,556)
Cash (paid to) received from other governments	45,236	73,499		(113,552)	5,183	(11,343,328)
Net cash provided (used) by operating activities	16,069,861	4,176,876	1,891,168	42,709	22,180,614	(897,151)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Advances from other funds	(2,454)			(30,659)	(33,113)	
Advances to other funds	2,454	(1,169,341)			(1,166,887)	
Notes receivable						126,496
Transfers from other funds	493,688	85,967	75,415	140,551	795,621	204,871
Transfers to other funds	(420,808)	(1,105,971)	(600,000)	(221)	(2,127,000)	(2,255,518)
Net cash provided (used) by noncapital financing activities	72,880	(2,189,345)	(524,585)	109,671	(2,531,379)	(1,924,151)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(26,550,506)	(692,930)	(219,691)	(266,529)	(27,729,656)	(1,477,737)
Payment of long-term debt	(1,229,996)	(421,071)			(1,651,067)	
Proceeds from issuance of long-term debt	13,865,123				13,865,123	
Interest payments	(1,069,702)	(502,457)		(23,284)	(1,595,443)	
Proceeds from disposal of equipment						21,479
Net cash provided (used) by capital and related financing activities	(14,985,081)	(1,616,458)	(219,691)	(289,813)	(17,111,043)	(1,456,258)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment earnings	650,754	606,597	81,533	2,018	1,340,902	275,845
Payments from notes to private parties						
Net cash provided (used) by investing activities	650,754	606,597	81,533	2,018	1,340,902	275,845
Net increase (decrease) in cash and cash equivalents	1,808,414	977,670	1,228,425	(135,415)	3,879,094	(4,001,715)
Cash and cash equivalents at beginning of year	45,198,308	41,944,755	4,721,777	237,881	92,102,721	23,421,015
Cash and cash equivalents at end of year	\$ 47,006,722	\$ 42,922,425	\$ 5,950,202	\$ 102,466	\$ 95,981,815	\$ 19,419,300
Noncash financing activities:						
Borrowing under State revolving fund loan	\$ 21,115,509				\$ 21,115,509	

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Merced
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2010

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Merced Municipal Airport		
RECONCILIATION OF OPERATING						
INCOME (LOSS) TO NET CASH						
PROVIDED (USED) BY OPERATING						
ACTIVITIES:						
Operating income (loss)	\$ 8,108,231	\$ 2,084,225	\$ 528,678	\$ (161,079)	\$ 10,560,055	\$ (3,755,052)
Adjustments to reconcile operating income						
(loss) to net cash provided						
(used) by operating activities:						
Depreciation	2,015,581	2,056,410	949,727	279,028	5,300,746	2,323,026
Receivables	403,485	403,303	38,314	9,523	854,625	20,241
Due from other governments	45,236	73,499		(113,552)	5,183	(11,405)
Prepaid item						105,920
Inventory		(61,067)			(61,067)	51,544
Accounts payable	4,958,308	(392,082)	29,475	10,624	4,606,325	(133,149)
Payroll liabilities	2,457	19,188	17,515	1,149	40,309	11,264
Deposits	38,536	(96,316)	17,284	(70)	(40,566)	
Unearned revenues	322,120	(97,997)	123,484		347,607	
Other liabilities	(5,379)	(500)		(10,100)	(15,979)	1,347
Insurance claims						191,106
Compensated absences	(56,663)	19,560	(38,884)	3,299	(72,688)	(2,552)
Net other postemployment						
benefits obligation	237,949	168,653	225,575	23,887	656,064	300,559
Total adjustments	7,961,630	2,092,651	1,362,490	203,788	11,620,559	2,857,901
Net cash provided (used) by						
operating activities	\$ 16,069,861	\$ 4,176,876	\$ 1,891,168	\$ 42,709	\$ 22,180,614	\$ (897,151)

(Concluded)

This page intentionally left blank.

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Merced
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 200,433	\$ 3,246,290
Restricted cash held by fiscal agent		2,655,165
Accounts receivables	9,345	
Notes receivables	56,236	
Interest receivables	673	3,257
Deposits		186,023
Due from other governments		369,239
Total assets	266,687	\$ 6,459,974
LIABILITIES		
Accounts payable	18,729	
Deferred revenue	56,236	
Deposits		1,985,984
Other liabilities	74	215,714
Due to bondholders		4,258,276
Total liabilities	75,039	\$ 6,459,974
NET ASSETS		
Held in trust for other purposes	191,648	
Total net assets	\$ 191,648	

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, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings	\$ 21,571
Miscellaneous	138,346
Total additions	<u>159,917</u>
DEDUCTIONS:	
General government	400,658
Total deductions	<u>400,658</u>
Net change	(240,741)
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES:	
Beginning of year	432,389
End of year	<u>\$ 191,648</u>

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

City of Merced
Notes to Basic Financial Statements
For the year ended June 30, 2010

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, 2010

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 type. 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 Changes 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.

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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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 properties assessed value 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 is used to account for 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, Inspection Services and Code Enforcement.

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 account for the collection of 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.

The Streets & Signals Capital Projects Fund is used to account for projects which are funded by State and Federal sources and Public Facilities Impact fees. These funds are accounted for in Special Revenue Funds and then transferred to the Street and Signals CIP fund when the project expenditures have been incurred.

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 used to account for treatment of industrial and domestic wastewater. The fund collects 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 due to growth. The Wastewater System Fund consists of the Wastewater Operation Fund, Wastewater Improvement Fund, Wastewater Revolving Fund and University Capital Charge Wastewater Fund.

The Water System Fund is used to account for operation and maintenance of a water system consisting of well sites, deep well pumps, fluoridation facilities, a distribution pipeline and elevated storage tanks. The Water System Fund consists of the Water Operation Fund, Restricted Water Wells Fund, Restricted Water Mains Fund and University Capital Charge Water Fund.

The Refuse Collection System Fund is used to account for collection and disposal of municipal solid waste from 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 Refuse Collection Fund consists of the Refuse Collection Fund and Refuse Capital Equipment Fund.

The Merced Municipal Airport Fund is used to account for operation and maintenance of 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. Included in the agency funds are deposits from external organizations, the handling of assessment district activity and special purpose accounts for City community groups.

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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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.

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 the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010

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	\$	5,000
Infrastructure capital assets		5,000

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

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, 2010

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 was 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 Fund 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.

M. Long-Term Liabilities

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements 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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

O. Use of Estimates

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

2. CASH AND INVESTMENTS

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

A. Cash Deposits

At June 30, 2010, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a balance of \$349,034 and petty cash of \$3,003. Bank balances in the City's general checking accounts were \$1,427,618 and were fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS

A. Cash Deposits, Continued

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair 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 waived collateral requirements for cash deposits, because it is fully insured up to \$250,000 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, 2010:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 78,531,698	\$ 95,217,679	\$ 173,749,377	\$ 3,446,723	\$ 177,196,100
Restricted Cash held by fiscal agent	\$ 3,396,762	\$ 764,136	\$ 4,160,898	\$ 2,655,165	\$ 6,816,063

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. In accordance with the City's investment policy, exposure to interest rate risk is mitigated by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

Pooled cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2010 are shown below:

Investment Type	Fair Value	Investment Maturities (in years) 3 years or less
Cash:		
Cash Deposits	\$ 349,034	\$ 349,034
Petty Cash	3,003	3,003
Total cash:	352,037	352,037
Investments:		
Money Market Fund	2,849,028	2,849,028
Public Investment Money Market Fund	50,009,429	50,009,429
U.S. Government Agency Securities	100,327,900	100,327,900
Local Agency Investment Fund (LAIF)	23,657,706	23,657,706
Total investments	176,844,063	176,844,063
Total cash and investments	\$ 177,196,100	\$ 177,196,100
Restricted Cash with Fiscal Agents:		
Local Agency Investment Fund	\$ 3,279,162	\$ 3,279,162
Money Market Funds	1,465,900	1,465,900
U.S. Government Agency Securities	2,071,001	2,071,001
Total restricted cash with fiscal agents	\$ 6,816,063	\$ 6,816,063

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, 2010 rating which meets the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements:

	Credit Quality Ratings
Investments:	
Money Market Fund	AAA
Public Investment Money Market Fund	A-1+
U.S. Government Agency Securities	AAA
Local Agency Investment Fund	Not rated
Fiscal Agents:	
Local Agency Investment Fund	Not rated
Money Market Funds	AAA
U.S. Government Agency Securities	AAA

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010 from June 30, 2009 amounted to an unrealized gain of \$223,960.

F. Investments in Local Agency Investment Fund

The City's investments with LAIF at June 30, 2010, 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, 2010, the City had \$23,657,706 invested in LAIF, which had invested 5.42% of the pooled investment funds in Structured Notes and Asset-Backed Securities as compared to 14.71% in the previous year. The LAIF fair value factor of 1.001643776 was used to calculate the fair value of the investments in LAIF.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

G. Cash and Investments with Fiscal Agents

Funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated "A" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2010, cash and investments with fiscal agents totaling \$6,816,063 were recorded at fair value.

3. RECEIVABLES

A. Government Wide Financial Statements

At June 30, 2010, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 1,421,605	\$ 3,326,392	\$ 4,747,997
Interest receivable	1,253,086	231,288	1,484,374
Total	\$ 2,674,691	\$ 3,557,680	\$ 6,232,371

B. Fund Financial Statements

At June 30, 2010, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Accounts receivable	\$ 1,397,972	\$ 3,326,392	\$ 23,633	\$ 4,747,997
Interest receivable	1,200,872	231,288	52,214	1,484,374
Total	\$ 2,598,844	\$ 3,557,680	\$ 75,847	\$ 6,232,371

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2010, was as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 492,831
Redevelopment Agency Special Revenue Fund	818
Development Services Special Revenue Fund	3,500
Public Facilities Impact Special Revenue Fund	458,777
Park Reserve Capital Project Fund	18,270
Non-major Funds	<u>423,776</u>
Total governmental funds	<u>1,397,972</u>
<i>Enterprise Funds:</i>	
Wastewater System	1,489,177
Water System	1,000,677
Refuse Collection System	823,725
Merced Municipal Airport	<u>12,813</u>
Total enterprise funds	<u>3,326,392</u>
<i>Internal Service Funds</i>	<u>23,633</u>
Total Accounts Receivable	<u><u>\$ 4,747,997</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Interest Receivable

Interest receivable consisted of interest income from notes and investments pooled by the City as well as interest income to be received by fiscal agents from investments in their possession. Interest income is allocated to the funds at the end of the accounting period. The interest receivable as of June 30, 2010, was as follows:

	<u>City Pooled Investments</u>	<u>Fiscal Agent Investments</u>	<u>Total</u>
<i>Governmental Funds:</i>			
General Fund	\$ 33,677	\$	\$ 33,677
Redevelopment Agency Special Revenue Fund	111,961		111,961
Housing Special Revenue Fund	237,475		237,475
Development Services Special Revenue Fund	196		196
Public Facilities Impact Special Revenue Fund	38,213		38,213
Redevelopment Agency Debt Service Fund	724,041		724,041
Park Reserve Capital Projects Fund	4,922		4,922
Streets & Signals Capital Projects Fund	4,036		4,036
Redevelopment Agency Capital Projects Fund	6,718	16,035	22,753
Non-major Governmental Funds	23,598		23,598
Total governmental funds	<u>1,184,837</u>	<u>16,035</u>	<u>1,200,872</u>
<i>Enterprise Funds:</i>			
Wastewater System	112,814		112,814
Water System	103,710		103,710
Refuse Collection System	14,605		14,605
Airport	159		159
Total enterprise funds	<u>231,288</u>		<u>231,288</u>
<i>Internal Service Funds:</i>	52,214		52,214
Total interest receivable	<u><u>\$ 1,468,339</u></u>	<u><u>\$ 16,035</u></u>	<u><u>\$ 1,484,374</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 151,877	\$	\$ 151,877
Service charges received in advance		2,975,108	2,975,108
	<u>\$ 151,877</u>	<u>\$ 2,975,108</u>	<u>\$ 3,126,985</u>

B. Fund Financial Statements

At June 30, 2010, 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		Redevelopment		Total
		Agency Revenue	Housing Revenue	Agency Debt Service	Non-major Funds	
Prepaid business license fees	\$ 142,628	\$	\$	\$	\$ 9,249	\$ 151,877
Long-term loans receivable		3,444,506	17,431,784	4,712,695	281,734	25,870,719
Total	<u>\$ 142,628</u>	<u>\$ 3,444,506</u>	<u>\$ 17,431,784</u>	<u>\$ 4,712,695</u>	<u>\$ 290,983</u>	<u>\$ 26,022,596</u>

Proprietary Funds:

	Wastewater System	Water System	Refuse	Total
			Collection System	
Service charges received in advance	\$ 1,197,303	\$ 948,163	\$ 829,642	\$ 2,975,108
Total	<u>\$ 1,197,303</u>	<u>\$ 948,163</u>	<u>\$ 829,642</u>	<u>\$ 2,975,108</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To, Due From

At June 30, 2010, the City had the following short-term interfund receivables and payables:

Due To	Due From			Total
	Governmental Activities			
	Redevelopment			
	General	Agency Special Revenue	Non-Major Funds	
<i>Governmental Activities:</i>				
Redevelopment Agency Debt Service	\$	\$ 142,141	\$	\$ 142,141
Housing -Special Revenue Fund	29,888			29,888
Non-Major Funds	40,939		44,762	85,701
Totals	\$ 70,827	\$ 142,141	\$ 44,762	\$ 257,730

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, 2010, the City had the following interfund long-term advances:

Advances from Other Funds	Advances to Other Funds		
	Governmental Activities	Business-Type Activities	Total
	General	Water System	
	<i>Governmental Activities:</i>		
Redevelopment Agency Debt Service	\$	\$ 1,200,000	\$ 1,200,000
Non-Major funds	1,710,992		1,710,992
<i>Business-type Activities:</i>			
Merced Municipal Airport		358,206	358,206
Total	\$ 1,710,992	\$ 1,558,206	\$ 3,269,198

Advance to the Community Facility Districts Fund (a non-major fund) represents an advance from the General Fund. Interest rate is equal to the rate earned on the City's investment portfolio from the date of disbursements. Advance is to be repaid from funds received by annual special tax apportioned among the parcels within the district. Advance balance as of June 30, 2010 is \$1,710,992.

Advance to the Redevelopment Agency Debt Service Fund represents an advance from the Restricted Water Well for \$1,200,000. Advance to be repaid with interest of 2.14% on or before June 30, 2012.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS, Continued

A. Fund Financial Statements, Continued

Long-Term Advances, Continued

Advance to the Merced Municipal Airport Fund represents an advance from the Restricted Water Mains Enterprise Fund of \$400,000 per City Council action November 17, 2008. The advance is to increase funding to purchase general aviation hangars. Advance to be repaid back over ten years at a rate of 6.210% with monthly payments of \$4,495. Advance balance as of June 30, 2010 is \$358,206.

Transfers

At June 30, 2010, the City had the following transfers:

Transfers Out	Governmental Activities									
	Transfers In									
	General	Redevelopment Agency Special Revenue	Housing Special Revenue	Development Services Special Revenue	Redevelopment Agency Debt Service	Streets & Signals Capital Projects	Park Reserve Capital Projects	Redevelopment Agency Capital Projects	Nonmajor Funds	Total Government
<i>Governmental Activities:</i>										
General	\$	\$		\$ 566,783	\$	\$	\$	\$ 1,390,564	\$	1,957,347
RDA Special Revenue								3,473		1,571,124
Housing Special Revenue	208,500			374,090	313,430	3,030,441		1,567,651	19,217	12,182,278
Development Services	56,693									56,693
Public Facilities	1,126,317					1,366,578	1,318			2,494,213
RDA Debt Service		1,683,713						1,354,002		3,037,715
Streets & Signals Capital								110,000	42,608	152,608
RDA Capital Projects				15,000		48,672,240				48,822,240
Non-major Funds	375,665			25,538		434,388	7,416		2,893,248	3,736,255
<i>Business-type Activities:</i>										
Merced Municipal Airport Refuse	221								600,000	221
Water System						1,100,000			37	1,100,037
<i>Internal Service Funds</i>	1,190,839	11,175	7,933	359,351					233,509	18,228,807
Total	\$ 2,958,235	\$ 1,694,888	\$ 7,933	\$ 1,340,762	\$ 313,430	\$ 8,071,247	\$ 8,734	\$ 3,031,653	\$ 52,02,656	\$ 22,629,538

Transfers Out	Business Activities							
	Transfers In							
	Merced Municipal Airport	Refuse Collection System	Wastewater System	Water System	Total Business Activities Funds	Internal Services Revenue	Total Government	Total All Funds
<i>Governmental Activities:</i>								
General	\$ 72,945	\$	\$	\$	\$ 72,945	\$	\$ 1,957,347	\$ 2,030,292
RDA Special Revenue							1,571,124	1,571,124
Housing Special Revenue							1,218,278	1,218,278
Development Services							56,693	56,693
Public Facilities							2,494,213	2,494,213
RDA Debt Service							3,037,715	3,037,715
Streets & Signals Capital							152,608	152,608
RDA Capital Projects							4,882,240	4,882,240
Nonmajor Funds	58,094				58,094	10,000	3,736,255	3,804,349
<i>Business-type Activities:</i>								
Water System							1,100,037	1,100,037
Wastewater System				15,833	15,833			15,833
Merced Municipal Airport Refuse							221	221
<i>Internal Service Funds</i>	9,512	75,415	88,713	64,200	237,840	194,871	1,822,807	2,255,518
Total	\$ 140,551	\$ 75,415	\$ 88,713	\$ 80,033	\$ 384,712	\$ 204,871	\$ 22,629,538	\$ 23,219,121

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS, Continued

A. Fund Financial Statements, Continued

Transfers, Continued

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

- I. Transfers from the General Fund to the Development Services Special Revenue Fund were for development services operations.
- II. Transfers from the Housing Special Revenue Fund to the General Fund were for police officers and community aides.
- III. Transfers from the Housing Special Revenue Fund to the Development Services Special Revenue Fund were for planning and urban development services provided to the Housing Special Revenue Fund and to subsidize Code Enforcement operations.
- IV. Transfers from the Housing Special Revenue Fund to the Redevelopment Agency Debt Service Fund were for HUD 108 loan debt service.
- V. Transfers from the Housing Special Revenue Fund to the Streets and Signals Capital Projects Fund were for capital outlay projects.
- VI. Transfers from the Development Services Special Revenue Fund to the General Fund were for LAFCO Operations.
- VII. Transfers from the Public Facilities Impact Special Revenue Fund to the General Fund were for the new police station.
- VIII. Transfers from the Public Facilities Impact Special Revenue Fund to the Streets and Signals Capital Projects Fund were for capital outlay projects.
- IX. Transfers from the Public Facilities Impact Special Revenue Fund to the Park Reserve Capital Projects Fund were for capital outlay projects.
- X. Transfers from the Redevelopment Agency Special Revenue Fund to the Redevelopment Agency Capital Projects Fund were for capital outlay projects.
- XI. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Special Revenue Funds were for the required 20% set aside and reimbursement for administration expenses.
- XII. Transfers from the Redevelopment Agency Debt Service Funds to the Redevelopment Agency Capital Projects Funds were for capital outlay projects.
- XIII. Transfers from the Streets and Signals Capital Projects Funds to Redevelopment Agency Capital Projects were for capital outlay projects.
- XIV. Transfers from the Redevelopment Agency Capital Projects Funds to the Development Services Special Revenue Fund were for the Graffiti Abatement and Neighborhood Watch programs.
- XV. Transfers from the Redevelopment Agency Capital Projects Funds to the Streets and Signals Capital Projects Fund were for capital outlay projects.
- XVI. Transfers from the Merced Municipal Airport Fund to the General Fund were to reimburse the General Fund for interest earned on previous cash transfers from the General Fund.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. LAND HELD FOR RESALE

At June 30, 2010, the City's land held for resale consisted of the following:

	<u>RDA</u>	<u>City</u>	<u>Total</u>
Southern Pacific Land	\$ 413,172	\$	\$ 413,172
150 W. 19th Street	73,600		73,600
376 S. West Avenue	96,068		96,068
2321 G Street	180,447		180,447
1744 I Street	181,044		181,044
1815 I Street	85,260		85,260
1823 I Street	19,050		19,050
205 W. 18th Street	85,370		85,370
33 Parsons Ave	191,704		191,704
406 Childs Ave	468,694		468,694
2824 N. Hwy 59	95,897		95,897
2872 N. Hwy 59	286,455		286,455
2922 N. Hwy 59	241,366		241,366
2940 N. Hwy 59	276,494		276,494
2960 N. Hwy 59	135,983		135,983
2906 N. Hwy 59	241,302		241,302
73 S. R Street	201,293		201,293
2858 N. Hwy 59	95,640		95,640
2808 & 2810 N. Hwy 59	121,065		121,065
2490 & 2498 G Street	131,132		131,132
1011 W. 14th Street	53,092		53,092
843 & 849 W. 14th Street	90,539		90,539
2800 N. Hwy 59	40,453		40,453
211 W. 18th Street	241,379		241,379
112 Canal Street	90,366		90,366
15 W. 23rd Street	131,291		131,291
823 W. 14th Street	45,596		45,596
49 & 51 W. 18th Street	35,624		35,624
210 Olivia Ct.		96,547	96,547
Airport Industrial Park		286,838	286,838
518 N Street		79,442	79,442
1778 Merced Ave		46,455	46,455
127 W. 23rd Street		71,255	71,255
946 W. 23rd Street		60,338	60,338
2668 N. Hwy 59		36,833	36,833
3239 Cheyenne Drive		66,484	66,484
306 Las Brisas		86,632	86,632
26 San Clemente		83,868	83,868
1844 Ashley Ct.		90,913	90,913
1403 W. 11th St.		41,493	41,493
1798 Glen Ave		40,666	40,666
1319 W. 19th Street		52,666	52,666
Total governmental funds	<u>\$ 4,349,376</u>	<u>\$ 1,140,430</u>	<u>\$ 5,489,806</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2010, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 69,025,623	\$ 258,681	\$ 69,284,304
Construction in process	37,966,773	48,610,547	86,577,320
Total non-depreciable assets	<u>106,992,396</u>	<u>48,869,228</u>	<u>155,861,624</u>
<i>Depreciable Assets:</i>			
Buildings and structures	20,848,739	2,705,525	23,554,264
Machinery and equipment	37,822,363	3,950,996	41,773,359
Improvements other than buildings, structures, and land improvements	81,680,916	91,712,501	173,393,417
Infrastructure	375,065,051	35,963,639	411,028,690
<i>Total depreciable Assets:</i>	<u>515,417,069</u>	<u>134,332,661</u>	<u>649,749,730</u>
Less accumulated depreciation	<u>(267,753,591)</u>	<u>(46,467,634)</u>	<u>(314,221,225)</u>
Total depreciable assets, net	<u>247,663,478</u>	<u>87,865,027</u>	<u>335,528,505</u>
Total Capital Assets	<u><u>\$ 354,655,874</u></u>	<u><u>\$ 136,734,255</u></u>	<u><u>\$ 491,390,129</u></u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2009	Additions	Deletions	Reclassification	Balance June 30, 2010
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 68,337,337	\$ 688,286	\$	\$	\$ 69,025,623
Construction in progress	38,387,789	13,755,680	(182,679)	(13,994,017)	37,966,773
Total non-depreciable assets	<u>106,725,126</u>	<u>14,443,966</u>	<u>(182,679)</u>	<u>(13,994,017)</u>	<u>106,992,396</u>
<i>Depreciable Assets:</i>					
Buildings and structures	9,632,640			11,216,099	20,848,739
Machinery and equipment	36,542,387	1,568,497	(288,521)		37,822,363
Improvements other than buildings, structures, and land improvements	79,092,738	221,007	(84,000)	2,451,171	81,680,916
Infrastructure	371,314,610	3,423,694		326,747	375,065,051
Total depreciable assets	<u>496,582,375</u>	<u>5,213,198</u>	<u>(372,521)</u>	<u>13,994,017</u>	<u>515,417,069</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(5,381,387)	(504,312)			(5,885,699)
Machinery and equipment	(28,501,873)	(2,842,676)	260,045		(31,084,504)
Improvements other buildings, than buildings, structures, and land improvements	(39,567,037)	(3,879,351)			(43,446,388)
Infrastructure	(177,921,885)	(9,415,115)			(187,337,000)
Total accumulated depreciation	<u>(251,372,182)</u>	<u>(16,641,454)</u>	<u>260,045</u>		<u>(267,753,591)</u>
Total depreciable assets, net	<u>245,210,193</u>	<u>(11,428,256)</u>	<u>(112,476)</u>	<u>13,994,017</u>	<u>247,663,478</u>
Total governmental activities, net	<u>\$ 351,935,319</u>	<u>\$ 3,015,710</u>	<u>\$ (295,155)</u>	<u>\$</u>	<u>\$ 354,655,874</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2010 was as follows:

General Government	\$ 3,141,547
Public Safety	817,629
Public Works	11,831,137
Parks	851,141
Total depreciation expense	<u>\$ 16,641,454</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2009	Additions	Deletions	Reclassification	Balance June 30, 2010
<i>Non-depreciable Assets:</i>					
Land and improvements	\$ 258,681	\$	\$	\$	\$ 258,681
Construction in progress	25,178,935	27,055,926		(3,624,314)	48,610,547
Total non-depreciable assets	<u>25,437,616</u>	<u>27,055,926</u>		<u>(3,624,314)</u>	<u>48,869,228</u>
<i>Depreciable Assets:</i>					
Buildings and structures	2,511,934	23,398		170,198	2,705,525
Machinery and equipment	3,878,228	81,381	(8,613)		3,950,996
Improvements other than buildings, structures, and land improvements	88,111,673	146,712		3,454,116	91,712,501
Infrastructure	35,541,395	422,244			35,963,639
Total depreciable assets	<u>130,043,230</u>	<u>673,730</u>	<u>(8,613)</u>	<u>3,624,314</u>	<u>134,332,661</u>
<i>Accumulated depreciation:</i>					
Buildings and structures	(2,398,999)	(21,031)			(2,420,030)
Machinery and equipment	(3,018,903)	(346,328)	7,145		(3,358,086)
Improvements other than buildings, structures, and land improvements	(30,861,977)	(3,889,730)			(34,751,707)
Infrastructure	(4,894,154)	(1,043,657)			(5,937,811)
Total accumulated depreciation	<u>(41,174,033)</u>	<u>(5,300,746)</u>	<u>7,145</u>		<u>(46,467,634)</u>
Total depreciable assets, net	<u>88,869,197</u>	<u>(4,627,016)</u>	<u>(1,468)</u>	<u>3,624,314</u>	<u>87,865,027</u>
Total business-type activities	<u>\$ 114,306,813</u>	<u>22,428,910</u>	<u>\$ (1,468)</u>	<u>\$</u>	<u>\$ 136,734,255</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2010 was as follows:

Wastewater System Fund	\$ 2,015,581
Water System Fund	2,056,410
Refuse Collection System	949,727
Merced Municipal Airport	279,028
Total depreciation expense	<u>\$ 5,300,746</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, the City had the following deferred charges:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
CSCDA Wastewater Revenue Bond	\$ 285,452	\$	\$ (31,438)	\$ 254,014
CSCDA Water Revenue Bonds	132,483		(14,585)	117,898
Improvement Bonds Payable	28,671		(12,237)	16,434
Total	\$ 446,606	\$	\$ (58,260)	\$ 388,346

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, 2010 was \$58,260.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. OTHER LIABILITIES

Other liabilities consist of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2010, were as follows:

A. Government-Wide Financial Statements

	Governmental Funds	Business-Type Funds	Total
Developers credits	\$ 5,533,987	\$ 121,669	\$ 5,655,656
Deposits		11,348	11,348
Miscellaneous liabilities	54,456	20,176	74,632
Total	\$ 5,588,443	\$ 153,193	\$ 5,741,636

B. Fund Financial Statements

	Developers Credits	Deposits	Miscellaneous Liabilities	Total Other Liabilities
<i>Governmental Funds</i>				
General Fund	\$	\$	\$ 35,101	\$ 35,101
Housing Special Revenue Fund			3,038	3,038
Public Facilities Impact Special Revenue	2,185,178			2,185,178
Park Reserve Capital Projects Fund	3,348,809			3,348,809
Total governmental funds	5,533,987		38,139	5,572,126
<i>Business Type Funds</i>				
Wastewater System	121,669		386	122,055
Water System		11,348		11,348
Merced Municipal Airport			19,790	19,790
Total business type funds	121,669	11,348	20,176	153,193
<i>Internal Services Funds</i>				
			16,317	16,317
Total	\$ 5,655,656	\$ 11,348	\$ 74,632	\$ 5,741,636

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT

A. Government-Wide Financial Statements

Governmental Activities

Following is a summary of governmental activity long-term debt transactions during the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Tax Allocation Bonds	\$ 36,042,825	\$	\$ (1,715,000)	\$ 34,327,825	\$ 1,955,000	\$ 32,372,825
Pension Obligation Bonds	7,000,000		(140,000)	6,860,000	170,000	6,690,000
Loans Payable	3,284,893		(217,622)	3,067,271	217,271	2,850,000
Loan Guarantees	825,415		(135,273)	690,142	135,273	554,869
Total	\$ 47,153,133	\$	\$ (2,207,895)	\$ 44,945,238	\$ 2,477,544	\$ 42,467,694

Tax Allocation Bonds Payable

Tax allocation bonds payable at June 30, 2010 consisted of the following:

1999 \$25,000,000 Tax Allocation Bonds, Series A	\$ 10,645,000
2001 \$2,400,000 Tax Allocation Bonds, Series A	2,100,000
2003 \$9,007,825 Tax Allocation Bonds, Series A	8,462,825
2009 \$13,120,000 Tax Allocation Bonds, Series A	13,120,000
Total	\$ 34,327,825

For the year ended June 30, 2010, the combined principal and interest on the Tax Allocation Bonds used 36% 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 fiscal year 2016. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issued 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 69% of tax revenues in 2009-10. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$12,175,858 and \$17,919,001, respectively. For the current year, total principal and interest paid was \$2,214,098 and property tax increment revenue was \$6,116,464. The tax allocation bonds used 36% of current year's tax revenue.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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
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	1,805,000	221,838	2,026,838
2015	1,890,000	137,519	2,027,519
2016	1,975,000	46,906	2,021,906
Total	\$ 10,645,000	\$ 1,530,858	\$ 12,175,858

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

2001 \$2,400,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$40,000 to \$165,000 of principal payable annually, interest at 5.00% to 5.60%, payable semi-annually, matures fiscal year 2032. The tax allocation bonds are secured by property tax increments. The 2009 RDA Gateways Tax Allocation Bonds were issued as a parity debt to the 2001 RDA Gateways Tax Allocation Bonds. Annual principal and interest payments on the 2001 Gateways Tax Allocation Bonds were expected to use 47% of tax revenues in 2009-10. The total principal and interest remaining to be paid on the 2001 and 2009 Gateways bonds is \$3,694,079 and \$29,665,160, respectively. For the current year, principal and interest paid was \$766,808 and property tax increment revenue was \$2,071,281. The tax allocation bonds used 37% 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
2011	\$ 50,000	\$ 116,848	\$ 166,848
2012	50,000	114,347	164,347
2013	55,000	111,695	166,695
2014	55,000	108,863	163,863
2015	60,000	105,842	165,842
2016-2020	370,000	472,493	842,493
2021-2025	480,000	353,282	833,282
2026-2030	655,000	191,878	846,878
2031-2032	325,000	18,831	343,831
Total	\$ 2,100,000	\$ 1,594,079	\$ 3,694,079

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 \$1,485,000 Current Interest Bonds and \$7,522,825 Capital Appreciation Bonds, \$130,000 to \$1,156,807 of principal payable annually, interest payable semi-annually, matures fiscal year 2024. The tax allocation bonds are secured by property tax increments. The 2003 RDA Project Area 2 Tax Allocation Bonds were issued 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 69% of tax revenues in 2009-10. The total principal and interest remaining to be paid on the 1999 and 2003 RDA Project Area 2 bonds is \$12,175,858 and \$17,919,001, respectively. For the current year, total principal and interest paid was \$2,214,098 and property tax increment revenue was \$6,116,464. The tax allocation bonds used 36% 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
2011	\$ 145,000	\$ 28,830	\$	\$	\$
2012	150,000	24,384			
2013	155,000	19,521			
2014	160,000	14,302			
2015	160,000	8,882			
2016-2020	170,000	3,082	4,238,800	4,201,200	8,440,000
2021-2024			3,284,025	5,155,975	8,440,000
Total	\$ 940,000	\$ 99,001	\$ 7,522,825	\$ 9,357,175	\$ 16,880,000

2009 \$13,120,000 Tax Allocation Bonds, Series A

2009 \$13,120,000 Tax Allocation Bonds, Series A, Redevelopment Agency, \$170,000 to \$1,050,000 of principal payable annually, interest at 3.00% to 6.50%, payable semi-annually, matures fiscal year 2040. The tax allocation bonds are secured by property tax increments. The 2009 RDA Gateways Tax Allocation Bonds were issued as a parity debt to the 2001 RDA Gateways Tax Allocation Bonds. Annual principal and interest payments on the 2001 Gateways Tax Allocation Bonds were expected to use 47% of tax revenues in 2009-10. The total principal and interest remaining to be paid on the 2001 and 2009 Gateways bonds is \$3,694,079 and 29,665,160, respectively. For the current year, principal and interest paid was \$766,808 and property tax increment revenue was \$2,071,281. The tax allocation bonds used 37% of current year's tax revenue.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Tax Allocation Bonds Payable, Continued

2009 \$13,120,000 Tax Allocation Bonds, Series A, Continued

The annual debt service requirements for the 2010 \$13,120,000 Tax Allocation Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011	\$ 170,000	\$ 792,069	\$ 962,069
2012	175,000	786,456	961,456
2013	180,000	780,019	960,019
2014	185,000	772,944	957,944
2015	200,000	764,869	964,869
2016-2020	1,140,000	3,665,969	4,805,969
2021-2025	1,450,000	3,319,566	4,769,566
2026-2030	1,915,000	2,817,406	4,732,406
2031-2035	3,090,000	2,056,600	5,146,600
2036-2040	4,615,000	789,262	5,404,262
Total	\$ 13,120,000	\$ 16,545,160	\$ 29,665,160

Pension Obligation Bonds

California Statewide Communities Development Authority Taxable Pension Obligation Bonds

On June 29, 2004, the California Statewide Communities Development Authority (CSCDA) issued bonds pursuant to the terms of a Trust Agreement dated June 29, 2004, by and between the CSCDA and Wells Fargo Bank (Trustee) as trustee for the purpose of purchasing taxable pension obligation bonds of participating counties and cities (Local Agencies). The obligations of each Local Agency are imposed by law. The total amount of the bonds issued was \$197,084,195. The City's obligation amounted to \$7,355,000.

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

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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

For the Years Ending June 30,	Principal	Interest	Total
2011	\$ 170,000	\$ 396,315	\$ 566,315
2012	205,000	387,781	592,781
2013	245,000	377,162	622,162
2014	285,000	364,104	649,104
2015	325,000	348,691	673,691
2016-2020	2,430,000	1,406,514	3,836,514
2021-2024	3,200,000	495,854	3,695,854
Total	\$ 6,860,000	\$ 3,776,421	\$ 10,636,421

Loans Payable

Loans payable at June 30, 2010 consisted of the following:

2003 \$4,000,000 Loans Payable	\$ 2,800,000
2003 \$129,109 Real Estate Loan Payable	17,271
2008 \$250,000 Property Acquisition Loan Payable	250,000
Total	\$ 3,067,271

2003 \$4,000,000 Loans Payable

2003 \$4,000,000 Loans Payable 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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable, Continued

2003 \$4,000,000 Loans Payable, Continued

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
2011	\$ 200,000	\$ 139,550	\$ 339,550
2012	200,000	130,960	330,960
2013	200,000	121,860	321,860
2014	200,000	112,370	312,370
2015	200,000	102,610	302,610
2016-2020	1,000,000	358,390	1,358,390
2021-2024	800,000	90,330	890,330
Total	\$ 2,800,000	\$ 1,056,070	\$ 3,856,070

2003 \$129,109 Real Estate Purchase Agreement

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

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

For the Years Ending June 30,	Principal	Interest	Total
2011	\$ 17,271	\$ 610	\$ 17,881
Total	\$ 17,271	\$ 610	\$ 17,881

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 park land in Fahrens Park. Payments are \$15,000 interest only for 4 years. A balloon payment of \$250,000 principal and \$15,000 interest will be paid in 2013. 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
2011	\$	\$ 15,000	\$ 15,000
2012		15,000	15,000
2013	250,000	15,000	265,000
Total	\$ 250,000	\$ 45,000	\$ 295,000

Loan Guarantee

Loans guarantees at June 30, 2010, consisted of the following:

2001 Debt Service Agreement	\$ 242,992
2005 Debt Service Agreement	447,150
Total	\$ 690,142

2001 \$789,724 Debt Service Funding Agreement

2001 \$789,724 Debt Service Funding Agreement is with a developer. The developer agrees to make 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 Redevelopment 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, 2010 was \$242,992. 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, 2010

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 2001 \$789,724 Debt Service Funding Agreement are as follows:

	<u>For the Years</u> <u>Ending June 30,</u>		
2011		\$	60,748
2012			60,748
2013			60,748
2014			60,748
Total		\$	242,992

2005 \$894,300 Debt Service Funding Agreement

2005 \$894,300 Debt Service Funding Agreement is with a developer for the purchase of property in a Redevelopment project area. Developer agrees to make the monthly payments to the Agency for the repayment of its loan with a financial lender. The Agency guarantees the monthly payments to the lender. Monthly payments are \$6,210 for 144 months. The loan does not bear interest and matures in year 2016. The balance outstanding at June 30, 2010 was \$447,150. An amount of \$453,360 has been recorded as a loan guarantee receivable from the developer. The variance of \$6,210 between the loan guarantee receivable and the loan payable is due to timing of the monthly payment.

The annual debt service requirements for the 2005 \$894,300 Debt Service Funding Agreement are as follows:

	<u>For the Years</u> <u>Ending June 30,</u>		
2011		\$	74,525
2012			74,525
2013			74,525
2014			74,525
2015			74,525
2016			74,525
Total		\$	447,150

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010:

	Balance June 30, 2009	Additions	Retirements	Bond Amortization	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 26,076,224	\$	\$ (1,105,000)	\$ (39,779)	\$ 24,931,445	\$ 1,183,330	\$ 23,748,115
Loans payable	7,927,209	34,980,632	(125,000)		42,782,841	150,000	42,632,841
Water well development agreement	90,534		(21,288)		69,246	22,161	47,085
Improvement bonds payable	1,300,000		(360,000)		940,000	295,000	645,000
Total	\$ 35,393,967	\$ 34,980,632	\$ (1,611,288)	\$ (39,779)	\$ 68,723,532	\$ 1,650,491	\$ 67,073,041

Revenue Bonds Payable

Revenue bonds payable at June 30, 2010, consisted of the following:

CSCDA Water Revenue Bonds Payable	\$ 7,334,608
CSCDA Wastewater Revenue Bonds Payable	17,596,837
Total	\$ 24,931,445

CSCDA Water and Wastewater Revenue Bonds Series 2005A

On June 2, 2004, 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.

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

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 total principal and interest remaining to be paid on the CSCDA Water Revenue Bonds is \$10,604,735. For the current year, principal and interest paid was \$712,517 and water system net revenues were \$4,616,187, all of which are pledged. For the year ended June 30, 2010 principal and interest on the Water bonds used 15% of the system net revenues.

The total principal and interest remaining to be paid on the CSCDA Wastewater Revenue Bonds is \$25,438,381. For the current year, principal and interest paid was \$1,709,628 and water system net revenues were \$11,008,706, all of which are pledged. For the year ended June 30, 2010, principal and interest on the Wastewater Revenue bonds used 16% 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
2011	\$ 335,000	\$ 374,542	\$ 709,542
2012	350,000	358,540	708,540
2013	370,000	339,953	709,953
2014	385,000	320,470	705,470
2015	405,000	300,079	705,079
2016-2020	2,355,000	1,150,925	3,505,925
2021-2025	3,040,000	425,618	3,465,618
	7,240,000	3,270,127	10,510,127
Add unamortized premium	94,608		94,608
Total	\$ 7,334,608	\$ 3,270,127	\$ 10,604,735

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

For the Years Ending June 30,	Principal	Interest	Total
2011	\$ 810,000	\$ 898,362	\$ 1,708,362
2012	845,000	859,701	1,704,701
2013	880,000	815,183	1,695,183
2014	925,000	768,596	1,693,596
2015	975,000	719,553	1,694,553
2016-2020	5,645,000	2,759,043	8,404,043
2021-2025	7,290,000	1,021,106	8,311,106
	17,370,000	7,841,544	25,211,544
Add unamortized premium	226,837		226,837
Total	\$ 17,596,837	\$ 7,841,544	\$ 25,438,381

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loans Payable

Loans payable at June 30, 2010 consisted of the following:

California Infrastructure Bank and Economic Development Bank (CIEDB)		
Enterprise Fund Installment Sales Agreement		\$ 7,802,209
California State Water Resources Control Board		
Clean Water State Revolving Fund		<u>34,980,632</u>
	<i>Total</i>	42,782,841
Water Well Development Agreement		69,246
Improvement Bond Payable		<u>940,000</u>
Total		<u>\$ 43,792,087</u>

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. The promissory note is not to exceed \$9 million and bears interest of 3.17%.

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

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

For the Years Ending June 30,	Principal	Interest	Total
2011	\$ 150,000	\$ 244,953	\$ 394,953
2012	150,000	240,198	390,198
2013	175,000	235,046	410,046
2014	175,000	229,499	404,499
2015	200,000	223,555	423,555
2016-2020	1,175,000	1,014,354	2,189,354
2021-2025	1,650,000	788,888	2,438,888
2026-2030	2,150,000	487,738	2,637,738
2031-2034	<u>1,977,209</u>	<u>128,233</u>	<u>2,105,442</u>
Total	<u>\$ 7,802,209</u>	<u>\$ 3,592,464</u>	<u>\$ 11,394,673</u>

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Loan Payable, Continued

California State Water Resources Control Board Clean Water State Revolving Fund Loan

On October 1, 2008, the City entered into an agreement with California State Water Resources Control Board for a Wastewater Treatment Plant Expansion Project funded by Clean Water State Revolving Fund (CWSRF) loan. The project consists of upgrading and expanding existing facilities. The loan amount is \$34,980,632 with an interest rate of 1.0% per annum. There is principal forgiveness of \$2,000,000 contingent on the City's completion of construction by September 30, 2011, project completion by December 31, 2011, and completion of all American Recovery and Reinvestment Act (ARRA) requirements.

Principal and interest payments are due on September 30 of each year beginning September 2012 and ending September 30, 2031.

The annual debt service requirements for the Clean Water State Revolving Fund Loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011	\$	\$	\$
2012	3,012,962	842,817	3,855,779
2013	1,536,102	319,677	1,855,779
2014	1,551,463	304,316	1,855,779
2015	1,566,978	288,801	1,855,779
2016-2020	8,073,096	1,205,799	9,278,895
2021-2025	8,484,905	793,993	9,278,898
2026-2030	8,917,721	361,177	9,278,898
2031	1,837,405	18,374	1,855,779
Total	\$ 34,980,632	\$ 4,134,954	\$ 39,115,586

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
2011	\$ 22,161	\$ 2,839	\$ 25,000
2012	23,070	1,930	25,000
2013	24,015	985	25,000
Total	\$ 69,246	\$ 5,754	\$ 75,000

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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
2011	\$ 295,000	\$ 43,679	\$ 338,679
2012	315,000	26,977	341,977
2013	330,000	9,158	339,158
Total	\$ 940,000	\$ 79,814	\$ 1,019,814

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 assessments. Accordingly, no liability for these bonds has been recorded in the City's general purpose financial statements.

The City 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.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. LONG-TERM DEBT, Continued

C. Debt with No City Commitment, Continued

	Outstanding June 30, 2010
1998 Liberty Park Refunding Assessment District	\$ 359,000
16th Street Refunding Assessment District	260,000
Fahrers Park Refunding Assessment District	4,385,000
Bellevue Ranch East CFD	10,490,000
Bellevue Ranch West CFD	7,085,000
Moraga CFD	5,630,000
Total	\$ 28,209,000

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, 2010, is as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Governmental Activities	\$ 3,465,366	\$ 798,789	\$ (809,780)	\$ 3,454,375	\$ 556,302	\$ 2,898,073
Business-type Activities	576,666	54,275	(126,963)	503,978	28,016	475,962
Total	\$ 4,042,032	\$ 853,064	\$ (936,743)	\$ 3,958,333	\$ 584,318	\$ 3,374,035

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

12. CLASSIFICATION OF FUND BALANCE

In governmental funds, reservation and designations are presented as components of fund balance as follows:

	General Fund	Development Public Facilities				RDA Debt Service	Park Reserve Capital Projects	Streets and Signals Capital Projects	RDA Capital Projects	Non-Major Governmental Funds	Total
		RDA Special Revenue	Housing Special Revenue	Service Special Revenue	Impact Special Revenue						
<i>Reserved:</i>											
Encumbrances	\$ 635,106	\$ 43,506	\$ 461,534	\$ 101,897	\$	\$ 1,740,445	\$ 10,180,739	\$ 639,085	\$ 428,171	\$ 14,230,483	
Petty cash	2,353								200	2,553	
Notes & loans receivable		2,777,356		147,402						2,924,758	
Inventory	25,400									25,400	
Due from other funds	70,827									70,827	
Land held for resale		3,273,198	853,592					1,076,178	286,838	5,489,806	
Advances to other funds	1,710,992									1,710,992	
Child development									535,664	535,664	
Debt service					6,677,231					6,677,231	
Total reserved	2,444,678	6,094,060	1,315,126	101,897	147,402	6,677,231	1,740,445	10,180,739	1,715,263	1,250,873	31,667,714
<i>Unreserved, Designated:</i>											
Contingencies	4,000,000									4,000,000	
Reported in Special Revenue Funds:											
Pump replacements										370,501	370,501
Facilities development										218,630	218,630
Total unreserved, designated	4,000,000									589,131	4,589,131
<i>Unreserved, Undesignated</i>											
Reported in:											
General Fund	10,750,840									10,750,840	
Special Revenue Funds		629,246	(60,946)	53,726	11,464,696					7,197,699	19,284,421
Debt Service Funds						110,423				7,464	117,887
Capital Project Funds							(3,020,866)	(6,010,603)	12,550,580	751,491	4,270,602
Total unreserved, undesignated	10,750,840	629,246	(60,946)	53,726	11,464,696	110,423	(3,020,866)	(6,010,603)	12,550,580	7,956,654	34,423,750
Total	\$ 17,195,518	\$ 6,723,306	\$ 1,254,180	\$ 155,623	\$ 11,612,098	\$ 6,787,654	\$ (1,280,421)	\$ 4,170,136	\$ 14,265,843	\$ 9,796,658	\$ 70,680,595

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. OTHER FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2010, the funds below had the following deficit fund balance or net assets:

Special Revenue Funds

Communities Facilities District Services Funds \$ (47,087)

The CFD-Services established in new developments are generating revenues at a slower pace than anticipated. This is due primarily to the housing market downturn. The CFD-Service's have received 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.

Capital Project Funds

Park Reserve Fund \$ (1,280,421)

This fund is used to account for all in-lieu fees. As a condition of approval of a final subdivision map or parcel map, a subdivider shall dedicate land, pay a fee in lieu as building permits are pulled, or both, at the option of the City, for neighborhood and community park or recreational purposes. The deficit was caused by the City receiving dedicated park land prior to the Developer pulling building permits which resulted in a developer credit liability. The liability and deficit fund balance will be eliminated as the Developer pulls building permits.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. OTHER FUND DISCLOSURES, Continued

A. Deficit Fund Balances, Continued

Internal Service Funds

Workers Compensation Insurance Fund \$ (2,527,131)

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 eliminated by future fees.

B. Excess of Expenditures Over Appropriations

The following funds had an excess of expenditures over appropriations at June 30, 2010 as shown below:

Fund	Final Appropriation	Expenditures	Expenditures over Appropriations
Redevelopment Agency Special Revenue Fund	\$ 1,070,045	\$ 1,692,531	\$ (622,486)
Public Facilities Impact Special Revenue Fund	83,295	1,917,753	(1,834,458)

Redevelopment Agency Special Revenue Fund - Land originally purchased for resale is now used by the Agency and has been reclassified from land held for resale to capital assets.

Public Facilities Impact Special Revenue Fund - In prior years public facility financing plan credits were given to developers as building permits were pulled and capital outlay receivable was recorded. During the fiscal year, the completed infrastructure was accepted by the City and the capital outlay receivable was reclassified to capital outlay expenditure.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. 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, 2010, claims for general liability and workers' compensation were \$896,722 and \$2,546,447, respectively.

The Liability Insurance Fund is used to account for all general liability claims against the City. 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	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30	Due Within One Year
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
2009	780,846	1,823,307	(1,957,154)	646,999	646,999
2010	646,999	2,465,666	(2,215,943)	896,722	896,722

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
2007	\$ 3,525,161	\$ 666,197	\$ (951,181)	\$ 3,240,177	\$ 992,599
2008	3,240,177	484,987	(840,800)	2,884,364	977,015
2009	2,884,364	298,263	(577,563)	2,605,064	790,484
2010	2,605,064	916,778	(975,395)	2,546,447	570,512

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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 8% 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 \$2,592,694 for the year ended June 30, 2010. The City employer was required to contribute for fiscal year 2009-2010 at an actuarially determined rate of 9.277% and 17.582% of annual covered payroll for miscellaneous and safety employees, respectively. Of the combined employee and employer miscellaneous rate of 17.277%, miscellaneous employees contributed 2.95% of annual covered payroll. Of the combined employee and employer safety rate of 26.582%, safety employees contributed 4.743% of annual covered payroll. See the Required Supplementary Information for the Schedule of Funding Progress.

Annual Pension Cost - For fiscal year 2009-2010, the City's annual pension cost was equal to the City's required and actual contributions of \$4,013,072. The required contribution was determined as part of the June 30, 2007, 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 15 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, 2007, was 32 years for safety employees and 17 years for miscellaneous employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Miscellaneous Employees Annual Required Contribution (ARC)</u>	<u>Safety Employees Annual Required Contribution (ARC)</u>	<u>Total Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 1,687,826	\$ 2,159,962	\$ 3,847,788	100%	\$
6/30/2009	1,694,688	2,444,828	4,139,516	100%	
6/30/2010	1,652,713	2,360,359	4,013,072	100%	

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. RETIREMENT PLANS, Continued

Pension Plan, Continued

Funded Status of Plan

The City contributed to the California Public Employees' 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
6/30/2009	\$ 77,071,120	\$ 91,041,038	\$ 13,969,918	84.7%	\$ 18,593,883	75.1%

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
6/30/2009	\$ 84,891,140	\$ 96,887,943	\$ 11,996,803	87.6%	\$ 13,952,127	86.0%

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

16. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description - The City's Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and Memorandums of Understanding (MOU) between the City, its management employees, and unions representing City employees. The City's Retiree Healthcare Plan does not issue a stand-alone financial report.

The City made a \$250,000 pre-funding contribution to the California Employers' Retiree Benefit Trust (CERBT) during the fiscal year ending June 30, 2010. CERBT is a tax-qualified irrevocable trust administered by the California Public Employees' Retirement System (CalPERS) and organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare and other postemployment benefits. Copies of CalPERS' financial report may be obtained from the CalPERS website at www.calpers.ca.gov or from CalPERS Headquarters at 400 Q Street, Sacramento, California, 95811.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Out of approximately 484 full-time City employees, approximately 266 full-time employees have a current MOU that calls 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 for Unrepresented Management Employees are not eligible for retirement healthcare benefits.

Eligible employees can participate in the City's Retiree Healthcare Plan if they retire directly from the City with at least 10 years of City service. There is no minimum service requirement if retirement is due to a service-connected disability. The City pays the retiree-only premium for medical coverage, up to a capped amount that varies by bargaining unit. Spouse and dependent coverage is available only until the retiree is deceased, and at their own expense. Medical coverage is with Anthem Blue Cross of California. Dental and vision benefits are also available to retirees, but at their own expense.

Since medical premiums are determined for actives and retirees on a combined basis, an implied subsidy must be reflected under GASB 45.

Funding Policy - The contribution requirements of the Plan participants and City are established by and may be amended by the City pursuant to agreements with its management employees and the unions representing City employees. The plan is currently funded on a pay-as-you-go basis. The City made a one-time pre-funding contribution of \$250,000 to the CERBT for the fiscal year ending June 30, 2010. No additional pre-funding is currently planned.

For the fiscal year ending June 30, 2010, the City contributed \$1,889,000 to the plan, including \$1,244,000 in medical premium payments for retirees, \$395,000 for implied subsidies, and a one-time pre-funding contribution of \$250,000 to the CERBT. The City allows retirees to participate in the same City medical plan (Anthem Blue Cross of California) as active employees. Because active employees and retirees have pooled premiums, retirees pay less than they would if they were in a stand-alone medical plan. The difference between the expected claims for retirees and the premium charged to retirees is the implied subsidy. The implied subsidy has been included in the actuarial valuation as required under GASB 45, and therefore the corresponding benefit payments are included as an offset to the Annual OPEB Cost accrual.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the Normal Cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

Annual required contribution	\$ 5,766,000
Interest on net OPEB obligation	185,003
Adjustment to annual required contribution	<u> </u>
Annual OPEB cost (expense)	5,951,003
Contributions made to CERBT	(250,000)
Benefit payments made outside CERBT	<u>(1,639,000)</u>
Increase in net OPEB obligation	4,062,003
Net OPEB obligation - beginning of year	<u>4,373,000</u>
Net OPEB obligation - end of year	<u><u>\$ 8,435,003</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 5,812,000	24.8%	\$ 4,373,000
6/30/2010	5,951,000	31.7%	8,435,003

Funded Status and Funding Progress- The funded status of the plan as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 60,770,000
Actuarial value of plan assets	<u> </u>
Unfunded actuarial accrued liability (UAAL)	60,770,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (eligible active plan members)	18,248,000
UAAL as a percentage of covered payroll	333%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the City's investments, a 3% general inflation assumption, and an annual pre-Medicare medical cost increase rate of 9.0% for 2011 decreasing to 4.5% after 6 years. The post-Medicare medical cost increase rate is 9.3% for 2011 decreasing to 4.5% after 6 years. The caps on the City-paid medical benefits were assumed to increase with the pre-Medicare medical cost trend rate. The initial UAAL as of June 30, 2008 is being amortized as a level dollar amount over 30 years on a closed basis. The remaining amortization period at June 30, 2010 was 28 years.

17. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (FOR LOCAL GOVERNMENTS THAT PARTICIPATED IN THE SECURITIZATION PROGRAM)

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property taxes, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Merced was \$1,177,240.

Authorized with the 2009-10 budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

18. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

As of June 30, 2010, the City was a party to various actions involving eminent domain and condemnation proceedings. There are certain personal injury and other tort claims 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 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, 2010, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
C. Overaa & Co Inc.	\$ 6,798,181
A Teichert & Son, Inc.	5,293,018
Eco:Logic	4,291,169
BNSF Railway Company	3,400,000
Merced Union High School District	1,576,004
Carollo Engineers	1,528,552
Rolfe Construction, Inc.	1,501,436
Merced Co. Dept of Public Works	679,957
	<u>\$ 25,068,317</u>

19. POLLUTION REMEDIATION OBLIGATIONS

The City of Merced and Agency have various contaminated sites throughout the City, which contain certain gasoline chemicals and other contaminants such as pesticides and solvents. The City is participating on behalf of private responsible parties in pollution remediation activities such as site assessments and cleanups per certain local and state regulations or requirements.

The State of California Regional Water Quality Control Board requires the City to expend \$250,000 annually on perchloroethylene (PCE) remediation efforts at certain dry cleaner sites. Costs for these activities are funded through existing water service fees.

The City and Agency initiated litigation with a variety of entities regarding contamination at specific sites. The liabilities associated with these sites are not reasonably estimable and, as such, are not recorded in the financial statements.

City of Merced
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

20. SUBSEQUENT EVENTS

The Agency acquired the Merced Theatre on behalf of the City in 2002 and has been working in collaboration with Merced Theatre Foundation on its restoration. Construction for the restoration of the Theatre auditorium is expected to begin in December 2010. The final step to complete project funding is to secure tax credits. Federal tax credits are available for the rehabilitation of historic buildings on the National Register for 20% of eligible rehabilitation expenses. In addition New Market Tax Credits, intended for economically disadvantaged areas, are available for 39% of eligible costs.

The City worked with consultants to generate funding for the project by creating a structure that preserves public ownership yet generates tax credits which are sold to private investors. The consultants secured two investors for the project, Wells Fargo Bank and PNC Bank.

The transaction relies on all of the funds for the project flowing through a single "leveraged lender," the Agency, and then through to the other parties in the transactions which gives rise to the tax credits.

On November 1, 2010, the City Council approved and authorized the City's participation in the New Market Tax Credits and the Federal Historic Tax Credits Programs and other actions to fund the \$14 million project.

REQUIRED SUPPLEMENTARY INFORMATION

City of Merced
Required Supplementary Information
For the year ended June 30, 2010

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 schedules of revenues, expenditures, and changes in fund balance - budget to actual

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, 2010, proceeds of taxes did not exceed allowable appropriations.

The accompanying Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the Major Funds 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, 2010

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive/ (Negative)
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 5,364,616	\$ 5,364,616	\$ 5,038,695	\$ (325,921)
Unsecured	342,422	342,422	446,898	104,476
Supplemental roll:				
Prior year - unsecured	5,000	5,000	13,142	8,142
Prior year - supplemental roll			10,734	10,734
Sales and use	6,613,000	6,613,000	6,500,265	(112,735)
Transient occupancy tax	833,000	833,000	745,071	(87,929)
Franchise	1,469,418	1,469,418	1,485,034	15,616
Business license	1,182,800	1,182,800	1,167,393	(15,407)
CRIS fee	40,950	40,950	11,001	(29,949)
Real property transfer	100,000	100,000	160,225	60,225
Triple flip backfill	2,356,361	2,356,361	1,737,877	(618,484)
Vehicle in lieu backfill	5,479,000	5,479,000	5,172,526	(306,474)
Total taxes	23,786,567	23,786,567	22,488,861	(1,297,706)
Licenses and permits:				
Animal licenses	22,125	22,125	26,524	4,399
Bicycle licenses	500	500	236	(264)
Other licenses and permits	15,100	15,100	8,822	(6,278)
Total licenses and permits	37,725	37,725	35,582	(2,143)
Intergovernmental:				
Motor vehicle in lieu tax	250,000	250,000	251,267	1,267
Homeowners property tax relief	75,000	75,000	74,861	(139)
Police standards and training	60,000	60,000	20,596	(39,404)
Other state grants		92,296	262,795	170,499
Other federal grants	203,810	518,964	512,203	(6,761)
Office BJA - bullet proof vest grant	3,729	11,342	2,828	(8,514)
State mandated cost reimbursement	88,400	88,400	79,454	(8,946)
Total intergovernmental	680,939	1,096,002	1,204,004	108,002

(Continued)

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2010

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positiv (Negative)
REVENUES, Continued:				
Service charges:				
Incident recovery fees	\$ 73,000	\$ 238,484	\$ 267,116	\$ 28,632
Fire department special services	149,800	149,800	124,421	(25,379)
Fire prevention	72,400	72,400	56,718	(15,682)
Accident reports	5,000	5,000	3,614	(1,386)
PERS - EE share 2.5% at 55	151,776	151,776	149,379	(2,397)
PERS - EE share 3% at 50	463,117	463,117	487,359	24,242
Administrative	3,446,793	3,446,813	3,399,177	(47,636)
Cost applied	1,499,732	1,599,849	1,599,569	(280)
Other current service charges	149,500	163,100	112,496	(50,604)
Total service charges	6,011,118	6,290,339	6,199,849	(90,490)
Fines, forfeitures and penalties:				
Criminal fines	41,000	41,000	154,396	113,396
Parking Fines	384,000	384,000	405,532	21,532
Total fines, forfeitures and penalties	425,000	425,000	559,928	134,928
Other:				
Investment earnings	182,000	182,000	172,893	(9,107)
Rent and concessions (other than recreation)	59,738	59,738	99,026	39,288
Interest on loans		165	85	(80)
Unclassified revenue	26,100	26,100	43,741	17,641
Miscellaneous	237,900	296,443	254,589	(41,854)
Animal control services	13,000	13,000	4,743	(8,257)
School police officer	150,590	217,927	224,133	6,206
Valley High School police officer	85,000	98,000	81,054	(16,946)
Cash overages (shortages)	100	100	25	(75)
Donations/contributions	1,000	2,620	2,220	(400)
S.M.I.P. fees	100	100		(100)
Repayment on loan		14,500		(14,500)
Property sales	8,910	8,910	12,019	3,109
Total other	764,438	919,603	894,528	(25,075)
Total revenues	31,705,787	32,555,236	31,382,752	(1,172,484)

(Continued)

City of Merced

Required Supplementary Information, Continued

For the year ended June 30, 2010

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

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES:				
Current operating:				
General government:				
City Council	\$ 339,757	\$ 379,757	\$ 284,002	\$ 95,755
City Manager	852,729	852,729	790,332	62,397
City Attorney	954,188	1,182,613	1,049,693	132,920
Finance	2,601,334	2,759,888	2,741,777	18,111
Purchasing	304,672	301,207	296,504	4,703
Economic development	257,145	300,866	248,094	52,772
Visitor's Services	189,760	209,092	204,763	4,329
Total general government	5,499,585	5,986,152	5,615,165	370,987
Public safety:				
Police protection	17,029,691	18,100,902	16,673,027	1,427,875
Fire protection and weed abatement	8,627,282	8,742,776	8,102,886	639,890
Total public safety	25,656,973	26,843,678	24,775,913	2,067,765
Parks				
Parks	2,083,842	2,101,574	1,908,936	192,638
Total current operating	33,240,400	34,931,404	32,300,014	2,631,390
Capital outlay:				
Purchase of machinery and equipment		36,287	35,920	367
Capital improvements	45,814	1,157,127	1,107,079	50,048
Total capital outlay	45,814	1,193,414	1,142,999	50,415
Debt service:				
Principal	140,000	140,000	140,000	
Interest	403,064	403,064	403,063	1
Total debt service	543,064	543,064	543,063	1
Total expenditures	33,829,278	36,667,882	33,986,076	2,681,806
REVENUES OVER (UNDER) EXPENDITURES	(2,123,491)	(4,112,646)	(2,603,324)	1,509,322
OTHER FINANCING SOURCES (USES):				
Transfers in	1,913,437	3,023,471	2,958,235	(65,236)
Transfers out	(2,512,743)	(2,519,947)	(2,030,292)	489,655
Total other financing sources (uses)	(599,306)	503,524	927,943	424,419
Net change in fund balance	\$ (2,722,797)	\$ (3,609,122)	(1,675,381)	\$ 1,933,741
FUND BALANCE:				
Beginning of year			18,870,899	
End of year			\$ 17,195,518	

(Concluded)

City of Merced

Required Supplementary Information, Continued

For the year ended June 30, 2010

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

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Rental income	\$ 62,300	\$ 62,300	\$ 144,416	\$ 82,116
Investment earnings	9,700	9,700	19,668	9,968
Loan interest	41,266	41,266	37,112	(4,154)
Repayment of note	64,020	64,020	(59,105)	(123,125)
Housing set-aside loans	15,565	15,565	19,082	3,517
Miscellaneous	589,592	589,592	589,533	(59)
Total revenues	782,443	782,443	750,706	(31,737)
EXPENDITURES:				
Current operating:				
General government	1,368,903	1,413,581	1,347,780	65,801
Administrative shared expenditures	412,883	412,883	412,883	
Total current operating	1,781,786	1,826,464	1,760,663	65,801
Capital outlay			688,286	(688,286)
Total expenditures	1,781,786	1,826,464	2,448,949	(622,485)
REVENUES OVER (UNDER) EXPENDITURES	(999,343)	(1,044,021)	(1,698,243)	(654,222)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,486,100	1,486,100	1,694,888	208,788
Transfers out	(1,571,124)	(1,571,124)	(1,571,124)	
Total other financing sources (uses)	(85,024)	(85,024)	123,764	208,788
Net change in fund balance	\$ (1,084,367)	\$ (1,129,045)	(1,574,479)	\$ (445,434)
FUND BALANCE:				
Beginning of year			8,297,785	
End of year			\$ 6,723,306	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2010

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

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
CDBG Program	\$ 1,720,862	\$ 1,657,132	\$ 1,503,351	\$ (153,781)
CDBG Recovery Act Grant	336,919	336,919	336,732	(187)
HPRP Grant		515,203	380,851	(134,352)
Neighborhood Stabilization Grant	2,046,968	2,046,968	1,062,426	(984,542)
Home Grant Program	1,877,370	1,653,559	224,351	(1,429,208)
BEGIN Program	518,035	518,035	12,894	(505,141)
State Rental Rehabilitation Program	3,000	3,000	4,811	1,811
Other current service charges	160,000	160,000	52,893	(107,107)
Other:				
Investment earnings			4,698	4,698
PERS - EE share 2.5% at 55	5,878	5,878	5,796	(82)
Total revenues	6,669,032	6,896,694	3,588,803	(3,307,891)
EXPENDITURES:				
Current operating:				
General government	5,509,513	4,522,961	1,219,820	3,303,141
Administrative shared expenditures	158,374	158,374	110,723	47,651
Total current operating	5,667,887	4,681,335	1,330,543	3,350,792
Capital outlay		854,918	1,325	853,593
Total expenditures	5,667,887	5,536,253	1,331,868	4,204,385
REVENUES OVER (UNDER) EXPENDITURES	1,001,145	1,360,441	2,256,935	896,494
OTHER FINANCING SOURCES (USES):				
Transfers in	7,993	7,933	7,933	
Transfers out	(1,097,150)	(1,402,112)	(1,218,278)	183,834
Total other financing sources (uses)	(1,089,157)	(1,394,179)	(1,210,345)	183,834
Net change in fund balance	\$ (88,012)	\$ (33,738)	1,046,590	\$ 1,080,328
FUND BALANCE:				
Beginning of year			207,590	
End of year			\$ 1,254,180	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2010

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

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Services charges	\$ 3,579,684	\$ 3,483,713	\$ 3,560,753	\$ 77,040
Other:				
Grants	300,000	400,000	99,438	(300,562)
Investment earnings			307	307
Miscellaneous	868,360	908,659	43,318	(865,341)
Total revenues	4,748,044	4,792,372	3,703,816	(1,088,556)
EXPENDITURES:				
Current operating:				
General government	4,365,540	4,583,158	3,642,505	940,653
Administrative shared expenditures	317,176	317,176	317,176	
Public works	1,598,689	1,645,646	1,335,070	310,576
Total current operating	6,281,405	6,545,980	5,294,751	1,251,229
Capital outlay	7,300	10,300	2,487	7,813
Total expenditures	6,288,705	6,556,280	5,297,238	1,259,042
REVENUES OVER (UNDER) EXPENDITURES	(1,540,661)	(1,763,908)	(1,593,422)	170,486
OTHER FINANCING SOURCES (USES):				
Transfers in	1,612,527	1,612,527	1,340,762	(271,765)
Transfers out	(56,693)	(56,693)	(56,693)	
Total other financing sources (uses)	1,555,834	1,555,834	1,284,069	(271,765)
Net change in fund balance	\$ 15,173	\$ (208,074)	(309,353)	\$ (101,279)
FUND BALANCE:				
Beginning of year			464,976	
End of year			\$ 155,623	

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2010

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

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Service charges	\$ 260,106	\$ 260,106	\$ 530,518	\$ 270,412
Other:				
Investment earnings	249,000	249,000	219,580	(29,420)
Total revenues	509,106	509,106	750,098	240,992
EXPENDITURES:				
Current operating:				
General government	34,750	34,750	34,750	
Administrative shared expenditures	1,483	1,483	1,483	
Total current operating	36,233	36,233	36,233	
Capital outlay	83,295	83,295	1,917,753	(1,834,458)
Total expenditures	119,528	119,528	1,953,986	(1,834,458)
REVENUES OVER (UNDER) EXPENDITURES	389,578	389,578	(1,203,888)	(1,593,466)
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(8,519,435)	(8,952,974)	(2,494,213)	6,458,761
Total other financing sources (uses)	(8,519,435)	(8,952,974)	(2,494,213)	6,458,761
Net change in fund balance	\$ (8,129,857)	\$ (8,563,396)	(3,698,101)	\$ 4,865,295
FUND BALANCE:				
Beginning of year			15,310,199	
End of year			\$ 11,612,098	

This page intentionally left blank.

City of Merced
Required Supplementary Information, Continued
For the year ended June 30, 2010

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
6/30/2007	\$ 66,657,013	\$ 71,135,615	\$ 4,478,602	98.7%	\$ 17,501,469	25.6%
6/30/2008	73,135,917	80,401,788	7,265,871	91.0%	18,184,702	40.0%
6/30/2009	77,071,120	91,041,038	13,969,918	84.7%	18,593,883	75.1%

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%
6/30/2008	80,206,712	88,099,098	7,892,386	91.0%	13,987,485	56.4%
6/30/2009	84,891,140	96,887,943	11,996,803	87.6%	13,952,127	86.0%

3. POSTEMPLOYMENT HEALTHCARE PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$	\$ 56,272,000	\$ 56,272,000	0.0%	\$ 20,746,000	271.2%
6/30/2009		60,770,000	60,770,000	0.0%	18,248,000	333.0%

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

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

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

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

Local Transportation Fund - This fund accounts for revenues derived from 1/4 cent of the 8 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 STP 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 areas 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.

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.

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

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

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

This page intentionally left blank.

City of Merced
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
ASSETS						
Cash, cash equivalents and investments	\$ 216,156	\$ 140,161	\$	\$ 117,347	\$ 10,048	\$ 43,085
Receivables:						
Account	2,958					
Interest	523	339		338	25	
Due from other funds						
Land held for resale						
Due from other governments			27,554	116,183	12,375	
Notes receivable						
Total assets	\$ 219,637	\$ 140,500	\$ 27,554	\$ 233,868	\$ 22,448	\$ 43,085
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 465	\$ 732	\$	\$	\$	\$ 3,662
Other payables						28,035
Deferred revenue		9,249				
Deposits						
Due to other funds						
Advances from other funds						
Total liabilities	465	9,981				31,697
Fund Balances:						
Reserved:						
Encumbrances	21,351	8,419				11,388
Land held for resale						
Child development						
Total reserved	21,351	8,419				11,388
Unreserved, designated						
Pump replacement						
Facilities development						
Street Repair and Maintenance						
Total unreserved, designated						
Unreserved, undesignated						
reported in:						
Special revenue funds	197,821	122,100	27,554	233,868	22,448	
Debt service funds						
Capital project funds						
Total unreserved, undesignated	197,821	122,100	27,554	233,868	22,448	
Total fund balances	219,172	130,519	27,554	233,868	22,448	11,388
Total liabilities and fund balances	\$ 219,637	\$ 140,500	\$ 27,554	\$ 233,868	\$ 22,448	\$ 43,085

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
\$	\$ 83,069	\$ 194,004	\$ 1,223,749	\$	\$ 254,349	\$	\$ 24,047	\$ 286,372
		5,769						
	145		3,286		615		58	692
	42,280	2,482						
202,812			647,011	25,461		49,592		
<u>\$ 202,812</u>	<u>\$ 125,494</u>	<u>\$ 202,255</u>	<u>\$ 1,874,046</u>	<u>\$ 25,461</u>	<u>\$ 254,964</u>	<u>\$ 49,592</u>	<u>\$ 24,105</u>	<u>\$ 287,064</u>
\$	\$ 28,662	\$ 15,025	\$	\$	\$ 1,190	\$ 2,171	\$ 3,221	\$
	52,149	70,390			55,306	7,723		1,841
								281,734
42,280						39,698		
<u>42,280</u>	<u>80,811</u>	<u>85,415</u>			<u>56,496</u>	<u>49,592</u>	<u>3,221</u>	<u>283,575</u>
	44,683	59,274			25,215			20,408
	<u>44,683</u>	<u>59,274</u>			<u>25,215</u>			<u>20,408</u>
160,532		57,566	1,874,046	25,461	173,253		20,884	(16,919)
<u>160,532</u>			<u>1,874,046</u>	<u>25,461</u>	<u>173,253</u>		<u>20,884</u>	<u>(16,919)</u>
160,532	44,683	116,840	1,874,046	25,461	198,468		20,884	3,489
<u>\$ 202,812</u>	<u>\$ 125,494</u>	<u>\$ 202,255</u>	<u>\$ 1,874,046</u>	<u>\$ 25,461</u>	<u>\$ 254,964</u>	<u>\$ 49,592</u>	<u>\$ 24,105</u>	<u>\$ 287,064</u>

City of Merced
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2010

	Special Revenue					
	Child Development	Maintenance Districts	CFD Services	Measure C	Developer Capital Fee	PEG Access Fees
ASSETS						
Cash, cash equivalents and investments	\$ 879,387	\$ 1,765,679	\$ 1,621,915	\$ 591,941	\$ 888,246	\$ 142,446
Receivables:						
Account		185	2,089		388,797	23,428
Interest	2,126	4,268	3,891	1,261	2,147	344
Due from other funds						
Land held for resale						
Due from other governments	62,410	45,595	104,670	881,089		
Notes receivable						
Total assets	\$ 943,923	\$ 1,815,727	\$ 1,732,565	\$ 1,474,291	\$ 1,279,190	\$ 166,218
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 400,963	\$ 5,384	\$ 15,452	\$	\$	\$
Other payables		5,032	53,208	256,972		
Deferred revenue						
Deposits						
Due to other funds	3,723					
Advances from other funds			1,710,992			
Total liabilities	404,686	10,416	1,779,652	256,972		
Fund Balances:						
Reserved:						
Encumbrances	20,714	16,133	3,801	25,894		8,500
Land held for resale						
Child development	535,664					
Total reserved	556,378	16,133	3,801	25,894		8,500
Unreserved, designated						
Pump replacement		370,501				
Facilities development			218,630			
Street Repair and Maintenance						
Total unreserved, designated		370,501	218,630			
Unreserved, undesignated						
reported in:						
Special revenue funds	(17,141)	1,418,677	(269,518)	1,191,425	1,279,190	157,718
Debt service funds						
Capital project funds						
Total unreserved, undesignated	(17,141)	1,418,677	(269,518)	1,191,425	1,279,190	157,718
Total fund balances	539,237	1,805,311	(47,087)	1,217,319	1,279,190	166,218
Total liabilities and fund balances	\$ 943,923	\$ 1,815,727	\$ 1,732,565	\$ 1,474,291	\$ 1,279,190	\$ 166,218

Special Revenue		Debt Service		Capital Projects				
Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Fire Station	Merced Theatre Restoration	Parks & Community Service	Total	
\$ 477,538	\$ 63,554	\$ 7,446	\$ 223,469	\$ 105	\$ 625,341	\$ 79,676	\$ 9,959,130	
					550		423,776	
1,154	154	18	541		1,512	161	23,598	
			286,838				44,762	
							286,838	
							2,174,752	
<u>\$ 478,692</u>	<u>\$ 63,708</u>	<u>\$ 7,464</u>	<u>\$ 510,848</u>	<u>\$ 105</u>	<u>\$ 627,403</u>	<u>\$ 79,837</u>	<u>\$ 12,912,856</u>	
\$	\$ 3,666	\$	\$ 4,557	\$	\$ 3,257	\$	\$ 488,407	
							530,656	
							290,983	
					9,459		9,459	
							85,701	
							1,710,992	
	<u>3,666</u>		<u>4,557</u>		<u>12,716</u>		<u>3,116,198</u>	
			17,928		139,624	5,039	428,371	
			286,838				286,838	
							535,664	
			<u>304,766</u>		<u>139,624</u>	<u>5,039</u>	<u>1,250,873</u>	
							370,501	
							218,630	
							589,131	
478,692	60,042						7,197,699	
		7,464					7,464	
			201,525	105	475,063	74,798	751,491	
<u>478,692</u>	<u>60,042</u>	<u>7,464</u>	<u>201,525</u>	<u>105</u>	<u>475,063</u>	<u>74,798</u>	<u>7,956,654</u>	
<u>478,692</u>	<u>60,042</u>	<u>7,464</u>	<u>506,291</u>	<u>105</u>	<u>614,687</u>	<u>79,837</u>	<u>9,796,658</u>	
<u>\$ 478,692</u>	<u>\$ 63,708</u>	<u>\$ 7,464</u>	<u>\$ 510,848</u>	<u>\$ 105</u>	<u>\$ 627,403</u>	<u>\$ 79,837</u>	<u>\$ 12,912,856</u>	

City of Merced
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2010

	Special Revenue					
	Downtown Parking	Downtown	Local Transportation	Gas Tax	Traffic Safety	Street Trees
REVENUES:						
Taxes	\$	\$ 82,288	\$	\$	\$	\$
Intergovernmental			110,217	1,264,556		24
Service charges		1,103				18,478
Fines, forfeitures and penalties					146,975	
Other	73,264	11,668	134	519	111	3,919
Total revenues	73,264	95,059	110,351	1,265,075	147,086	22,421
EXPENDITURES:						
Current operating:						
General government	16,686	59,221			206,860	
Public safety						
Public works						752,538
Parks						
Total current operating	16,686	59,221			206,860	752,538
Capital outlay						
Debt service:						
Principal						
Interest						
Total expenditures	16,686	59,221			206,860	752,538
REVENUES OVER (UNDER) EXPENDITURES	56,578	35,838	110,351	1,265,075	(59,774)	(730,117)
OTHER FINANCING SOURCES (USES):						
Transfers in						723,698
Transfers out	(14,400)		(104,336)	(1,158,595)		
Total other financing sources (uses)	(14,400)		(104,336)	(1,158,595)		723,698
Net change in fund balances	42,178	35,838	6,015	106,480	(59,774)	(6,419)
FUND BALANCES:						
Beginning of year	176,994	94,681	21,539	127,388	82,222	17,807
End of year	\$ 219,172	\$ 130,519	\$ 27,554	\$ 233,868	\$ 22,448	\$ 11,388

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
\$ 729,459	\$ 443 94,926	\$	\$ 647,011	\$ 259,854	\$ 7 1,070,657	\$ 230,272 2,467	\$ 100,000	\$ 70,257
1,220	2,656	419,547	18,219	338	4,802		287	3,489
730,679	98,025	419,547	665,230	260,192	1,075,466	232,739	100,287	73,746
						225,578		12,330
	2,815,636	1,753,540			1,446,396			
	2,815,636	1,753,540 5,499			1,446,396	225,578 28,503		12,330 52,955
	2,815,636	1,759,039			1,446,396	254,081		65,285
730,679	(2,717,611)	(1,339,492)	665,230	260,192	(370,930)	(21,342)	100,287	8,461
	2,760,915	1,333,982	42,608		36,352	17,204		
(732,455)		(7,416)	(434,388)	(258,733)			(100,278)	(5,000)
(732,455)	2,760,915	1,326,566	(391,780)	(258,733)	36,352	17,204	(100,278)	(5,000)
(1,776)	43,304	(12,926)	273,450	1,459	(334,578)	(4,138)	9	3,461
162,308	1,379	129,766	1,600,596	24,002	533,046	4,138	20,875	28
\$ 160,532	\$ 44,683	\$ 116,840	\$ 1,874,046	\$ 25,461	\$ 198,468	\$	\$ 20,884	\$ 3,489

(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, 2010

	Special Revenue					
	Child Development	Maintenance Districts	CFD	Measure C	Developer Capital Fee	PEG Access Fees
REVENUES:						
Taxes	\$	\$	\$	\$ 4,705,974	\$	\$ 89,159
Intergovernmental	567,610		7,903			
Service charges			29,683	145,679		
Fines, forfeitures and penalties						
Other	182,198	799,282	1,534,800	8,224	541,570	1,763
Total revenues	749,808	799,282	1,572,386	4,859,877	541,570	90,922
EXPENDITURES:						
Current operating:						
General government		721,286	1,202,815	5,617,221		12,101
Public safety						
Public works						
Parks	918,944					
Total current operating	918,944	721,286	1,202,815	5,617,221		12,101
Capital outlay		4,684		1,014,520		10,325
Debt service:						
Principal						
Interest						
Total expenditures	918,944	725,970	1,202,815	6,631,741		22,426
REVENUES OVER (UNDER) EXPENDITURES	(169,136)	73,312	369,571	(1,771,864)	541,570	68,496
OTHER FINANCING SOURCES (USES):						
Transfers in		56,809	122,172	89,699		
Transfers out			(173,929)		(10,085)	(10,000)
Total other financing sources (uses)		56,809	(51,757)	89,699	(10,085)	(10,000)
Net change in fund balances	(169,136)	130,121	317,814	(1,682,165)	531,485	58,496
FUND BALANCES:						
Beginning of year	708,373	1,675,190	(364,901)	2,899,484	747,705	107,722
End of year	\$ 539,237	\$ 1,805,311	\$ (47,087)	\$ 1,217,319	\$ 1,279,190	\$ 166,218

Special Revenue		Debt Service		Capital Projects			Total
Proposition 1B	Bell Station Facility	Public Financing Authority	Airport Industrial Park	Fire Station	Merced Theatre Restoration	Parks & Community Services	Total
\$	\$	\$ 102	\$	\$	\$	\$	\$ 4,877,523
						69,679	4,057,292
							1,362,993
							146,975
9,560	76,512		3,988	2	85,396	147,220	3,930,688
9,560	76,512	102	3,988	2	85,396	216,899	14,375,471
	56,067		30,672		40,951		7,963,880
							237,908
							6,768,110
							918,944
	56,067		30,672		40,951		15,888,842
			142,909		179,569	218,780	1,657,744
	56,067		173,581		220,520	218,780	17,546,586
9,560	20,445	102	(169,593)	2	(135,124)	(1,881)	(3,171,115)
(739,983)			(51,830)		(1,325)	19,217	5,202,656
						(1,596)	(3,804,349)
(739,983)			(51,830)		(1,325)	17,621	1,398,307
(730,423)	20,445	102	(221,423)	2	(136,449)	15,740	(1,772,808)
1,209,115	39,597	7,362	727,714	103	751,136	64,097	11,569,466
\$ 478,692	\$ 60,042	\$ 7,464	\$ 506,291	\$ 105	\$ 614,687	\$ 79,837	\$ 9,796,658

(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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Tax increment	\$ 7,103,557	\$ 7,103,557	\$ 8,187,745	\$ 1,084,188
Service charges:				
Interdepartmental charges	201,722	201,722	201,722	
Other:				
Repayment of note			17,674	17,674.0
Investment earnings	46,650	46,650	96,188	49,538
Miscellaneous	135,273	135,273		(135,273)
Total revenues	7,487,202	7,487,202	8,503,329	1,016,127
EXPENDITURES:				
Current operating:				
General government	1,324,972	4,183,492	4,132,494	50,998
Total current operating	1,324,972	4,183,492	4,132,494	50,998
Debt service:				
Principal	2,050,273	2,050,274	2,050,273	1
Interest and fees	1,413,429	1,413,429	1,413,426	3
Total debt service	3,463,702	3,463,703	3,463,699	4
Total expenditures	4,788,674	7,647,195	7,596,193	51,002
REVENUES OVER (UNDER) EXPENDITURES	2,698,528	(159,993)	907,136	1,067,129
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	1,200,000	1,200,000		(1,200,000)
Transfers in	350,000	350,000	313,430	(36,570)
Transfers out	(5,190,859)	(3,258,619)	(3,037,715)	220,904
Total other financing sources (uses)	(3,640,859)	(1,708,619)	(2,724,285)	(1,015,666)
Net change in fund balance	\$ (942,331)	\$ (1,868,612)	(1,817,149)	\$ 51,463
FUND BALANCE:				
Beginning of year			8,604,803	
End of year			<u>\$ 6,787,654</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 112,320	\$ 112,225	\$ 6,556	\$ (105,669)
Other:				
Park planning zones 1-5	152,250	152,250	110,320	(41,930)
Investment earnings	42,022	42,022	28,478	(13,544)
Miscellaneous				
Total revenues	306,592	306,497	145,354	(161,143)
EXPENDITURES:				
Capital outlay	963,908	2,762,624	321,759	2,440,865
Debt service	15,000	15,000	15,000	
Total expenditures	978,908	2,777,624	336,759	2,440,865
REVENUES OVER (UNDER) EXPENDITURES	(672,316)	(2,471,127)	(191,405)	2,279,722
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt				
Transfers in	443,878	450,890	8,734	(442,156)
Transfers out				
Total other financing sources (uses)	443,878	450,890	8,734	(442,156)
Net change in fund balance	\$ (228,438)	\$ (2,020,237)	(182,671)	\$ 1,837,566
FUND BALANCE:				
Beginning of year			(1,097,750)	
End of year			\$ (1,280,421)	

City of Merced

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets and Signals Capital Projects Fund- Major Fund For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
CMAQ Grant	\$	\$	\$ 10,000	\$ 10,000
Federal grants	72,608	12,254,554	1,181,672	(11,072,882)
State grants	896,528	1,914,325	848,893	(1,065,432)
Other:				
Investment earnings			17,522	17,522
Miscellaneous	11,500	1,970,750	35,500	(1,935,250)
Total revenues	980,636	16,139,629	2,093,587	(14,046,042)
EXPENDITURES:				
Capital outlay	12,892,868	36,244,183	10,036,878	26,207,305
Total expenditures	12,892,868	36,244,183	10,036,878	26,207,305
REVENUES OVER (UNDER) EXPENDITURES	(11,912,232)	(20,104,554)	(7,943,291)	12,161,263
OTHER FINANCING SOURCES (USES):				
Transfers in	10,924,468	16,100,689	8,071,247	(8,029,442)
Transfers out	(42,608)	(152,608)	(152,608)	
Total other financing sources (uses)	10,881,860	15,948,081	7,918,639	(8,029,442)
Net change in fund balance	\$ (1,030,372)	\$ (4,156,473)	(24,652)	\$ 4,131,821
FUND BALANCE:				
Beginning of year			4,194,788	
End of year			<u>\$ 4,170,136</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
Other Federal grants	\$	\$ 400,000	\$ 120,819	\$ (279,181)
State clean-up funds	278,064	278,064		(278,064)
Other:				
Investment earnings	68,000	68,000	86,655	18,655
Charges for services			41	41
Miscellaneous			370,688	370,688
Total revenues	346,064	746,064	578,203	(167,861)
EXPENDITURES:				
Capital outlay	12,547,003	15,626,072	2,078,577	13,547,495
Total current operating	12,547,003	15,626,072	2,078,577	13,547,495
Debt service:				
Principal	17,623	17,623	17,622	1
Interest	1,885	1,885	1,884	1
Total debt service	19,508	19,508	19,506	2
Total expenditures	12,566,511	15,645,580	2,098,083	13,547,497
REVENUES OVER (UNDER) EXPENDITURES	(12,220,447)	(14,899,516)	(1,519,880)	13,379,636
OTHER FINANCING SOURCES (USES):				
Transfers in	5,283,585	3,374,313	3,161,460	(212,853)
Transfers out	(15,000)	(5,912,047)	(5,012,047)	900,000
Total other financing sources (uses)	5,268,585	(2,537,734)	(1,850,587)	687,147
Net change in fund balance	\$ (6,951,862)	\$ (17,437,250)	(3,370,467)	\$ 14,066,783
FUND BALANCE:				
Beginning of year			17,636,310	
End of year			<u>\$ 14,265,843</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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
In-lieu parking	\$ 58,305	\$ 58,305	\$ 61,431	\$ 3,126
Leased parking spaces	11,280	11,280	9,045	(2,235)
Investment earnings			2,788	2,788
Total revenues	69,585	69,585	73,264	3,679
EXPENDITURES:				
Current operating:				
General government	125,506	145,251	15,137	130,114
Administrative shared expenditures	1,549	1,549	1,549	
Total current operating	127,055	146,800	16,686	130,114
Capital outlay	61,591	25,000		25,000
Total expenditures	188,646	171,800	16,686	155,114
REVENUES OVER (UNDER) EXPENDITURES	(119,061)	(102,215)	56,578	158,793
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(14,400)	(14,400)	(14,400)	
Total other financing sources (uses)	(14,400)	(14,400)	(14,400)	
Net change in fund balance	\$ (133,461)	\$ (116,615)	42,178	\$ 158,793
FUND BALANCE:				
Beginning of year			176,994	
End of year			\$ 219,172	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Business improvement area	\$ 85,000	\$ 85,000	\$ 82,288	\$ (2,712)
Charges for services			1,103	1,103
Other:				
Investment earnings			1,880	1,880
Miscellaneous		9,137	9,788	651
Total revenues	<u>85,000</u>	<u>94,137</u>	<u>95,059</u>	<u>922</u>
EXPENDITURES:				
Current operating:				
General government	120,859	136,409	57,740	78,669
Administrative shared expenditures	1,481	1,481	1,481	
Total expenditures	<u>122,340</u>	<u>137,890</u>	<u>59,221</u>	<u>78,669</u>
Net change in fund balance	<u>\$ (37,340)</u>	<u>\$ (43,753)</u>	35,838	<u>\$ 79,591</u>
FUND BALANCE:				
Beginning of year			<u>94,681</u>	
End of year			<u>\$ 130,519</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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State and local transportation	\$ 110,217	\$ 110,217	\$ 110,217	\$
Other:				
Investment earnings			134	134
Total revenues	<u>110,217</u>	<u>110,217</u>	<u>110,351</u>	<u>134</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(114,580)</u>	<u>(114,580)</u>	<u>(104,336)</u>	<u>10,244</u>
Total other financing sources (uses)	<u>(114,580)</u>	<u>(114,580)</u>	<u>(104,336)</u>	
Net change in fund balance	<u>\$ (4,363)</u>	<u>\$ (4,363)</u>	6,015	<u>\$ 10,378</u>
FUND BALANCE:				
Beginning of year			<u>21,539</u>	
End of year			<u>\$ 27,554</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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State gas tax	\$ 1,158,575	\$ 1,158,575	\$ 1,264,556	\$ 105,981
Other:				
Investment earnings			519	519
Total revenues	1,158,575	1,158,575	1,265,075	106,500
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,158,599)	(1,158,599)	(1,158,595)	4
Total other financing sources (uses)	(1,158,599)	(1,158,599)	(1,158,595)	4
Net change in fund balance	\$ (24)	\$ (24)	106,480	\$ 106,504
FUND BALANCE:				
Beginning of year			127,388	
End of year			\$ 233,868	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties:				
Vehicle code fines	\$ 178,500	\$ 178,500	\$ 146,975	\$ (31,525)
Other:				
Investment earnings			111	111
Total revenues	<u>178,500</u>	<u>178,500</u>	<u>147,086</u>	<u>(31,414)</u>
EXPENDITURES:				
Current operating:				
General government	<u>218,849</u>	<u>218,849</u>	<u>206,860</u>	<u>11,989</u>
Total expenditures	<u>218,849</u>	<u>218,849</u>	<u>206,860</u>	<u>11,989</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (40,349)</u>	<u>\$ (40,349)</u>	<u>(59,774)</u>	<u>\$ (19,425)</u>
FUND BALANCE:				
Beginning of year			<u>82,222</u>	
End of year			<u>\$ 22,448</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$	\$	\$ 24	\$ 24
Service charges	18,501	18,501	18,478	(23)
Miscellaneous			3,919	3,919
Total revenues	18,501	18,501	22,421	3,920
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	35,462	35,462	35,462	
Public works	828,795	846,302	717,076	129,226
Total expenditures	864,257	881,764	752,538	129,226
REVENUES OVER (UNDER) EXPENDITURES	(845,756)	(863,263)	(730,117)	133,146
OTHER FINANCING SOURCES (USES):				
Transfers in	845,456	845,456	723,698	(121,758)
Total other financing sources (uses)	845,456	845,456	723,698	(121,758)
Net change in fund balance	\$ (300)	\$ (17,807)	(6,419)	\$ 11,388
FUND BALANCE:				
Beginning of year			17,807	
End of year			\$ 11,388	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 762,456	\$ 762,456	\$ 729,459	\$ (32,997)
Other:				
Investment earnings			1,220	1,220
Total revenues	<u>762,456</u>	<u>762,456</u>	<u>730,679</u>	<u>(31,777)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(792,309)	(792,309)	(732,455)	59,854
Total other financing sources (uses)	<u>(792,309)</u>	<u>(792,309)</u>	<u>(732,455)</u>	<u>59,854</u>
Net change in fund balance	<u>\$ (29,853)</u>	<u>\$ (29,853)</u>	(1,776)	<u>\$ 28,077</u>
FUND BALANCE:				
Beginning of year			<u>162,308</u>	
End of year			<u>\$ 160,532</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$	\$	\$ 443	\$ 443
Service charges	152,703	152,703	94,926	(57,777)
Other:				
Investment earnings			222	222
Miscellaneous	100	100	2,434	2,334
Total revenues	152,803	152,803	98,025	(54,778)
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	151,658	151,658	151,658	
Public Works	2,992,174	2,993,554	2,663,978	329,576
Total expenditures	3,143,832	3,145,212	2,815,636	329,576
REVENUES OVER (UNDER) EXPENDITURES	(2,991,029)	(2,992,409)	(2,717,611)	274,798
OTHER FINANCING SOURCES (USES):				
Transfers in	2,991,029	2,991,029	2,760,915	(230,114)
Total other financing sources (uses)	2,991,029	2,991,029	2,760,915	(230,114)
Net change in fund balance	\$	\$ (1,380)	43,304	\$ 44,684
FUND BALANCE:				
Beginning of year			1,379	
End of year			\$ 44,683	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Fees for services	\$ 273,583	\$ 283,583	\$ 283,295	\$ (288)
Donations			446	446
Miscellaneous	109,569	109,569	112,813	3,244
Investment earnings	22,952	22,993	22,993	
Total revenues	406,104	416,145	419,547	3,402
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	70,865	70,865	70,865	
Parks	1,744,429	1,799,067	1,682,675	116,392
Total current operating	1,815,294	1,869,932	1,753,540	116,392
Capital outlay	2,400	5,918	5,499	419
Total expenditures	1,817,694	1,875,850	1,759,039	116,811
REVENUES OVER (UNDER) EXPENDITURES	(1,411,590)	(1,459,705)	(1,339,492)	120,213
OTHER FINANCING SOURCES (USES):				
Transfers in	1,336,590	1,336,590	1,333,982	(2,608)
Transfers out		(7,416)	(7,416)	
Total other financing sources (uses)	1,336,590	1,329,174	1,326,566	(2,608)
Net change in fund balance	\$ (75,000)	\$ (130,531)	(12,926)	\$ 117,605
FUND BALANCE:				
Beginning of year			129,766	
End of year			\$ 116,840	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 601,377	\$ 601,377	\$ 647,011	\$ 45,634
Other:				
Investment earnings	20,000	20,000	18,219	(1,781)
Total revenues	621,377	621,377	665,230	43,853
OTHER FINANCING SOURCES (USES):				
Transfers in	42,608	42,608	42,608	
Transfers out	(2,363,182)	(2,127,055)	(434,388)	1,692,667
Total other financing sources (uses)	(2,320,574)	(2,084,447)	(391,780)	1,692,667
Net change in fund balance	\$ (1,699,197)	\$ (1,463,070)	273,450	\$ 1,736,520
FUND BALANCE:				
Beginning of year			1,600,596	
End of year			\$ 1,874,046	

City of Merced

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

Proposition 172 Special Revenue Fund

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
Public safety funding	\$ 272,000	\$ 272,000	\$ 259,854	\$ (12,146)
Other:				
Investment earnings			338	338
Total revenues	<u>272,000</u>	<u>272,000</u>	<u>260,192</u>	<u>(11,808)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(293,160)</u>	<u>(293,160)</u>	<u>(258,733)</u>	<u>34,427</u>
Total other financing sources (uses)	<u>(293,160)</u>	<u>(293,160)</u>	<u>(258,733)</u>	<u>34,427</u>
Net change in fund balance	<u>\$ (21,160)</u>	<u>\$ (21,160)</u>	1,459	<u>\$ 22,619</u>
FUND BALANCE:				
Beginning of year			<u>24,002</u>	
End of year			<u>\$ 25,461</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
Other state grants	\$	\$	\$ 7	\$ 7
Service charges	1,073,701	1,073,701	1,070,657	(3,044)
Other:				
Investment earnings	11,000	11,000	4,676	(6,324)
Miscellaneous	625	625	126	(499)
Total revenues	<u>1,085,326</u>	<u>1,085,326</u>	<u>1,075,466</u>	<u>(9,860)</u>
EXPENDITURES:				
Current operating:				
General government	1,535,539	1,542,719	1,446,396	96,323
Total expenditures	<u>1,535,539</u>	<u>1,542,719</u>	<u>1,446,396</u>	<u>96,323</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(450,213)</u>	<u>(457,393)</u>	<u>(370,930)</u>	<u>86,463</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	36,352	36,352	36,352	
Total other financing sources (uses)	<u>36,352</u>	<u>36,352</u>	<u>36,352</u>	
Net change in fund balance	<u>\$ (413,861)</u>	<u>\$ (421,041)</u>	<u>(334,578)</u>	<u>\$ 86,463</u>
FUND BALANCE:				
Beginning of year			533,046	
End of year			<u>\$ 198,468</u>	

City of Merced

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

OTS Grant Special Revenue Fund

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
OTS grant	\$ 183,608	\$ 347,386	\$ 230,272	\$ (117,114)
Service Charges			2,467	2,467
Total revenues	183,608	347,386	232,739	(114,647)
EXPENDITURES:				
Current operating:				
Public safety	183,608	335,718	225,578	110,140
Total current operating	183,608	335,718	225,578	110,140
Capital outlay		28,873	28,503	370
Total expenditures	183,608	364,591	254,081	110,510
REVENUES OVER (UNDER) EXPENDITURES		(17,205)	(21,342)	(4,137)
OTHER FINANCING SOURCES (USES):				
Transfers in		17,204	17,204	
Total other financing sources (uses)		17,204	17,204	
Net change in fund balance	\$	\$ (1)	(4,138)	\$ (4,137)
FUND BALANCES:				
Beginning of year			4,138	
End of year			\$	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
AB3229 COPS funding	\$ 100,000	\$ 100,000	\$ 100,000	\$
Other:				
Investment earnings			287	287
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>100,287</u>	<u>287</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(100,278)</u>	<u>(100,278)</u>	<u>(100,278)</u>	
Total other financing sources (uses)	<u>(100,278)</u>	<u>(100,278)</u>	<u>(100,278)</u>	
Net change in fund balances	<u>\$ (278)</u>	<u>\$ (278)</u>	9	<u>\$ 287</u>
FUND BALANCE:				
Beginning of year			<u>20,875</u>	
End of year			<u>\$ 20,884</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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
Justice Assistance Grant	\$	\$ 135,776	\$ 70,257	\$ (65,519)
Other:				
Investment earnings			3,489	3,489
Total revenues		135,776	73,746	(62,030)
EXPENDITURES:				
Current operating:				
Public safety		44,928	12,330	32,598
Total current operating		44,928	12,330	32,598
Capital outlay		80,848	52,955	27,893
Total expenditures		125,776	65,285	60,491
REVENUES OVER (UNDER) EXPENDITURES		10,000	8,461	(1,539)
OTHER FINANCING SOURCES (USES):				
Transfers out		(10,000)	(5,000)	5,000
Total other financing sources (uses)		(10,000)	(5,000)	5,000
Net change in fund balance	\$	\$	3,461	\$ 3,461
FUND BALANCE:				
Beginning of year			28	
End of year			\$ 3,489	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
YEP Grant	\$ 573,795	\$ 574,817	\$ 567,610	\$ (7,207)
Other:				
Investment earnings	4,000	4,000	11,379	7,379
Miscellaneous			170,819	170,819
Total revenues	577,795	578,817	749,808	170,991
EXPENDITURES:				
Current operating:				
Administrative shared expenditures	34,428	34,489	30,780	3,709
Parks	1,003,824	1,004,785	888,164	116,621
Total expenditures	1,038,252	1,039,274	918,944	120,330
REVENUES OVER (UNDER) EXPENDITURES	\$ (460,457)	\$ (460,457)	(169,136)	\$ 291,321
FUND BALANCE:				
Beginning of year			708,373	
End of year			\$ 539,237	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Assessments	\$ 764,667	\$ 764,667	\$ 762,930	\$ (1,737)
Service charges	12,776	12,776	12,754	(22)
Investment earnings			23,598	23,598
Miscellaneous				
Total revenues	<u>777,443</u>	<u>777,443</u>	<u>799,282</u>	<u>21,839</u>
EXPENDITURES:				
Current operating:				
General government	797,811	802,357	675,063	127,294
Administrative shared expenditures	46,223	46,223	46,223	
Total current operating	<u>844,034</u>	<u>848,580</u>	<u>721,286</u>	<u>127,294</u>
Capital outlay	365,541	365,541	4,684	360,857
Total expenditures	<u>1,209,575</u>	<u>1,214,121</u>	<u>725,970</u>	<u>488,151</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(432,132)</u>	<u>(436,678)</u>	<u>73,312</u>	<u>509,990</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	56,809	56,809	56,809	
Transfers out				
Total other financing sources (uses)	<u>56,809</u>	<u>56,809</u>	<u>56,809</u>	
Net change in fund balance	<u>\$ (375,323)</u>	<u>\$ (379,869)</u>	<u>130,121</u>	<u>\$ 509,990</u>
FUND BALANCE:				
Beginning of year			<u>1,675,190</u>	
End of year			<u>\$ 1,805,311</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 13,067	\$ 13,067	\$ 7,903	\$ (5,164)
Charges for Services	29,040	29,040	29,683	643
Other:				
Assessments	1,299,648	1,301,729	1,503,449	201,720
Investment earnings			18,741	18,741
Miscellaneous		15,000	12,610	(2,390)
Total revenues	1,341,755	1,358,836	1,572,386	213,550
EXPENDITURES:				
Current operating:				
General government	1,473,344	1,522,031	1,115,351	406,680
Administrative shared expenditures	87,379	87,380	87,379	1
Total current operating	1,560,723	1,609,411	1,202,730	406,681
Debt service:				
Principal		14,500		14,500
Interest		165	85	80
Total debt service		14,665	85	14,580
Total expenditures	1,560,723	1,624,076	1,202,815	421,261
REVENUES OVER (UNDER) EXPENDITURES	(218,968)	(265,240)	369,571	634,811
OTHER FINANCING SOURCES (USES):				
Issuance of debt		4,500		(4,500)
Transfers in	93,790	122,206	122,172	(34)
Transfers out	(159,292)	(177,623)	(173,929)	3,694
Total other financing sources (uses)	(65,502)	(50,917)	(51,757)	(840)
Net change in fund balance	\$ (284,470)	\$ (316,157)	317,814	\$ 633,971
FUND BALANCE:				
Beginning of year			(364,901)	
End of year			\$ (47,087)	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
General sales and use tax	\$ 4,636,000	\$ 4,636,000	\$ 4,705,974	\$ 69,974
Charges for services	155,996	155,996	145,679	(10,317)
Investment earnings	38,000	38,000	8,224	(29,776)
Total revenues	4,829,996	4,829,996	4,859,877	29,881
EXPENDITURES:				
Current operating:				
General government	4,961,627	4,993,486	4,862,835	130,651
Administrative shared expenditures	754,386	754,386	754,386	
Total current operating	5,716,013	5,747,872	5,617,221	130,651
Capital outlay	1,425,008	1,215,402	1,014,520	200,882
Total expenditures	7,141,021	6,963,274	6,631,741	331,533
REVENUES OVER (UNDER) EXPENDITURES	(2,311,025)	(2,133,278)	(1,771,864)	361,414
Net change in fund balance	(2,311,025)	(2,133,278)	(1,771,864)	361,414
OTHER FINANCING SOURCES (USES):				
Transfers in	89,699	89,699	89,699	
Total other financing sources (uses)	89,699	89,699	89,699	
Net change in fund balance	\$ (2,221,326)	\$ (2,043,579)	(1,682,165)	\$ 361,414
FUND BALANCE:				
Beginning of year			2,899,484	
End of year			\$ 1,217,319	

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, 2010**

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 3,000	\$ 3,000	\$ 13,281	\$ 10,281
Miscellaneous			528,289	528,289
Total revenues	3,000	3,000	541,570	538,570
REVENUES OVER (UNDER) EXPENDITURES	3,000	3,000	541,570	538,570
Net change in fund balance	3,000	3,000	541,570	538,570
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out		(110,085)	(10,085)	100,000
Total other financing sources (uses)		(110,085)	(10,085)	100,000
Net change in fund balance	\$ 3,000	\$ (107,085)	531,485	\$ 638,570
FUND BALANCE:				
Beginning of year			747,705	
End of year			\$ 1,279,190	

City of Merced

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

PEG Access Fee Special Revenue Fund

For the year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Peg access fees	\$ 87,500	\$ 87,500	\$ 89,159	\$ 1,659
Investment earnings			1,763	1,763
Total revenues	87,500	87,500	90,922	3,422
EXPENDITURES:				
Current operating:				
General government	18,500	20,601	12,101	8,500
Total current operating	18,500	20,601	12,101	8,500
Capital outlay	155,023	155,023	10,325	144,698
Total expenditures	173,523	175,624	22,426	153,198
REVENUES OVER (UNDER) EXPENDITURES	(86,023)	(88,124)	68,496	156,620
Net change in fund balance	(86,023)	(88,124)	68,496	156,620
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,000)	(10,000)	(10,000)	
Total other financing sources (uses)	(10,000)	(10,000)	(10,000)	
Net change in fund balance	\$ (96,023)	\$ (98,124)	58,496	\$ 156,620
FUND BALANCE:				
Beginning of year			107,722	
End of year			\$ 166,218	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 9,560	\$ 9,560
Total revenues			9,560	9,560
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(2,386,203)	(1,200,793)	(739,983)	460,810
Total other financing sources (uses)	(2,386,203)	(1,200,793)	(739,983)	460,810
Net change in fund balance	\$ (2,386,203)	\$ (1,200,793)	(730,423)	\$ 470,370
FUND BALANCE:				
Beginning of year			1,209,115	
End of year			\$ 478,692	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 714	\$ 714
Miscellaneous	74,304	74,304	75,798	1,494
Total revenues	74,304	74,304	76,512	2,208
EXPENDITURES:				
Current operating:				
General government	83,452	83,452	56,067	27,385
Total current operating		83,452	56,067	27,385
Capital outlay	7,000	7,000		7,000
Total expenditures	90,452	90,452	56,067	34,385
REVENUES OVER (UNDER) EXPENDITURES	(16,148)	(16,148)	20,445	36,593
Net change in fund balance	\$ (16,148)	\$ (16,148)	20,445	\$ 36,593
FUND BALANCE:				
Beginning of year			39,597	
End of year			\$ 60,042	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 102	\$ 102
Total revenues			102	102
Net change in fund balance	\$	\$	102	\$ 102
FUND BALANCE:				
Beginning of year			<u>7,362</u>	
End of year			<u>\$ 7,464</u>	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$ 20,000	\$ 20,000	\$ 3,988	\$ (16,012)
Total revenues	20,000	20,000	3,988	(16,012)
EXPENDITURES:				
Current operating:				
General government	30,672	37,717	30,672	7,045
Capital outlay	26,595	241,146	142,909	98,237
Total expenditures	57,267	278,863	173,581	105,282
REVENUES OVER (UNDER) EXPENDITURES	(37,267)	(258,863)	(169,593)	89,270
OTHER FINANCING SOURCES (USES):				
Transfers out	(63,518)	(87,776)	(51,830)	35,946
Total other financing sources (uses)	(63,518)	(87,776)	(51,830)	35,946
Net change in fund balance	\$ (100,785)	\$ (346,639)	(221,423)	\$ 125,216
FUND BALANCE:				
Beginning of year			727,714	
End of year			\$ 506,291	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Other:				
Investment earnings	\$	\$	\$ 2	\$ 2
Total revenues			2	2
EXPENDITURES:				
Capital outlay	950,105	950,105		950,105
Total expenditures	950,105	950,105		950,105
REVENUES OVER (UNDER) EXPENDITURES	(950,105)	(950,105)	2	950,107
OTHER FINANCING SOURCES (USES):				
Transfers in	950,000	950,000		(950,000)
Total other financing sources (uses)	950,000	950,000		(950,000)
Net change in fund balance	\$ (105)	\$ (105)	2	\$ 107
FUND BALANCE:				
Beginning of year			103	
End of year			\$ 105	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$	\$ 1,935,000	\$	\$ (1,935,000)
Federal grants		237,500		(237,500)
Other:				
Charges for services	500	500	1,435	935
Rents and royalties	60,000	60,000	74,225	14,225
Investment earnings			8,656	8,656
Miscellaneous	450	450	1,080	630
Total revenues	60,950	2,233,450	85,396	(2,148,054)
EXPENDITURES:				
Current operating:				
General government	48,701	49,201	40,951	8,250
Capital outlay	510,779	2,918,085	179,569	2,738,516
Total expenditures	559,480	2,967,286	220,520	2,746,766
REVENUES OVER (UNDER) EXPENDITURES	(498,530)	(733,836)	(135,124)	598,712
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,325)	(1,325)	(1,325)	
Total other financing sources (uses)	(1,325)	(1,325)	(1,325)	
Net change in fund balance	\$ (499,855)	\$ (735,161)	(136,449)	\$ 598,712
FUND BALANCE:				
Beginning of year			751,136	
End of year			\$ 614,687	

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, 2010

	Budget		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State grants	\$ 98,204	\$ 228,652	\$ 69,679	\$ (158,973)
Other:				
Investment earnings			508	508
Miscellaneous		146,712	146,712	
Total revenues	98,204	375,364	216,899	(158,465)
EXPENDITURES:				
Capital outlay	356,666	626,487	218,780	407,707
Total expenditures	356,666	626,487	218,780	407,707
REVENUES OVER (UNDER) EXPENDITURES	(258,462)	(251,123)	(1,881)	249,242
OTHER FINANCING SOURCES (USES):				
Transfers in	190,270	188,623	19,217	(169,406)
Transfers out	(1,596)	(1,596)	(1,596)	
Total other financing sources (uses)	188,674	187,027	17,621	(169,406)
Net change in fund balance	\$ (69,788)	\$ (64,096)	15,740	\$ 79,836
FUND BALANCE:				
Beginning of year			64,097	
End of year			\$ 79,837	

This page intentionally left blank.

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 System:

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 System:

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 System:

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:

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

City of Merced
Combining Statement of Net Assets
Enterprise Funds
June 30, 2010

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 29,974,440	\$ 16,029,343	\$ 123,078	\$ 151,390
Cash held with fiscal agent	728,471			
Receivables:				
Accounts	1,412,537	76,640		
Interest	73,404	38,746	297	367
Due from other governments	99,140	21,115,509		3,902,627
Inventory	1,540			
Total current assets	32,289,532	37,260,238	123,375	4,054,384
Noncurrent assets:				
Notes receivable-private parties		9,025	3,075	
Advances to other funds		9,978		
Deferred charges	270,448			
Capital assets:				
Nondepreciable	727,491	42,095,637		
Depreciable, net of accumulated depreciation	18,916,472	12,191,470		
Total capital assets	19,643,963	54,287,107		
Total noncurrent assets	19,914,411	54,306,110	3,075	
Total assets	52,203,943	91,566,348	126,450	4,054,384
LIABILITIES				
Current liabilities:				
Accounts payable	200,347	5,091,057		
Payroll liabilities	140,296			
Deposits	217,746			
Deferred revenue	1,185,203	9,025	3,075	
Accrued interest payable	239,117			51,012
Other liabilities	336	121,669	50	
Compensated absences payable, due within one year	13,063			
Long-term debt due within one year	1,132,050			74,250
Total current liabilities	3,128,158	5,221,751	3,125	125,262
Long-term liabilities:				
Advances from other funds			9,978	
Compensated absences payable, due in more than one year	179,364			
Long-term debt due in more than one year	17,404,786	34,980,632		3,790,152
Net other postemployment benefits obligation	494,115			
Total long-term liabilities	18,078,265		9,978	3,790,152
Total liabilities	21,206,423	40,202,383	13,103	3,915,414
NET ASSETS				
Invested in capital assets, net of related debt	1,810,650	31,674,141		(3,864,402)
Restricted for:				
Other special projects and programs	735,565			
Debt service	402,438			
Capital projects	511,401	12,669,961		
Unrestricted	27,537,466	7,019,863	113,347	4,003,372
Total net assets	\$ 30,997,520	\$ 51,363,965	\$ 113,347	\$ 138,970

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 46,278,251	\$ 12,728,068	\$ 25,383,988	\$ 4,628,489	\$ 146,215	\$ 42,886,760	\$ 5,849,968	\$ 100,234
728,471	35,665				35,665		
1,489,177	960,383	33,438	6,856		1,000,677	822,825	900
112,814	30,811	61,359	11,188	352	103,710	14,363	242
25,117,276				3,749,583	3,749,583		
1,540	156,903				156,903		
73,727,529	13,911,830	25,478,785	4,646,533	3,896,150	47,933,298	6,687,156	101,376
12,100							
9,978		1,200,000	358,206		1,558,206		
270,448	117,898				117,898		
42,823,128	796,237	3,301,061	49,355		4,146,653	42,412	
31,107,942	29,656,885	5,825,842	903,210		36,385,937	15,790,999	69,314
73,931,070	30,453,122	9,126,903	952,565		40,532,590	15,833,411	69,314
74,223,596	30,571,020	10,326,903	1,310,771		42,208,694	15,833,411	69,314
147,951,125	44,482,850	35,805,688	5,957,304	3,896,150	90,141,992	22,520,567	170,690
5,291,404	170,714	3,844			174,558	217,394	
140,296	114,547				114,547	144,752	
217,746	432,468				432,468	176,241	
1,197,303	948,163				948,163	829,642	
290,129	92,491			52,042	144,533		
122,055	11,348				11,348		
13,063	5,064				5,064	8,976	
1,206,300	346,280	22,161		75,750	444,191		
8,478,296	2,121,075	26,005		127,792	2,274,872	1,377,005	
9,978							
179,364	145,668				145,668	137,819	
56,175,570	6,988,328	47,085		3,862,058	10,897,471		
494,115	350,218				350,218	468,421	
56,859,027	7,484,214	47,085		3,862,058	11,393,357	606,240	
65,337,323	9,605,289	73,090		3,989,850	13,668,229	1,983,245	
29,620,389	23,143,776	9,057,657	952,565	(3,937,808)	29,216,190	15,833,411	69,314
735,565	563,156				563,156	284,976	
402,438							
13,181,362	86,267	1,353,888			1,440,155		
38,674,048	11,084,362	25,321,053	5,004,739	3,844,108	45,254,262	4,418,935	101,376
\$ 82,613,802	\$ 34,877,561	\$ 35,732,598	\$ 5,957,304	\$ (93,700)	\$ 76,473,763	\$ 20,537,322	\$ 170,690

(Continued)

City of Merced
Combining Statement of Net Assets, Continued
Enterprise Funds
June 30, 2010

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 5,950,202	\$ 102,466	\$ 95,217,679
Cash held with fiscal agent			764,136
Receivables			
Accounts	823,725	12,813	3,326,392
Interest	14,605	159	231,288
Due from other governments		136,643	29,003,502
Inventory			158,443
Total current assets	<u>6,788,532</u>	<u>252,081</u>	<u>128,701,440</u>
Noncurrent assets:			
Notes receivable-private parties			12,100
Advances to other funds			1,568,184
Deferred charges			388,346
Capital assets:			
Nondepreciable	42,412	1,857,035	48,869,228
Depreciable, net of accumulated depreciation	<u>15,860,313</u>	<u>4,510,835</u>	<u>87,865,027</u>
Total capital assets	<u>15,902,725</u>	<u>6,367,870</u>	<u>136,734,255</u>
Total noncurrent assets	<u>15,902,725</u>	<u>6,367,870</u>	<u>138,702,885</u>
Total assets	<u>22,691,257</u>	<u>6,619,951</u>	<u>267,404,325</u>
LIABILITIES			
Current liabilities:			
Accounts payable	217,394	40,330	5,723,686
Payroll liabilities	144,752	14,348	413,943
Deposits	176,241	18,296	844,751
Deferred revenue	829,642		2,975,108
Accrued interest payable			434,662
Other liabilities		19,790	153,193
Compensated absences payable, due within one year	8,976	913	28,016
Long-term debt due within one year			1,650,491
Total current liabilities	<u>1,377,005</u>	<u>93,677</u>	<u>12,223,850</u>
Long-term liabilities:			
Advances from other funds		358,206	368,184
Compensated absences payable, due in more than one year	137,819	13,111	475,962
Long-term debt due in more than one year			67,073,041
Net other postemployment benefits obligation	<u>468,421</u>	<u>49,604</u>	<u>1,362,358</u>
Total long-term liabilities	<u>606,240</u>	<u>420,921</u>	<u>69,279,545</u>
Total liabilities	<u>1,983,245</u>	<u>514,598</u>	<u>81,503,395</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,902,725	6,367,870	81,107,174
Restricted for:			
Other special projects and programs	284,976	72,793	1,656,490
Debt service		53,944	456,382
Capital projects		25,195	14,646,712
Unrestricted	<u>4,520,311</u>	<u>(414,449)</u>	<u>88,034,172</u>
Total net assets	<u>\$ 20,708,012</u>	<u>\$ 6,105,353</u>	<u>\$ 185,900,930</u>

(Concluded)

This page intentionally left blank.

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
For the year ended June 30, 2010

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
OPERATING REVENUES:				
Charges for services	\$ 17,779,178	\$ 117,234	\$	\$ 134,638
Other revenues	473,986			
Total operating revenues	18,253,164	117,234		134,638
OPERATING EXPENSES:				
Personnel services	3,323,112			
Materials, supplies and other services	3,341,092			
Depreciation	1,203,446	812,135		
Administrative shared expenses	490,544			
Costs applied - labor, materials, supplies and services	1,226,476			
Total operating expenses	9,584,670	812,135		
OPERATING INCOME (LOSS)	8,668,494	(694,901)		134,638
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	417,605	211,481	2,109	385
Interest and related expenses	(962,609)			(137,899)
Total nonoperating revenues (expenses)	(545,004)	211,481	2,109	(137,514)
INCOME (LOSS) BEFORE TRANSFERS	8,123,490	(483,420)	2,109	(2,876)
TRANSFERS				
Transfers in	88,713	404,975		
Transfers out	(416,061)	(4,747)		
Total transfers	(327,348)	400,228		
Change in net assets	7,796,142	(83,192)	2,109	(2,876)
NET ASSETS:				
Beginning of year	23,201,378	51,447,157	111,238	141,846
End of year	\$ 30,997,520	\$ 51,363,965	\$ 113,347	\$ 138,970

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 18,031,050	\$ 11,092,854	\$ 117,761	\$ 22,431	\$ 134,806	\$ 11,367,852	\$ 10,676,364	\$ 30,706
473,986	36,335				36,335	43,685	
18,505,036	11,129,189	117,761	22,431	134,806	11,404,187	10,720,049	30,706
3,323,112	2,542,934				2,542,934	3,180,680	
3,341,092	3,063,973	328,221			3,392,194	4,835,355	
2,015,581	1,576,728	382,651	97,031		2,056,410	853,272	96,455
490,544	367,775				367,775	377,951	
1,226,476	960,649				960,649	878,364	
10,396,805	8,512,059	710,872	97,031		9,319,962	10,125,622	96,455
8,108,231	2,617,130	(593,111)	(74,600)	134,806	2,084,225	594,427	(65,749)
631,580	172,622	349,168	63,831	372	585,993	80,776	1,244
(1,100,508)	(376,028)	(3,712)		(133,543)	(513,283)		
(468,928)	(203,406)	345,456	63,831	(133,171)	72,710	80,776	1,244
7,639,303	2,413,724	(247,655)	(10,769)	1,635	2,156,935	675,203	(64,505)
493,688	64,200		21,767		85,967	75,415	
(420,808)	(1,105,971)				(1,105,971)	(600,000)	
72,880	(1,041,771)		21,767		(1,020,004)	(524,585)	
7,712,183	1,371,953	(247,655)	10,998	1,635	1,136,931	150,618	(64,505)
74,901,619	33,505,608	35,980,253	5,946,306	(95,335)	75,336,832	20,386,704	235,195
\$ 82,613,802	\$ 34,877,561	\$ 35,732,598	\$ 5,957,304	\$ (93,700)	\$ 76,473,763	\$ 20,537,322	\$ 170,690

(Continued)

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets, Continued
Enterprise Funds
For the year ended June 30, 2010

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 10,707,070	\$ 477,321	\$ 40,583,293
Other revenues	43,685	245,760	799,766
Total operating revenues	10,750,755	723,081	41,383,059
OPERATING EXPENSES:			
Personnel services	3,180,680	318,124	9,364,850
Materials, supplies and other services	4,835,355	252,682	11,821,323
Depreciation	949,727	279,028	5,300,746
Administrative shared expenses	377,951	34,326	1,270,596
Costs applied - labor, materials, supplies and services	878,364		3,065,489
Total operating expenses	10,222,077	884,160	30,823,004
OPERATING INCOME (LOSS)	528,678	(161,079)	10,560,055
NONOPERATING REVENUES (EXPENSES):			
Interest and investment earnings	82,020	1,460	1,301,053
Interest and related expenses		(23,284)	(1,637,075)
Total nonoperating revenues (expenses)	82,020	(21,824)	(336,022)
INCOME (LOSS) BEFORE TRANSFERS	610,698	(182,903)	10,224,033
TRANSFERS			
Transfers in	75,415	140,551	795,621
Transfers out	(600,000)	(221)	(2,127,000)
Total transfers	(524,585)	140,330	(1,331,379)
Change in net assets	86,113	(42,573)	8,892,654
NET ASSETS:			
Beginning of year	20,621,899	6,147,926	177,008,276
End of year	\$ 20,708,012	\$ 6,105,353	\$ 185,900,930

(Concluded)

This page intentionally left blank.

City of Merced
Combining Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2010

	Wastewater Operation	Wastewater Improvement	Wastewater Revolving	University Capital Charge Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 18,523,755	\$ 611,048	\$ (264)	\$ 134,638
Cash paid to suppliers	(5,048,282)	4,943,099		
Cash paid to employees	(3,139,369)			
Cash (paid to) received from other governments	(31,264)			76,500
Net cash provided (used) by operating activities	10,304,840	5,554,147	(264)	211,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds			(2,454)	
Advances to other funds		2,454		
Transfers from other funds	88,713	404,975		
Transfers to other funds	(416,061)	(4,747)		
Net cash provided (used) by noncapital financing activities	(327,348)	402,682	(2,454)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(126,915)	(26,423,591)		
Payment of long-term debt	(1,168,076)			(61,920)
Proceeds from issuance of long-term debt		13,865,123		
Interest payments	(930,986)			(138,716)
Net cash provided (used) by capital and related financing activities	(2,225,977)	(12,558,468)		(200,636)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings received (paid)	409,301	239,245	2,190	18
Payments from notes to private parties		(263)	263	
Net cash provided (used) by investing activities	409,301	238,982	2,453	18
Net increase (decrease) in cash cash and cash equivalents	8,160,816	(6,362,657)	(265)	10,520
Cash and cash equivalents at beginning of year	22,542,095	22,392,000	123,343	140,870
Cash and cash equivalents at end of year	\$ 30,702,911	\$ 16,029,343	\$ 123,078	\$ 151,390
Noncash financing activities:				
Borrowing under State revolving fund loan		\$ 21,115,509		

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 19,269,177	\$ 11,270,743	\$ 174,253	\$ 33,375	\$ 134,806	\$ 11,613,177	\$ 10,891,470	\$ 38,367
(105,183)	(4,659,126)	(512,336)	(2,805)		(5,174,267)	(6,062,195)	
(3,139,369)	(2,335,533)				(2,335,533)	(2,976,474)	
45,236				73,499	73,499		
16,069,861	4,276,084	(338,083)	30,570	208,305	4,176,876	1,852,801	38,367
(2,454)							
2,454		(1,200,000)	30,659		(1,169,341)		
493,688	64,200		21,767		85,967	75,415	
(420,808)	(1,105,971)				(1,105,971)	(600,000)	
72,880	(1,041,771)	(1,200,000)	52,426		(2,189,345)	(524,585)	
(26,550,506)	(310,896)	(187,464)	(194,570)		(692,930)	(219,691)	
(1,229,996)	(336,704)	(21,288)		(63,079)	(421,071)		
13,865,123							
(1,069,702)	(364,368)	(3,712)		(134,377)	(502,457)		
(14,985,081)	(1,011,968)	(212,464)	(194,570)	(197,456)	(1,616,458)	(219,691)	
650,754	172,723	367,327	66,527	20	606,597	80,351	1,182
650,754	172,723	367,327	66,527	20	606,597	80,351	1,182
1,808,414	2,395,068	(1,383,220)	(45,047)	10,869	977,670	1,188,876	39,549
45,198,308	10,368,665	26,767,208	4,673,536	135,346	41,944,755	4,661,092	60,685
\$ 47,006,722	\$ 12,763,733	\$ 25,383,988	\$ 4,628,489	\$ 146,215	\$ 42,922,425	\$ 5,849,968	\$ 100,234

\$ 21,115,509

(Continued)

City of Merced
Combining Statement of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2010

	Total Refuse Collection System	Merced Municipal Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers, including cash deposits	\$ 10,929,837	\$ 732,534	\$ 42,544,725
Cash paid to suppliers	(6,062,195)	(286,484)	(11,628,129)
Cash paid to employees	(2,976,474)	(289,789)	(8,741,165)
Cash (paid to) received from other governments		(113,552)	5,183
Net cash provided (used) by operating activities	1,891,168	42,709	22,180,614
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds		(30,659)	(33,113)
Advances to other funds			(1,166,887)
Transfers from other funds	75,415	140,551	795,621
Transfers to other funds	(600,000)	(221)	(2,127,000)
Net cash provided (used) by noncapital financing activities	(524,585)	109,671	(2,531,379)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(219,691)	(266,529)	(27,729,656)
Payment of long-term debt			(1,651,067)
Proceeds from issuance of long-term debt			13,865,123
Interest payments		(23,284)	(1,595,443)
Net cash provided (used) by capital and related financing activities	(219,691)	(289,813)	(17,111,043)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings received (paid)	81,533	2,018	1,340,902
Payments from notes to private parties			
Net cash provided (used) by investing activities	81,533	2,018	1,340,902
Net increase (decrease) in cash cash and cash equivalents	1,228,425	(135,415)	3,879,094
Cash and cash equivalents at beginning of year	4,721,777	237,881	92,102,721
Cash and cash equivalents at end of year	\$ 5,950,202	\$ 102,466	\$ 95,981,815

\$ 21,115,509
(Concluded)

This page intentionally left blank.

City of Merced
Combining Statement of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2010

	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)	\$ 8,668,494	\$ (694,901)	\$	\$ 134,638
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,203,446	812,135		
Receivables	(90,066)	493,551		
Due from other governments	(31,264)			76,500
Inventory				
Accounts payable	15,209	4,943,099		
Payroll liabilities	2,457			
Deposits	38,536			
Unearned revenue	322,121	263	(264)	
Other liabilities	(5,379)			
Compensated absences	(56,663)			
Net other postemployment benefits obligation	237,949			
Total adjustments	1,636,346	6,249,048	(264)	76,500
Net cash provided (used) by operating activities	\$ 10,304,840	\$ 5,554,147	\$ (264)	\$ 211,138

Total Wastewater System	Water Operations	Restricted Water Wells	Restricted Water Mains	University Capital Charge Water	Total Water System	Refuse Collection	Refuse Capital Equipment
\$ 8,108,231	\$ 2,617,130	\$ (593,111)	\$ (74,600)	\$ 134,806	\$ 2,084,225	\$ 594,427	\$ (65,749)
2,015,581	1,576,728	382,651	97,031		2,056,410	853,272	96,455
403,485	335,867	56,492	10,944		403,303	30,653	7,661
45,236				73,499	73,499		
	(61,067)				(61,067)		
4,958,308	(205,162)	(184,115)	(2,805)		(392,082)	29,475	
2,457	19,188				19,188	17,515	
38,536	(96,316)				(96,316)	17,284	
322,120	(97,997)				(97,997)	123,484	
(5,379)	(500)				(500)		
(56,663)	19,560				19,560	(38,884)	
237,949	168,653				168,653	225,575	
7,961,630	1,658,954	255,028	105,170	73,499	2,092,651	1,258,374	104,116
\$ 16,069,861	\$ 4,276,084	\$ (338,083)	\$ 30,570	\$ 208,305	\$ 4,176,876	\$ 1,852,801	\$ 38,367

(Continued)

City of Merced
Combining Statement of Cash Flows, Continued
Enterprise Funds
For the year ended June 30, 2010

	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)	\$ 528,678	\$ (161,079)	\$ 10,560,055
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	949,727	279,028	5,300,746
Receivables	38,314	9,523	854,625
Due from other governments		(113,552)	5,183
Inventory			(61,067)
Accounts payable	29,475	10,624	4,606,325
Payroll liabilities	17,515	1,149	40,309
Deposits	17,284	(70)	(40,566)
Unearned revenue	123,484		347,607
Other liabilities		(10,100)	(15,979)
Compensated absences	(38,884)	3,299	(72,688)
Net other postemployment benefits obligation	225,575	23,887	
Total adjustments	<u>1,362,490</u>	<u>203,788</u>	<u>10,964,495</u>
Net cash provided (used) by operating activities	<u>\$ 1,891,168</u>	<u>\$ 42,709</u>	<u>\$ 21,524,550</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 workers' compensation and liability programs.

Liability Insurance Fund - This fund provides the accounting mechanism through which the City pays the costs 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 - This 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 recreation areas.

Support Services Fund - This fund accounts for the Personnel, Information Systems, Records and Risk Management Administration divisions 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, 2010

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 46,450	\$ 973,552	\$ 7,624	\$ 1,460,751
Receivables				
Accounts	1,400	18,787		503
Notes				
Interest	110	2,353	18	3,525
Due from other governments				19,862
Prepaid items		9,137		
Inventory				
Total current assets	<u>47,960</u>	<u>1,003,829</u>	<u>7,642</u>	<u>1,484,641</u>
Non-current assets:				
Capital assets:				
Non-depreciable				
Depreciable, net of accumulated depreciation				
Total capital assets				
Total noncurrent assets				
Total assets	<u>47,960</u>	<u>1,003,829</u>	<u>7,642</u>	<u>1,484,641</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts payable	28,644	104,071		6,184
Payroll liabilities				
Other liabilities				2,598
Claims payable, due within one year	570,512	896,722		
Compensated absences payable, due within one year				
Total current liabilities	<u>599,156</u>	<u>1,000,793</u>		<u>8,782</u>
Claims payable, due in more than one year	1,975,935			
Compensated absences payable, due in more than one year				
Net other postemployment benefits obligation				
Total liabilities	<u>2,575,091</u>	<u>1,000,793</u>		<u>8,782</u>
Net Assets:				
Invested in capital assets, net of related debt				
Unrestricted	(2,527,131)	3,036	7,642	1,475,859
Total net assets	<u>\$ (2,527,131)</u>	<u>\$ 3,036</u>	<u>\$ 7,642</u>	<u>\$ 1,475,859</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>
\$ 425,227	\$ 13,880,154	\$ 331,650	\$ 584,710	\$ 1,709,182	\$ 19,419,300
541		2,402			23,633
	247,501				247,501
1,028	38,834	802	1,413	4,131	52,214
1,449					21,311
					9,137
37,480					37,480
<u>465,725</u>	<u>14,166,489</u>	<u>334,854</u>	<u>586,123</u>	<u>1,713,313</u>	<u>19,810,576</u>
69,999			51,143		121,142
136,323	4,588,659	1,045,880	504,038	542,503	6,817,403
206,322	4,588,659	1,045,880	555,181	542,503	6,938,545
206,322	4,588,659	1,045,880	555,181	542,503	6,938,545
672,047	18,755,148	1,380,734	1,141,304	2,255,816	26,749,121
56,071		31,494	31,319	10,628	268,411
44,134		34,077	95,768		173,979
	2,735	10,984			16,317
					1,467,234
2,758			6,267		9,025
102,963	2,735	76,555	133,354	10,628	1,934,966
					1,975,935
115,813		39,892	168,636		324,341
164,671		110,072	349,383		624,126
383,447	2,735	226,519	651,373	10,628	4,859,368
206,322	4,588,659	1,045,880	555,181	542,503	6,938,545
82,278	14,163,754	108,335	(65,250)	1,702,685	14,951,208
<u>\$ 288,600</u>	<u>\$ 18,752,413</u>	<u>\$ 1,154,215</u>	<u>\$ 489,931</u>	<u>\$ 2,245,188</u>	<u>\$ 21,889,733</u>

City of Merced
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
OPERATING REVENUES:				
Charges for services	\$ 374,127	\$ 3,126,811	\$ 83,124	\$ 7,753,321
Other		13,706		331,409
Total operating revenues	374,127	3,140,517	83,124	8,084,730
OPERATING EXPENSES:				
Personnel services				
Materials, supplies and other services	220,865	561,203	1,915	408,155
Depreciation				
Administrative shared expenses	32,061	48,005	974	137,486
Insurance	916,778	2,465,666	169,023	7,962,401
Total operating expenses	1,169,704	3,074,874	171,912	8,508,042
OPERATING INCOME (LOSS)	(795,577)	65,643	(88,788)	(423,312)
NONOPERATING REVENUES (EXPENSES):				
Interest and investment earnings	121	8,692	176	24,296
Gain (loss) on sale of equipment				
Total nonoperating revenues (expenses)	121	8,692	176	24,296
INCOME (LOSS) BEFORE TRANSFERS	(795,456)	74,335	(88,612)	(399,016)
TRANSFERS:				
Transfers in			89,438	
Transfers out				(1,772,443)
Total transfers			89,438	(1,772,443)
NET INCOME (LOSS)	(795,456)	74,335	826	(2,171,459)
NET ASSETS:				
Beginning of the year	(1,731,675)	(71,299)	6,816	3,647,318
End of the year	\$ (2,527,131)	\$ 3,036	\$ 7,642	\$ 1,475,859

<u>Fleet Management</u>	<u>Fleet Replacement</u>	<u>Facility Maintenance</u>	<u>Support Services</u>	<u>Personal Computer Replacement</u>	<u>Total</u>
\$ 1,997,067	\$ 1,634,750	\$ 1,064,117	\$ 3,229,176	\$ 94,925	\$ 19,357,418
8,059		2,274	5,347		360,795
<u>2,005,126</u>	<u>1,634,750</u>	<u>1,066,391</u>	<u>3,234,523</u>	<u>94,925</u>	<u>19,718,213</u>
1,035,511		697,682	2,212,634		3,945,827
2,054,385		564,259	1,123,645	305,587	5,240,014
30,659	1,772,348	68,726	199,500	251,793	2,323,026
89,786		51,063	91,155		450,530
					<u>11,513,868</u>
<u>3,210,341</u>	<u>1,772,348</u>	<u>1,381,730</u>	<u>3,626,934</u>	<u>557,380</u>	<u>23,473,265</u>
<u>(1,205,215)</u>	<u>(137,598)</u>	<u>(315,339)</u>	<u>(392,411)</u>	<u>(462,455)</u>	<u>(3,755,052)</u>
9,992	199,244	1,311	1,376	23,854	269,062
21,000			479		21,479
<u>30,992</u>	<u>199,244</u>	<u>1,311</u>	<u>1,855</u>	<u>23,854</u>	<u>290,541</u>
<u>(1,174,223)</u>	<u>61,646</u>	<u>(314,028)</u>	<u>(390,556)</u>	<u>(438,601)</u>	<u>(3,464,511)</u>
27,144		19,372	68,917		204,871
	(225,000)	(8,075)		(250,000)	(2,255,518)
<u>27,144</u>	<u>(225,000)</u>	<u>11,297</u>	<u>68,917</u>	<u>(250,000)</u>	<u>(2,050,647)</u>
<u>(1,147,079)</u>	<u>(163,354)</u>	<u>(302,731)</u>	<u>(321,639)</u>	<u>(688,601)</u>	<u>(5,515,158)</u>
<u>1,435,679</u>	<u>18,915,767</u>	<u>1,456,946</u>	<u>811,570</u>	<u>2,933,789</u>	<u>27,404,911</u>
<u>\$ 288,600</u>	<u>\$ 18,752,413</u>	<u>\$ 1,154,215</u>	<u>\$ 489,931</u>	<u>\$ 2,245,188</u>	<u>\$ 21,889,753</u>

City of Merced
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	Workers' Compensation Insurance	Liability Insurance	Unemployment Insurance	Employee Benefits
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, including cash deposits	\$ 374,127	\$ 3,153,104	\$ 83,124	\$ 8,087,044
Cash paid to suppliers	(226,853)	(451,104)	(2,889)	(572,912)
Cash paid to employees				
Cash payments other	(975,395)	(2,215,943)	(169,023)	(7,982,130)
Net cash provided (used) by operating activities	(828,121)	486,057	(88,788)	(467,998)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Notes receivable				
Transfers from other funds			89,438	
Transfers to other funds				(1,772,443)
Net cash provided (used) by noncapital financing activities			89,438	(1,772,443)
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	2,291	8,040	178	29,862
Net cash provided (used) by investing activities	2,291	8,040	178	29,862
Net increase (decrease) in cash cash and cash equivalents	(825,830)	494,097	828	(2,210,579)
Cash and cash equivalents at beginning of year	872,280	479,455	6,796	3,671,330
Cash and cash equivalents at end of year	\$ 46,450	\$ 973,552	\$ 7,624	\$ 1,460,751

Fleet Management	Fleet Replacement	Facility Maintenance	Support Services	Personal Computer Replacement	Total
\$ 2,013,042	\$ 1,636,801	\$ 1,071,995	\$ 3,234,800	\$ 94,925	\$ 19,748,962
(2,066,303)	(11,880)	(634,077)	(1,225,468)	(474,743)	(5,666,229)
(955,335)		(647,654)	(2,033,567)		(3,636,556)
		(837)			(11,343,328)
(1,008,596)	1,624,921	(210,573)	(24,235)	(379,818)	(897,151)
	116,753	1,032	1,841	6,870	126,496
27,144		19,372	68,917		204,871
	(225,000)	(8,075)		(250,000)	(2,255,518)
27,144	(108,247)	12,329	70,758	(243,130)	(1,924,151)
(1)	(1,406,994)	3,669	(74,214)	(197)	(1,477,737)
21,000			479		21,479
20,999	(1,406,994)	3,669	(73,735)	(197)	(1,456,258)
13,094	202,185	509	(37)	19,723	275,845
13,094	202,185	509	(37)	19,723	275,845
(947,359)	311,865	(194,066)	(27,249)	(603,422)	(4,001,715)
1,372,586	13,568,289	525,716	611,959	2,312,604	23,421,015
\$ 425,227	\$ 13,880,154	\$ 331,650	\$ 584,710	\$ 1,709,182	\$ 19,419,300

(Continued)

City of Merced
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2010

	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)	\$ (795,577)	\$ 65,643	\$ (88,788)	\$ (423,312)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation				
Accounts receivable		12,587		2,314
Due from other governments				(19,862)
Prepaid items		105,920		
Inventory				
Accounts payable	26,073	52,184		(27,271)
Payroll liabilities				
Other liabilities				133
Insurance claim payable	(58,617)	249,723		
Compensated absence payable				
Net other post employment benefits obligation				
Total adjustments	<u>(32,544)</u>	<u>420,414</u>		<u>(44,686)</u>
Net cash provided (used) by operating activities	<u>\$ (828,121)</u>	<u>\$ 486,057</u>	<u>\$ (88,788)</u>	<u>\$ (467,998)</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>
\$ (1,205,215)	\$ (137,598)	\$ (315,339)	\$ (392,411)	\$ (462,455)	\$ (3,755,052)
30,659	1,772,348	68,726	199,500	251,793	2,323,026
(541)		5,604	277		20,241
8,457					(11,405)
					105,920
51,544					51,544
26,324	(11,880)	(18,755)	(10,668)	(169,156)	(133,149)
983		6,025	4,256		11,264
	2,051	(837)			1,347
					191,106
(108)		(9,004)	6,560		(2,552)
79,301		53,007	168,251		300,559
<u>196,619</u>	<u>1,762,519</u>	<u>104,766</u>	<u>368,176</u>	<u>82,637</u>	<u>2,857,901</u>
\$ (1,008,596)	\$ 1,624,921	\$ (210,573)	\$ (24,235)	\$ (379,818)	\$ (897,151)

(Concluded)

This page intentionally left blank.

PRIVATE PURPOSE TRUST FUNDS

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

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

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, 2010

	Task Force	Youth Programs Endowment	Wahneta Hall	Missing Children	Regional Transportation Improvement	Total
ASSETS						
Cash, cash equivalents and investments	\$ 8,204	\$ 292	\$ 170,075	\$ 3,109	\$ 18,753	\$ 200,433
Accounts receivable					9,345	9,345
Notes receivable					56,236	56,236
Interest receivable	20		411	8	234	673
Total assets	8,224	292	170,486	3,117	84,568	266,687
LIABILITIES						
Accounts payable					18,729	18,729
Deferred Revenue					56,236	56,236
Other Liabilities					74	74
Total liabilities					75,039	75,039
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES						
Held in trust for other purposes	8,224	292	170,486	3,117	9,529	191,648
Total net assets	\$ 8,224	\$ 292	\$ 170,486	\$ 3,117	\$ 9,529	\$ 191,648

City of Merced
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2010

	Task Force Trust	Youth Programs Endowment	Wahneta Hall Trust	Missing Children	Regional Transportation Improvement	Total
ADDITIONS:						
Investment earnings	\$ (167)	\$ (31)	\$ 2,364	\$ 29	\$ 19,376	\$ 21,571
Miscellaneous				2,265	136,081	138,346
Total additions	(167)	(31)	2,364	2,294	155,457	159,917
DEDUCTIONS:						
General government	206,000	26,000	2,500		166,158	400,658
Total deductions	206,000	26,000	2,500		166,158	400,658
Net change in fund balances	(206,167)	(26,031)	(136)	2,294	(10,701)	(240,741)
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES						
Beginning of year	214,391	26,323	170,622	823	20,230	432,389
End of year	\$ 8,224	\$ 292	\$ 170,486	\$ 3,117	\$ 9,529	\$ 191,648

This page intentionally left blank.

AGENCY FUNDS

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

City of Merced
Balance Sheet
Agency Funds
June 30, 2010

	Deposits	RDA Deposits	Payroll Clearing	Liberty Park	16th Street Assessment
ASSETS					
Cash, cash equivalents and investments	\$ 1,475,754	\$ 241,767	\$	\$ 59,022	\$ 42,704
Restricted cash held by fiscal agent					
Interest receivables				143	103
Deposits	109,327	76,696			
Due from other governments				2,045	9,939
Total assets	\$ 1,585,081	\$ 318,463	\$	\$ 61,210	\$ 52,746
LIABILITIES					
Other payables	\$ 211,814	\$	\$	\$	\$
Deposits	1,373,267	318,463			
Due to bondholders				61,210	52,746
Total liabilities	\$ 1,585,081	\$ 318,463	\$	\$ 61,210	\$ 52,746

Fahrens Park Debt Service	Fahrens Park Capital Projects	Bellevue Ranch East Debt Service	Bellevue Ranch East Capital Projects	Bellevue Ranch West Debt Service	Moraga Development Debt Service	MM Narcotics Task Force Special Revenue
\$ 694,136	\$ 419,964	\$ 6,893	\$	\$ 5,065	\$ 3,589	\$ 214,392
		1,504,592		541,008	609,565	
1,678	578	17		12	9	518
24,329		100,730		118,969	113,227	
<u>\$ 720,143</u>	<u>\$ 420,542</u>	<u>\$ 1,612,232</u>	<u>\$</u>	<u>\$ 665,054</u>	<u>\$ 726,390</u>	<u>\$ 214,910</u>
\$	\$	\$ 41	\$	\$	\$	\$ 3,859
						211,051
720,143	420,542	1,612,191		665,054	726,390	
<u>\$ 720,143</u>	<u>\$ 420,542</u>	<u>\$ 1,612,232</u>	<u>\$</u>	<u>\$ 665,054</u>	<u>\$ 726,390</u>	<u>\$ 214,910</u>

City of Merced
Balance Sheet, Continued
Agency Funds
June 30, 2010

	MMNTF Federal Sharing	Merced Somoto Sister City	Merced Community's VIP	Total
ASSETS				
Cash, cash equivalents and investments	\$ 75,986	\$ 6,286	\$ 732	\$ 3,246,290
Restricted cash held by fiscal agent				2,655,165
Interest receivables	184	15		3,257
Deposits				186,023
Due from other governments				369,239
Total assets	\$ 76,170	\$ 6,301	\$ 732	\$ 6,459,974
LIABILITIES				
Other payables	\$	\$	\$	\$ 215,714
Deposits	76,170	6,301	732	1,985,984
Due to bondholders				4,258,276
Total liabilities	\$ 76,170	\$ 6,301	\$ 732	\$ 6,459,974

(Concluded)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 1,350,716	\$ 424,124,737	\$ 423,999,699	\$ 1,475,754
Deposits	102,741	190,317	183,731	109,327
Total assets	\$ 1,453,457	\$ 424,315,054	\$ 424,183,430	\$ 1,585,081
Liabilities:				
Other payables	\$ 214,368	\$ 2,114,199	\$ 2,116,753	\$ 211,814
Deposits	1,239,089	422,200,855	422,066,677	1,373,267
Total liabilities	\$ 1,453,457	\$ 424,315,054	\$ 424,183,430	\$ 1,585,081
<u>RDA Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 221,462	\$ 81,772	\$ 61,467	\$ 241,767
Deposits	76,736	166	206	76,696
Total assets	\$ 298,198	\$ 81,938	\$ 61,673	\$ 318,463
Liabilities:				
Deposits	\$ 298,198	\$ 81,938	\$ 61,673	\$ 318,463
Total liabilities	\$ 298,198	\$ 81,938	\$ 61,673	\$ 318,463
<u>Payroll Clearing</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 27,267,317	\$ 27,267,317	\$
Total assets	\$	\$ 27,267,317	\$ 27,267,317	\$
Liabilities:				
Other payables	\$	\$ 27,267,317	\$ 27,267,317	\$
Total liabilities	\$	\$ 27,267,317	\$ 27,267,317	\$

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Liberty Park</u>				
Assets:				
Cash, cash equivalents and investments	\$ 55,548	\$ 52,014	\$ 48,540	\$ 59,022
Interest receivable	165	143	165	143
Due from other governments	2,671	2,044	2,670	2,045
Total assets	\$ 58,384	\$ 54,201	\$ 51,375	\$ 61,210
Liabilities:				
Due to bondholders	\$ 58,384	\$ 54,201	\$ 51,375	\$ 61,210
Total liabilities	\$ 58,384	\$ 54,201	\$ 51,375	\$ 61,210
<u>16th Street Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 42,273	\$ 48,619	\$ 48,188	\$ 42,704
Interest receivable	126	103	126	103
Due from other governments	10,793	9,939	10,793	9,939
Total assets	\$ 53,192	\$ 58,661	\$ 59,107	\$ 52,746
Liabilities:				
Due to bondholders	\$ 53,192	\$ 58,661	\$ 59,107	\$ 52,746
Total liabilities	\$ 53,192	\$ 58,661	\$ 59,107	\$ 52,746
<u>Fahrens Park Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 653,961	\$ 519,299	\$ 479,124	\$ 694,136
Interest receivable	1,943	1,678	1,943	1,678
Due from other governments	53,315	24,329	53,315	24,329
Total assets	\$ 709,219	\$ 545,306	\$ 534,382	\$ 720,143
Liabilities:				
Due to bondholders	\$ 709,219	\$ 545,306	\$ 534,382	\$ 720,143
Total liabilities	\$ 709,219	\$ 545,306	\$ 534,382	\$ 720,143

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Fahrens Park Capital Projects</u>				
Assets:				
Cash, cash equivalents and investments	\$ 417,118	\$ 4,230	\$ 1,384	\$ 419,964
Interest receivable	1,554	578	1,554	578
Total assets	\$ 418,672	\$ 4,808	\$ 2,938	\$ 420,542
Liabilities:				
Due to bondholders	\$ 418,672	\$ 4,808	\$ 2,938	\$ 420,542
Total liabilities	\$ 418,672	\$ 4,808	\$ 2,938	\$ 420,542
<u>Bellevue Ranch East Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$	\$ 713,965	\$ 707,072	\$ 6,893
Restricted cash held by fiscal agent	1,541,041	679,391	715,840	1,504,592
Interest receivable		22,722	22,705	17
Accounts receivable	22,080		22,080	
Due from other governments	43,853	100,730	43,853	100,730
Total assets	\$ 1,606,974	\$ 1,516,808	\$ 1,511,550	\$ 1,612,232
Liabilities:				
Other Payables	\$ 3,502	\$ 13,399	\$ 16,860	\$ 41
Due to other funds	7,694		7,694	
Due to bondholders	1,595,778	1,503,409	1,486,996	1,612,191
Total liabilities	\$ 1,606,974	\$ 1,516,808	\$ 1,511,550	\$ 1,612,232
<u>Bellevue Ranch East Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2,697	\$ 139,643	\$ 142,340	\$
Restricted cash held by fiscal agent	131,857		131,857	
Interest receivable	31		31	
Due from other funds	7,694		7,694	
Total assets	\$ 142,279	\$ 139,643	\$ 281,922	\$
Liabilities:				
Other Payables	\$ 4,935	\$ 137,279	\$ 142,214	\$
Due to bondholders	137,344	2,364	139,708	
Total liabilities	\$ 142,279	\$ 139,643	\$ 281,922	\$

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Bellevue Ranch West Debt Service</u>				
Assets:				
Cash, cash equivalents and investments	\$ 6,319	\$ 461,361	\$ 462,615	\$ 5,065
Restricted cash held by fiscal agent	583,163	450,520	492,675	541,008
Interest receivable	19	12	19	12
Accounts receivable	212,958		212,958	
Due from other governments	93,706	118,969	93,706	118,969
Total assets	\$ 896,165	\$ 1,030,862	\$ 1,261,973	\$ 665,054
Liabilities:				
Other payables	\$ 3,502	\$ 8,296	\$ 11,798	\$
Due to bondholders	892,663	1,022,565	1,250,174	665,054
Total liabilities	\$ 896,165	\$ 1,030,861	\$ 1,261,972	\$ 665,054
<u>Bellevue Ranch West Capital Project</u>				
Assets:				
Cash, cash equivalents and investments	\$ 6,525	\$ 671,787	\$ 674,723	\$ 3,589
Restricted cash held by fiscal agent	322,254	662,505	375,194	609,565
Interest receivable	19	9	19	9
Due from other governments	389,462	113,227	389,462	113,227
Total assets	\$ 718,260	\$ 1,447,528	\$ 1,439,398	\$ 726,390
Liabilities:				
Other payables	\$ 3,502	\$ 8,279	\$ 11,781	\$
Due to bondholders	714,758	1,439,249	1,427,617	726,390
Total liabilities	\$ 718,260	\$ 1,447,528	\$ 1,439,398	\$ 726,390
<u>MM Narcotics Task Force Special Revenue</u>				
Assets:				
Cash, cash equivalents and investments	\$ 139,858	\$ 149,682	\$ 75,148	\$ 214,392
Interest receivable	415	518	415	518
Total assets	\$ 140,273	\$ 150,200	\$ 75,563	\$ 214,910
Liabilities:				
Other payables	\$ 4,291	\$ 74,252	\$ 74,684	\$ 3,859
Deposits	135,982	75,948	879	211,051
Total liabilities	\$ 140,273	\$ 150,200	\$ 75,563	\$ 214,910

(Continued)

City of Merced
Statement of Changes in Fiduciary Assets and Liabilities, Continued
Fiduciary Funds - Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>MMNTF Federal Sharing</u>				
Assets:				
Cash, cash equivalents and investments	\$ 74,021	\$ 2,211	\$ 246	\$ 75,986
Interest receivable	220	184	220	184
Total assets	\$ 74,241	\$ 2,395	\$ 466	\$ 76,170
Liabilities:				
Deposits	\$ 74,241	\$ 2,395	\$ 466	\$ 76,170
Total liabilities	\$ 74,241	\$ 2,395	\$ 466	\$ 76,170
<u>Merced - Somoto Sister City</u>				
Assets:				
Cash, cash equivalents and investments	\$ 5,967	\$ 9,471	\$ 9,152	\$ 6,286
Interest receivable	18	15	18	15
Total assets	\$ 5,985	\$ 9,486	\$ 9,170	\$ 6,301
Liabilities:				
Deposits	\$ 5,985	\$ 9,486	\$ 9,170	\$ 6,301
Total liabilities	\$ 5,985	\$ 9,486	\$ 9,170	\$ 6,301
<u>Merced - Merced Community's VIP</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2,710	\$ 4,031	\$ 6,009	\$ 732
Interest receivable	8		8	
Total assets	\$ 2,718	\$ 4,031	\$ 6,017	\$ 732
Liabilities:				
Deposits	\$ 2,718	\$ 4,031	\$ 6,017	\$ 732
Total liabilities	\$ 2,718	\$ 4,031	\$ 6,017	\$ 732

(Continued)

City of Merced

Statement of Changes in Fiduciary Assets and Liabilities, Continued

Fiduciary Funds - Agency Funds

For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 2,979,175	\$ 454,250,139	\$ 453,983,024	\$ 3,246,290
Restricted cash held by fiscal agents	2,578,315	1,792,416	1,715,566	2,655,165
Interest receivable	4,518	25,962	27,223	3,257
Accounts receivable	235,038		235,038	
Deposits	179,477	190,483	183,937	186,023
Due from other governments	593,800	369,238	593,799	369,239
Due from other funds	7,694		7,694	
Total assets	<u>\$ 6,578,017</u>	<u>\$ 456,628,238</u>	<u>\$ 456,746,281</u>	<u>\$ 6,459,974</u>
Liabilities:				
Other payables	\$ 234,100	\$ 29,623,021	\$ 29,641,407	\$ 215,714
Due to other funds	7,694		7,694	
Deposits	1,756,213	422,374,653	422,144,882	1,985,984
Due to bondholders	4,580,010	4,630,563	4,952,297	4,258,276
Total liabilities	<u>\$ 6,578,017</u>	<u>\$ 456,628,237</u>	<u>\$ 456,746,280</u>	<u>\$ 6,459,974</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>	190
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>	200
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>	208
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>	213
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>	215

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

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

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

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

Source: June 30, 2010 CAFR pg17

Fiscal Year			
2007	2008	2009	2010
\$ 298,036,557	\$ 319,244,656	\$ 315,446,531	\$ 324,434,267
38,115,079	39,957,242	53,595,622	44,702,806
77,777,779	71,316,915	57,875,418	42,063,722
<u>\$ 413,929,415</u>	<u>\$ 430,518,813</u>	<u>\$ 426,917,571</u>	<u>\$ 411,200,795</u>
\$ 52,964,607	\$ 73,181,722	\$ 78,912,846	\$ 81,107,174
19,382,097	15,709,079	15,532,992	16,759,584
70,757,428	74,579,316	82,562,438	88,034,172
<u>\$ 143,104,132</u>	<u>\$ 163,470,117</u>	<u>\$ 177,008,276</u>	<u>\$ 185,900,930</u>
\$ 351,001,164	\$ 392,426,378	\$ 394,359,377	\$ 405,541,441
57,497,176	55,666,321	69,128,614	61,462,390
148,535,207	145,896,231	140,437,856	130,097,894
<u>\$ 557,033,547</u>	<u>\$ 593,988,930</u>	<u>\$ 603,925,847</u>	<u>\$ 597,101,725</u>

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

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

Fiscal Year				
	2007	2008	2009	2010
\$	24,535,552	\$ 29,549,528	\$ 33,551,460	\$ 32,272,561
	25,733,837	28,182,100	29,146,402	27,080,093
	12,657,996	15,711,235	15,264,700	20,138,631
	5,779,350	6,782,539	5,658,167	3,930,014
	1,477,834	1,375,397	1,536,098	2,015,366
	<u>70,184,570</u>	<u>81,600,799</u>	<u>85,156,827</u>	<u>85,436,665</u>
	7,803,288	11,377,729	11,997,758	11,497,313
	6,725,616	9,598,777	9,956,804	9,833,245
	7,945,319	11,527,731	10,839,549	10,222,077
	738,941	739,812	823,199	907,444
	<u>23,213,164</u>	<u>33,244,049</u>	<u>33,617,310</u>	<u>32,460,079</u>
\$	<u>93,397,734</u>	<u>\$ 114,844,848</u>	<u>\$ 118,774,137</u>	<u>\$ 117,896,744</u>
\$	20,458,280	\$ 13,825,457	\$ 13,020,790	\$ 9,791,315
	10,791,169	8,670,146	10,737,159	9,726,309
	9,440,351	8,289,789	7,321,285	8,410,891
	20,804,576	21,366,033	10,380,895	3,802,900
	<u>61,494,376</u>	<u>52,151,425</u>	<u>41,460,129</u>	<u>31,731,415</u>
	14,891,056	15,166,622	18,174,214	18,505,301
	11,770,342	10,517,877	10,643,630	11,404,187
	10,447,295	10,224,911	10,743,387	10,750,755
	547,335	1,060,895	1,480,413	723,081
		12,914,315	1,761,808	
	<u>37,656,028</u>	<u>49,884,620</u>	<u>42,803,452</u>	<u>41,383,324</u>
\$	<u>99,150,404</u>	<u>\$ 102,036,045</u>	<u>\$ 84,263,581</u>	<u>\$ 73,114,739</u>
\$	(8,689,694)	\$ (29,449,374)	\$ (43,696,698)	\$ (53,705,250)
	14,442,864	16,640,571	9,186,142	8,923,245
\$	<u>5,753,170</u>	<u>\$ (12,808,803)</u>	<u>\$ (34,510,556)</u>	<u>\$ (44,782,005)</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216
Sales	9,799,975	10,409,903	8,821,966	9,826,786
Other	3,739,270	5,076,323	6,776,776	6,949,509
Investment earnings	679,613	466,163	805,643	1,403,994
Miscellaneous	5,745,068	4,996,952	1,867,486	1,915,362
Developer contributions of capital assets	832,661	8,232,230	3,067,067	
Transfers	(553,224)	(216,371)	(205,599)	(145,030)
Total governmental activities	\$ 29,077,678	\$ 38,474,982	\$ 37,484,140	\$ 40,340,837
Business-type activities:				
Investment earnings	1,215,989	608,035	1,551,101	2,561,355
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
Total business-type activities	3,703,932	10,837,057	7,261,488	2,706,385
Total primary government	\$ 32,781,610	\$ 49,312,039	\$ 44,745,628	\$ 43,047,222
Change in Net Assets				
Governmental activities	\$ (1,964,296)	\$ 8,406,888	\$ 12,538,069	\$ 36,591,903
Business-type activities	5,654,362	20,937,590	17,266,715	22,743,241
Total primary government	\$ 3,690,066	\$ 29,344,478	\$ 29,804,784	\$ 59,335,144

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
Source: June 30, 2010 CAFR pgs 18-19

					Fiscal Year					
					2007	2008	2009	2010		
\$	23,987,156	\$	25,824,787	\$	24,560,717	\$	20,767,841			
	16,104,789		13,796,334		11,768,163		11,206,239			
	4,677,469		3,850,572		3,721,083		3,579,946			
	2,699,785		2,104,907		1,347,878		620,821			
	2,054,865		776,895		425,639		482,248			
	(596,551)		(314,723)		(1,728,024)		1,331,379			
\$	48,927,513	\$	46,038,772	\$	40,095,456	\$	37,988,474			
	4,092,081		3,410,691		2,623,993		1,300,788			
	596,551		314,723		1,728,024		(1,331,379)			
	4,688,632		3,725,414		4,352,017		(30,591)			
\$	53,616,145	\$	49,764,186	\$	44,447,473	\$	37,957,883			
\$	40,237,819	\$	16,589,398	\$	(3,601,242)	\$	(15,716,776)			
	19,131,496		20,365,985		13,538,159		8,892,654			
\$	59,369,315	\$	36,955,383	\$	9,936,917	\$	(6,824,122)			

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Property	\$ 8,834,315	\$ 9,509,782	\$ 16,350,801	\$ 20,390,216	\$ 23,987,156	\$ 25,824,787	\$ 24,560,717	\$ 20,767,841
Sales	9,779,975	10,409,903	8,821,966	9,826,786	16,104,789	13,796,334	11,768,163	11,206,239
Motor Vehicle (1)								
Franchise	989,185	1,107,172	1,194,132	1,270,076	1,363,288	1,450,967	1,572,984	1,574,193
Transient Occupancy	672,192	716,819	604,210	910,755	816,855	901,585	904,175	745,071
Business License	938,003	1,089,317	1,161,454	1,280,686	1,234,700	1,286,895	1,159,991	1,249,681
Cost Recovery Impact Study	1,042,078	2,050,047	2,109,039	2,885,238	659,980	119,682	4,135	11,001
Business Improvement Area			108,112	107,229	100,166	91,443	79,798	-
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	\$ 40,049,963	\$ 35,554,026

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

(2) Motor Vehicle In Lieu of Taxes has been restated to be included in the Other Revenue as it is not a tax

Source: June 30, 2010 CAFR pg 19

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 1,988,068	\$ 1,231,989	\$ 913,612	\$ 1,014,604	\$ 1,224,215	\$ 2,298,471	\$ 2,958,980	\$ 2,444,678
Unreserved	12,828,865	15,952,063	19,265,788	22,318,502	21,577,706	19,115,667	15,911,919	14,750,840
Total general fund	14,816,933	17,184,052	20,179,400	23,333,106	22,801,921	21,414,138	18,870,899	17,195,518
All other governmental funds								
Reserved	\$ 13,754,073	\$ 17,734,090	\$ 24,253,686	\$ 28,110,594	\$ 26,338,922	\$ 22,352,040	\$ 24,626,965	\$ 29,223,036
Unreserved reported in:								
Special revenue funds	12,615,666	19,015,330	25,351,249	21,843,082	23,168,682	29,075,040	24,938,952	19,873,552
Debt service funds		(694,014)	6,295	6,503	6,867	7,176	7,362	117,887
Capital project funds	12,212,409	11,805,317	11,470,519	16,327,698	7,252,625	7,619,781	15,614,888	4,270,602
Total all other governmental funds	38,582,148	47,860,723	61,081,749	66,287,877	56,767,096	59,054,037	65,188,167	53,485,077
Total all governmental funds	\$ 53,399,081	\$ 65,044,775	\$ 81,261,149	\$ 89,620,983	\$ 79,569,017	\$ 80,468,175	\$ 84,059,066	\$ 70,680,595

Source: June 30, 2010 CAFR pgs 22-23

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	\$ 22,373,560	\$ 24,996,008	\$ 30,354,133	\$ 38,244,770	\$ 45,240,907	\$ 43,471,693	\$ 40,049,963	\$ 35,653,567
Licenses and permits	46,741	39,474	42,222	45,397	47,953	47,116	33,378	35,582
Intergovernmental	11,965,906	13,093,883	10,456,810	8,748,689	11,366,663	10,198,364	8,644,598	10,954,652
Service charges	11,454,584	17,036,906	20,659,343	24,649,666	18,431,262	15,250,352	13,964,709	11,908,728
Fines, forfeitures and penalties	959,229	542,351	567,387	650,294	607,976	778,027	789,552	706,903
Other	4,902,565	4,652,592	7,035,248	11,513,971	12,846,859	8,500,252	7,225,863	6,612,687
Total revenues	51,702,585	60,361,214	69,115,143	83,852,787	88,541,620	78,245,804	70,708,063	65,872,119
Expenditures								
General government	12,270,297	14,102,947	16,525,030	18,200,995	22,303,991	26,522,000	26,550,216	24,798,659
Public safety	18,199,199	27,052,794	21,523,427	23,880,753	26,857,739	27,615,315	27,742,172	25,013,821
Public works	3,651,120	4,173,888	4,924,123	5,159,499	6,014,516	5,503,186	5,211,714	8,103,180
Parks	3,462,241	3,532,567	4,213,350	4,603,647	5,539,601	6,403,996	4,873,962	2,827,880
Capital outlay	14,751,194	6,183,331	5,251,642	21,843,780	32,552,434	18,254,878	11,362,401	17,847,808
Debt service								
Principal	2,930,748	1,627,341	1,988,914	3,242,392	2,049,565	2,125,599	2,191,707	2,207,895
Interest	1,380,795	1,432,309	1,702,387	1,510,920	1,453,796	1,377,278	1,475,955	1,833,373
Total expenditures	56,645,594	58,105,177	56,128,873	78,441,986	96,771,642	87,802,252	79,408,127	82,632,616
Excess of revenues over (under) expenditures	(4,943,009)	2,256,037	12,986,270	5,410,801	(8,230,022)	(9,556,448)	(8,700,064)	(16,760,497)
Other financing sources (uses)								
Proceeds from issuance of debt	14,627,825	7,355,000	894,300			250,000	13,120,000	-
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	30,354,900	22,629,538
Transfers out	(13,135,736)	(13,136,031)	(15,318,108)	(22,781,960)	(24,092,679)	(21,326,068)	(31,183,944)	(19,247,512)
Total other financing sources (uses)	14,772,000	7,685,952	1,893,946	2,949,033	(604,951)	410,843	12,290,956	3,382,026
Net change in fund balances	\$ 9,828,991	\$ 9,941,969	\$ 14,880,216	\$ 8,359,834	\$ (8,834,973)	\$ (9,145,605)	\$ 3,590,892	\$ (13,378,471)
Debt service as a percentage of noncapital expenditures	10.29%	5.89%	7.26%	8.40%	5.46%	5.04%	5.39%	6.24%

Source: June 30, 2010 CAFR pgs 27-28

This page intentionally left blank.

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

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

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 implemented GASB Statement 34 in fiscal year ended June 30, 2003
 Information prior to the implementation of GASB 34 is not available

Fiscal Year			
2007	2008	2009	2010
\$ 3,218,032,212	\$ 3,620,711,309	\$ 3,306,621,282	\$ 2,494,766,542
714,668,621	789,925,689	867,972,550	930,517,488
402,565,666	425,150,740	453,752,996	488,326,327
1,071,942	917,658	935,975	755,317
267,494	783,861	0	0
42,863,162	46,527,072	48,050,240	49,259,572
18,459,310	28,632,172	25,809,246	17,991,533
3,295,906	3,387,356	3,397,450	3,448,125
270,513,956	360,552,867	199,958,641	163,828,096
4,587,465	2,806,260	2,806,260	2,806,260
294,104,211	315,927,671	334,580,079	309,867,436
151,097	8,559,342	9,389,061	131,053,195
<u>\$ 4,970,581,042</u>	<u>\$ 5,603,881,997</u>	<u>\$ 5,253,273,780</u>	<u>\$ 4,592,619,891</u>
0.26201	0.25157	0.28137	0.29666
\$ 4,796,073,752	\$ 5,414,273,316	\$ 5,041,458,316	\$ 4,292,078,462

**City of Merced
Property Tax Rates
Direct and Overlapping Governments
Last Five Fiscal Years**

	Fiscal Year					
	2006	2007	2008	2009	2010	
City basic rate	0.22367	0.22367	0.22367	0.22367	0.22367	(1)
County General Fund	0.32776	0.32776	0.32776	0.32776	0.32776	
Merced Cemetary	0.00698	0.00698	0.00698	0.00698	0.00698	
Merced Co Region Occupation Program	0.00217	0.00217	0.00217	0.00217	0.00217	
Merced Community College	0.05081	0.05081	0.05081	0.05081	0.05081	
Merced Elementary	0.16628	0.16628	0.16628	0.16628	0.16628	
Merced High	0.12821	0.12821	0.12821	0.12821	0.12821	
Merced Irrigation District	0.03553	0.03553	0.03553	0.03553	0.03553	
Mosquito Abatement	0.01211	0.01211	0.01211	0.01211	0.01211	
School Capital Outlay	0.00353	0.00353	0.00353	0.00353	0.00353	
School Equalization	0.01430	0.01430	0.01430	0.01430	0.01430	
School Service	0.02865	0.02865	0.02865	0.02865	0.02865	
Total Prop 13 Rate	1.00000	1.00000	1.00000	1.00000	1.00000	
Overlapping Rates:						
County of Merced						
Merced City School Bonds	0.02600	0.01890	0.01860	0.01860	0.01680	
Merced High School Bond 1999	0.01400	0.01350	0.01350	0.01350	0.02100	
Merced Community College #1	0.02000	0.02000	0.01750	0.01750	0.01360	
Weaver Union Bond 2000			0.03550	0.03550	0.05490	
Total Direct and Overlapping Rates	1.06000	1.05240	1.08510	1.08510	1.10630	
City Direct Rates:						
Total city direct rate (Weighted Average)	0.27899	0.26201	0.25157	0.28137	0.29666	(2)
Redevelopment agency	1.00000	1.00000	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 Prop 13
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 of Merced implemented GASB 44 for the fiscal year ended June 30, 2006
Information prior to the implementation of GASB 44 is not available
- (5) ERAF (Educational Revenue Augmentation Fund) general fund tax shifts are not included in tax ratio figures

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

Fiscal Year	Governmental Activities					Business-Type Activities	
	(1) Redevelopment Bonds	Pension Obligation Bonds	Loans	Participation and Development Agreements	Total Governmental Activities	Water Revenue Bonds	Sewer 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
2009	36,042,825	7,000,000	4,110,308		47,153,133	7,671,312	18,404,912
2010	34,327,825	6,860,000	3,757,413		44,945,238	7,334,608	17,596,837

Notes:

- (1) Details regarding the Agency's outstanding debt can be found in the notes to the financial statements
- (2) 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
- (3) Metropolitan Statistical Area (Merced County) as reported by the Bureau of Economic Analysis

Business-Type Activities

Improvement Bonds	Loans	Participation and Development Agreements	Total Business-type Activities	Total Primary Government	(3) 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
1,300,000	7,927,209	90,534	35,393,967	82,547,100	2.44%	3,300
940,000	42,782,841	69,246	68,723,532	113,668,770	1.98%	4,078

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

<u>Taxpayer</u>	2010			2001		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Total Assessed Value	\$ 4,350,685,517		100%	\$2,306,470,325		100%
World Color Press, Inc. (Novink)	\$ 227,743,336	1	5.23%	\$104,434,920	1	4.53%
McLane Company Inc.	43,554,207	2	1.00%	\$16,117,063	5	0.70%
Safeway Inc.	35,591,820	3	0.82%	\$25,524,123	3	1.11%
Scholle Corporation	29,591,680	4	0.68%	\$24,927,551	4	1.08%
Morning Star Merced	22,807,844	5	0.52%			
NF Merced - LH LLC	22,062,500	6	0.51%			
Costco Wholesale Corporation	20,898,531	7	0.48%	\$14,198,946	7	0.62%
Comcast Corporation	20,050,006	8	0.46%			
Lowe's HIW INC	17,386,073	9	0.40%			
Arvin Sango	17,279,340	10	0.40%			
Conopco Inc.				\$56,843,248	2	2.46%
Crown Cork & Seal Co. Inc.				\$14,842,105	6	0.64%
Merced Mall LTD a Partnership				\$12,947,637	9	0.56%
Wamco Inc. (Bottling Group				\$13,416,292	8	0.58%
Lyons Investments a Partnership				\$11,968,689	10	0.52%
Total	\$ 456,965,337		10.50%	\$295,220,574		12.80%

Source: HDL Coren & Cone

City of Merced
Property Tax Levies and Collections
Last Eight Fiscal Years

Fiscal Year Ended June 30	(1) Total Tax Levy for Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy			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%
2009	15,434,251	13,601,711	88.1%	1,832,540	15,434,251	100%
2010	13,750,439	12,536,255	91.2%	1,214,184	13,750,439	100%

Source: County of Merced Auditor-Controller

Notes:

- (1) The amounts presented include City property taxes and Redevelopment Agency tax increment
- (2) 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

This page intentionally left blank.

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

Fiscal Year	Outstanding General Bonded Debt			(1)	(2)	(3)
	General Obligation Bonds	Redevelopment Bonds	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Percentage of Per Capita
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%
2009		36,042,825	36,042,825	5,041,458,316	0.715%	0.07%
2010		34,327,825	34,327,825	4,292,078,462	0.800%	0.08%

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 of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (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, 2010

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Debt Outstanding June 30, 2010</u>	<u>Share of Overlapping Debt June 30, 2010</u>
<u>Overlapping Debt repaid with Property Taxes:</u>			
Merced Community College District School Facilities Improvement District No. 1	29.783%	\$ 37,205,000	\$ 11,080,765
Merced Union High School District	38.107%	39,426,005	15,024,068
Merced City School District	79.553%	23,959,571	19,060,558
Weaver Union School District	51.692%	11,879,225	6,140,609
McSwain Union School District Community Facilities District No.2004-1	0.016%	2,855,000	457
Total overlapping debt repaid with property taxes:			<u>51,306,456</u>
<u>Overlapping Other Debt:</u>			
Merced County Certificates of Participation	22.575%	22,010,000	4,968,758
Merced County Pension Obligations	22.575%	44,900,000	10,136,175
Merced County Office of Education Certificates of Participation	22.575%	1,115,000	251,711
McSwain Union School District Certificates of Participation	0.016%	2,540,000	406
Merced City School District Certificates of Participation	79.553%	4,500,000	3,579,885
Weaver Union School District Certificates of Participation	51.692%	5,455,000	2,819,799
Total overlapping other debt:			<u>21,756,734</u>
Total overlapping debt:			73,063,190
City direct debt			44,945,238
Total direct and overlapping debt			<u>\$ 118,008,428</u>

Source: California Municipal Statistics, Inc.

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

City of Merced
Legal Debt Margin Information
Last Eight Fiscal Years

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

Source: California Municipal Statistics, Inc.

Note:

- (1) 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 of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available



Fiscal Year				
2007	2008	2009	2010	
\$ 4,796,157,552	\$ 5,410,352,797	\$ 5,253,273,780	\$ 4,350,685,517	
1,199,039,388	1,352,588,199	1,313,318,445	1,087,671,379	
179,855,908	202,888,230	196,997,767	163,150,707	
0	0	0	0	
<u>\$ 179,855,908</u>	<u>\$ 202,888,230</u>	<u>\$ 196,997,767</u>	<u>\$ 163,150,707</u>	
0%	0%	0%	0%	

City of Merced
Pledged-Revenue Coverage
Last Eight 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
2009	30,276,465	16,580,742	13,695,723	1,065,000	1,318,555	5.75
2010	30,749,348	15,644,776	15,104,572	1,105,000	1,277,365	6.34

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	
2009	439,385	295,000	79,035	1.17	
2010	398,404	360,000	61,468	0.95	

Fiscal Year	Tax Allocation Bonds				Coverage
	Tax	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	
2009	8,990,006	1,650,000	729,755	3.78	
2010	(4) 8,187,744	1,715,000	1,265,907	2.75	

Notes:

(1) The Redevelopment Agency 1994 Tax Allocation Bonds were refunded by the 1999 Tax Allocation Bonds

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

(4) The 2009 Gateways Redevelopment bonds were issues as a parity debt to the 2001 RDA Gateways bonds

(5) 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
Demographic and Economic Statistics
Last Eight 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%
2009	80,542	2,014,517	25,012	19,940	17.4%
2010	80,895	2,254,625	27,871	19,906	17.9%

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 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
Principal Employers
For Fiscal Year 2010**

Employer (1)	2010		
	Number of Employees	Rank	Percentage of Total Employment
County of Merced	2,028	1	6.24%
University of California, Merced	1,602	2	4.93%
Mercy Medical Center, Merced	1,200	3	3.69%
Merced City School District	1,141	4	3.51%
Merced Union High School District	949	5	2.92%
Cingular	900	6	2.77%
Merced College	900	7	2.77%
City of Merced	584	8	1.80%
World Color Press, Inc. (Novink)	564	9	1.74%
WalMart	311	10	0.96%
	10,179		31.32%
Total Labor Force (2)	32,500		

Source:

- (1) City of Merced Economic Development Department
- (2) State of California EDD

Note :

- (1) "Total Employment" as used above represents the total employment of employers located in the Merced area.
- (2) 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
Full-Time Equivalent City Government Employees by Function
Last Eight Fiscal Years

Function	Full-Time-Equivalent Employees as of June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
General Government	88	99	109	115	117	124	99.8	99.8
Redevelopment	4	5	4	4	5	5	6.2	6.2
Public Safety								
Police								
Officers	96	90	97	103	123	130	109	111
Civilians	22	20	21	22	28	27	25	24
Fire								
Firefighters and								
Officers	53	54	53	61	80	82	70	69
Civilians						4	3	3
Streets	24	24	26	25	34	32	28.3	25.3
Refuse	29	27	30	31	26	34	30.95	30.45
Parks and Recreation	88	59	83	79	22	27	25.65	24.2
Water	21	19	20	22	26	28	28.4	29.4
Wastewater	26	26	31	30	28	34	32.2	34.75
Other Public Works	38	37	33	38	40	42	36.5	35.9
Total	489	460	507	530	529	569	495	493

Source: City Finance Department

(1) Labor Quarterly Reports month of June 2003-2006

(2) City Payroll 2007 - 2010

(3) 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
Operating Indicators by Function
Last Eight Fiscal Years

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Government								
* Area (square miles)	21.52	22.09	22.34	22.76	22.91	23.07	23.07	23.07
* Bldg permits issued (4)	2,328	2,892	2,854	3,514	2,189	1,351	1,281	1,315
Police								
Physical arrests (3)	3,727	3,905	3,577	3,969	4,139	4,480	4,998	4,474
Traffic violations	7,797	9,037	8,214	8,105	6,849	7,456	10,398	11,106
Fire								
Number of Incidents	3,795	4,289	4,277	4,420	4,458	4,735	4,848	4,912
Inspections	4,385	4,264	4,884	4,997	4,642	4,460	3,945	4,949
Parks and Recreation								
Number of recreation classes	13	13	13	9	11	13	15	13
Number of facility rentals	781	876	851	651	598	811	834	1137
Water								
New connections	724	1007	926	977	861	214	94	81
Wastewater								
New connections	491	1005	1133	1074	860	15	254	0

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 of Merced implemented GASB 34 for the fiscal year ended June 30, 2003
Information prior to the implementation of GASB 34 is not available
- (3) Prior year numbers on physical arrests have been restated due to the inclusion of cite and releases
- (4) Includes building permits issued for improvements to existing property

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

Function	Fiscal Years							
	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety								
Police								
* Number of Stations	3	3	3	3	3	3	3	3
Fire Stations								
* Number of Stations	4	4	4	5	5	5	5	5
Public Works								
* Street miles (Center Line) (1)	208	276	276	298	307	307	317	321
Parks and recreation								
* Number of Parks (3)	29	29	29	35	40	60	62	62
Parks acreage (a)	340	340	340	380	387	395	396	396
Water								
* Water mains (miles)	256	256	274	276	277	306	317	317
Wastewater								
* Sanitary sewers (miles) (4)	245	254	256	256	257	259	261	261
* Storm sewers (miles)	48	78	84	84	85	102	112	112

Source: City of Merced

Note:

(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

(2) Prior year numbers on street miles have been restated due to the inclusion of State maintained highways

(3) Includes undeveloped parks

(4) Sanitary Sewer miles for years 2004-2009 have been restated.

This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
March 14, 2011