



City of Merced, California

Financial Statements

June 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 18 to the financial statements, the City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedules of changes in the net pension liabilities and related ratios, schedule of pension contributions, schedule of changes in the net other postemployment benefits (OPEB) liability and related ratios, and the schedule of OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements for the General Fund and University Capital Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024 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 grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
August 16, 2024

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, 2023.

FINANCIAL HIGHLIGHTS

The City's net position as shown on the Government-Wide Statement of Activities increased by \$25.0 million. The governmental net position increased by \$12.4 million, and the business-type net position increased by \$12.6 million.

Government-wide:

- As shown on the Statement of Net Position, the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$611.4 million.
- The net decrease to governmental activity long-term debt of \$3.6 million was due to scheduled payments of principal and unamortized premium retirements. Additional information can be found in Note 9.
- The net decrease to business-type activity long-term debt of \$3.8 million was due to scheduled principal payments and amortization of related premiums.

Governmental Funds:

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$26.4 million, or 66.1% of the General Fund balance.

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'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 Position, 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The Statement of Net Position presents information on all City assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the fiscal year. All changes in net position 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 absences).

Both 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, public works and culture and recreation. 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 the following legally separate entities for which the City is financially accountable:

- The City of Merced Public Financing and Economic Development Authority (Authority)
- The Parking Authority of the City of Merced (Parking Authority)

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 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 funds 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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 General Fund, Housing Special Revenue Fund, Measure C Special Revenue Fund, Low and Moderate Income Housing Special Revenue Fund, Public Facilities Impact Special Revenue Fund, American Rescue Plan Act Special Revenue Fund and Streets and Signals Capital Projects Fund, which are considered major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the General Fund, Housing Special Revenue Fund, Measure C Special Revenue Fund, Low and Moderate Income Housing Special Revenue Fund and the Public Facilities Impact Special Revenue Fund as required supplementary information to demonstrate compliance with the budget.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenues, expense and changes in net position for the Wastewater System, Water System and Refuse Collection System, which are considered major funds. The Airport Fund is the only non-major enterprise fund. Internal service funds are an accounting service used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for workers' compensation, liability and unemployment insurance, employee benefits, fleet management and replacement, facility maintenance, support services, personal computer replacement, and public works administration. 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 statements 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 position may serve over time as a useful indicator of a governments' financial position. In the case of the City, assets exceeded liabilities by \$611.4 million at the close of the most recent fiscal year.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 226,701,141	\$ 207,419,101	\$ 210,485,829	\$ 195,930,788	\$ 437,186,970	\$ 403,349,889
Capital assets	249,464,180	246,443,183	124,950,108	128,037,267	374,414,288	374,480,450
Total assets	476,165,321	453,862,284	335,435,937	323,968,055	811,601,258	777,830,339
Deferred outflows related to pension	32,017,023	11,631,714	6,847,613	2,729,509	38,864,636	14,361,223
Deferred outflows related to OPEB	1,017,636	1,650,252	788,730	1,130,816	1,806,366	2,781,068
Total deferred outflows	33,034,659	13,281,966	7,636,343	3,860,325	40,671,002	17,142,291
Current liabilities	47,931,469	40,348,081	11,512,889	10,347,928	59,444,358	50,696,009
Noncurrent liabilities	122,439,907	81,073,198	52,496,965	48,022,617	174,936,872	129,095,815
Total liabilities	170,371,376	121,421,279	64,009,854	58,370,545	234,381,230	179,791,824
Deferred inflows related to lease receivables	1,028,652	912,310	500,873	375,183	1,529,525	1,287,493
Deferred inflows related to pension	1,838,657	23,029,147	334,458	5,250,204	2,173,115	28,279,351
Deferred inflows related to OPEB	1,807,555	1,973,437	951,642	1,041,344	2,759,197	3,014,781
Total deferred inflows	4,674,864	25,914,894	1,786,973	6,666,731	6,461,837	32,581,625
Net position:						
Net investment in capital assets	247,579,826	245,445,525	100,758,805	105,739,524	348,338,631	351,185,049
Restricted	117,760,634	102,580,931	82,631,811	75,445,742	200,392,445	178,026,673
Unrestricted	(31,186,720)	(28,218,379)	93,884,837	81,605,838	62,698,117	53,387,459
Restatement	-	1,971,959	-	1,834,576	-	3,806,535
Total net position, restated	\$ 334,153,740	\$ 321,780,036	\$ 277,275,453	\$ 264,625,680	\$ 611,429,193	\$ 586,405,716

The largest portion of the City's net position \$354.4 million or 58.0%, reflects its net 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.

The increase in Governmental Activities current liabilities of \$7.58 million is the result of recording unearned revenues from receipt of the first allocation from the American Rescue Plan Act of 2021.

Of the City's \$611.4 million total net position, \$200.4 million, or 32.8% of these resources are subject to external restrictions on how they may be used. The total unrestricted net position is \$62.7 million. The business-type activities restricted and unrestricted net position is \$82.6 million and \$93.9 million, respectively.

The total business-type activities reported positive balances in all categories of net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 22,466,662	\$ 22,883,134	\$ 67,814,200	\$ 66,894,421	\$ 90,280,862	\$ 89,777,555
Operating grants and contributions	19,240,455	19,730,697	1,189,607	1,034,358	20,430,062	20,765,055
Capital grants and contributions	6,710,129	1,962,976	-	-	6,710,129	1,962,976
General revenues and transfers:					-	-
Property taxes	21,043,850	18,219,445	47,446	42,994	21,091,296	18,262,439
Sales taxes	31,047,370	32,382,059	-	-	31,047,370	32,382,059
Franchise taxes	2,025,000	1,866,040	-	-	2,025,000	1,866,040
Transient occupancy tax	2,831,881	2,389,419	-	-	2,831,881	2,389,419
Business license tax	1,837,226	1,488,125	-	-	1,837,226	1,488,125
Cost recovery impact study	752,188	904,166	-	-	752,188	904,166
Business improvement tax	-	92,082	-	-	-	92,082
Other	1,638,234	(6,831,237)	959,483	(6,734,682)	2,597,717	(13,565,919)
Total revenues	109,592,995	95,086,906	70,010,736	61,237,091	179,603,731	156,323,997
Expenses						
Governmental activities:						
General government	20,813,331	20,587,375	-	-	20,813,331	20,587,375
Public safety	54,228,533	42,039,085	-	-	54,228,533	42,039,085
Public works	15,645,334	16,783,550	-	-	15,645,334	16,783,550
Culture and recreation	5,468,263	2,237,226	-	-	5,468,263	2,237,226
Other	345,698	342,728	-	-	345,698	342,728
Business-type activities:					-	-
Wastewater system	-	-	23,089,155	20,350,381	23,089,155	20,350,381
Water system	-	-	15,033,956	12,699,061	15,033,956	12,699,061
Refuse collection	-	-	17,944,741	16,908,050	17,944,741	16,908,050
Merced municipal airport	-	-	2,011,243	1,145,561	2,011,243	1,145,561
Total expenses	96,501,159	81,989,964	58,079,095	51,103,053	154,580,254	133,093,017
Increase (decrease) in net position before transfers and extraordinary item	13,091,836	13,096,942	11,931,641	10,134,038	25,023,477	23,230,980
Disposal of capital assets						
Transfers	(718,132)	79,602	718,132	(79,602)	-	-
Increase (decrease) in net position	12,373,704	13,176,544	12,649,773	10,054,436	25,023,477	23,230,980
Net position beginning of year, as restated (Note 18)	321,780,036	306,631,533	264,625,680	252,736,668	586,405,716	559,368,201
Restatement	-	1,971,959	-	1,834,576	-	3,806,535
Net position ending of year, restated	\$ 334,153,740	\$ 321,780,036	\$ 277,275,453	\$ 264,625,680	\$ 611,429,193	\$ 586,405,716

Governmental Activities - Governmental activities increased the City's net position by \$12.4 million. Taxes provided 54.33% of the revenue and charges for services provided 20.50% of the revenue and operating and capital grants and contributions provided 23.68% 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, 2023

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$20,813,331	\$ 1,778,577
Public safety	54,228,533	(44,558,087)
Public works	15,645,334	(734,452)
Culture and recreation	5,468,263	(4,224,253)
Interest on long-term debt	345,698	(345,698)
Total	<u>\$96,501,159</u>	<u>\$ (48,083,913)</u>

The costs for all governmental activities during the year were \$96.5 million, which is 62.43% of total governmental and business-type activities expenses. These costs were paid for by \$48.4 million of program revenues and \$59.5 million of taxes. Investment earnings and other revenue resulted in a net positive of \$1.6 million. Transfer from City's governmental activities were \$ (718,132).

Business-type Activities – Business-type activities increased the City's net position by \$12.6 million. This increase consists of fees collected for future capital projects. The revenues from the business-type activities include program revenue, taxes, interest and investment earnings, other revenue and transfers of \$70.7 million. Expenses of business-type activities were \$58.1 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 on June 30, 2023 of \$163.2 million, an increase of \$11.6 million.

The General Fund is the chief operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year, the fund balance of the General Fund was \$39.9 million, and the unassigned fund balance was \$26.4 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. The unassigned fund balance represents 50.8% of total General Fund expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The General Fund balance increased by \$3.1 million during the fiscal year. Taxes are the primary revenue of the General Fund. Property tax increased by 15.5%, sales tax decreased by 4.12% while transient occupancy tax increased by 18.52%.

Changes in fund balances of other major funds include the following:

Housing Fund-

- This special revenue fund increased by \$68,940 due to more repayment of principal and interest on loans.

Measure C Fund-

- This special revenue fund increased by \$1.1 million due to increase in sales tax revenue and unspent funding that will be used to cover encumbrances.

Low and Moderate Income Housing Fund-

- This special revenue fund decreased by \$544,256 due to less repayment of principal and interest on loans.

Public Facilities Impact-

- This public facilities impact fund increased by \$4.5 million due to the increase in fees received for building multi-family homes, and single family dwelling units.

American Rescue Plan Act-

- The American Rescue Plan Act fund decreased by \$204,371 due to investment earnings loss for fiscal year 2021-22.

Streets and Signals Fund-

- This capital projects fund decreased by \$774,175 due to capital outlay expenditures covered by carryover of funding from transferred in from other funds.

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 position of the Governmental Activities Internal Service Funds is negative \$3.2 million. The unrestricted net position of the Enterprise Funds was \$88.6 million. The change in net position for the Governmental Activities Internal Service Funds is decrease of \$(1,687,684) and the Enterprise Funds is an increase of \$12.6 million. 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 revenue budget and the final revenue budget is an increase of \$2.3 million, which includes taxes, grants, and other revenues. The difference between the General Fund original expenditure budget and the final expenditure budget is an increase of \$2.6 million, which includes machinery and equipment, supplies and services, capital outlay and personnel related expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City of Merced’s investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$374.4 million. This investment in capital assets includes land and improvements, construction in progress, buildings and structures, machinery and equipment, and 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 and right-to-use assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Non-depreciable Assets:						
Land and improvements	\$ 86,076,169	\$ 86,076,169	\$ 2,461,520	\$ 2,461,520	\$ 88,537,689	\$ 88,537,689
Construction in progress	24,168,606	11,706,948	22,500,857	17,888,672	46,669,463	29,595,620
Total non-depreciable assets	110,244,775	97,783,117	24,962,377	20,350,192	135,207,152	118,133,309
Depreciable Assets:						
Building and structures	64,829,485	23,264,305	11,624,781	9,439,956	76,454,266	32,704,261
Machinery and equipment	44,795,053	43,601,911	7,810,611	7,029,366	52,605,664	50,631,277
Improvements other than buildings, structures and land improvements	34,288,304	129,350,697	593,752	192,370,729	34,882,056	321,721,426
Infrastructure	448,114,036	392,071,040	244,107,025	53,671,964	692,221,061	445,743,004
Right-to-use (lease) assets	5,221,541	27,731	2,438,414	-	7,659,955	27,731
Accumulated depreciation/amortization	(458,029,014)	(439,655,618)	(166,586,852)	(154,824,940)	(624,615,866)	(594,480,558)
Total depreciable and amortizable assets, net	139,219,405	148,660,066	99,987,731	107,687,075	239,207,136	256,347,141
Total capital and right-to-use assets	\$ 249,464,180	\$ 246,443,183	\$ 124,950,108	\$ 128,037,267	\$ 374,414,288	\$ 374,480,450

Additions of capital assets exceeding \$1 million during this fiscal year included the following projects:

- G Street, Childs Ave to 13th Street Improvement in the amount of \$2.2 million
- CMAQ Merced North Transit Hub in the amount of \$1.7 million
- FEMA Levee Repairs in the amount of \$1.0 million

Long-term Debt – At the end of the current fiscal year, the city had \$32.4 million in outstanding debt consisting of pension obligation bonds, revenue bonds, capital lease, State Payable Settlement and loans. All debt was secured or earmarked by specific revenue sources.

	Outstanding Debt June 30, 2023					
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Pension obligation bonds	\$ 925,000	\$ 1,765,000	\$ -	\$ -	\$ 925,000	\$ 1,765,000
Loans payable	-	-	20,158,835	22,104,135	20,158,835	22,104,135
Financed purchases	2,452,955	2,945,934	-	-	2,452,955	2,945,934
Lease liabilities	13,191	20,788	-	-	13,191	20,788
State Payable Settlement	3,028,396	4,278,396	-	-	3,028,396	4,278,396
Revenue bonds payable	-	-	3,405,000	4,995,000	3,405,000	4,995,000
SBITA	1,871,163	2,916,105	393,589	603,838	2,264,752	3,519,943
Unamortized premiums	-	-	233,879	350,817	233,879	350,817
Total	\$ 8,290,705	\$ 11,926,223	\$ 24,191,303	\$ 28,053,790	\$ 32,482,008	\$ 39,980,013

During the current fiscal year, the City’s net debt decreased by \$7.50 million or 18.75%. The net decrease was scheduled payments of principal and unamortized premium retirements. Additional information on the City of Merced’s debt can be found in Note 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City of Merced's economic outlook is shifting. Sales Tax and Property Tax receipts align with current year projections, and total General Fund revenues are budgeted to include 2% increase compared to the FY 2022-23 Budget. Citywide housing construction continues at a slower rate than in previous years. Permits for single-family units have decreased by 30%, while permits for multifamily units are consistent with prior year levels.
- The City Council adopted a balanced and sustainable budget while maintaining the current level of employees. Based on the General fund reserve policy, \$19.4 million is 35% of the General Fund operating budget, \$16.7 (30%) will be set aside in a separate fund and \$2.7 million (5%) will remain in the General Fund as contingency for Fiscal Year 2023-24.
- The Federal Aviation Administration (FAA) awarded the City of Merced \$14.5 million Cares Act Grant funding for the replacement of the air terminal located at the Merced Yosemite Regional Airport. This project is estimated to cost close to \$17 million at completion.
- Measure Y, a Commercial Cannabis Business Tax for up to \$25 per square foot of cultivation space, or up to 10% of gross receipts, was passed by the voters in June 2018. City Council revised the ordinance allowing up to 10 retailers. Four cannabis retail dispensaries and some cultivation businesses are open and are paying the Measure Y Tax. Fiscal Year 2022-23, Measure Y tax collected over \$1.5 million, which is a significant decrease of \$1.65 million over the past two years. Due to the uncertainty in future cannabis tax revenue, it will be continued to be monitored closely.
- Enterprise Funds continue to maintain a stable financial position. Sewer, Water, and Refuse rates studies have all expired. City Council adopted resolutions to not increase rates until new rate studies were completed. The City is currently working with a consultant on Water and Sewer rates and is pending a selection of a Refuse Rate Study consultant. All rates should go to City Council for review and adoption by the end of calendar year 2024.

SUBSEQUENT EVENTS

The City of Merced was awarded \$8.9 million over three-years to support the addition of 24 new firefighters in the first round of funding from Staffing for Adequate and Emergency Response (SAFER) Grant. This will help the Fire Department support a new rescue squad with two persons on each shift and add an additional firefighter to each fire engine. The SAFER grant will increase the number of firefighters on the scene of a fire to 22 which is more in line with the National Fire Protection Association (NFPA) standards.

Measure C is a half-cent sales tax initiative that was passed in 2006 for a twenty-year term, sunseting in 2026. Although it was passed as a general tax, it was proposed to the voters to be used for Police, Fire, and Roads funding. In 2024, a local Citizen Committee organized to put Measure C back on the ballot. Measure C qualified to be placed on the ballot through an initiative process that gathered 3,993 signatures of qualified voters of the City of Merced. The measure supersedes the 2006 Measure C tax as a special tax at the same rate (1/2 cent) from 7/1/2024-6/30/44, 95% of proceeds are dedicated to police and fire services and 5% of proceeds to road improvements and maintenance. The measure also amended the Merced Municipal Code to require that Measure C revenue supplement and not supplant proportional spending levels of budgeted city expenditures in fiscal year 2021-22 in the areas funded by the ordinance. The new Measure C was passed by the voters in March of 2024, certified by the Merced County Registrar of Voters, and certified by the Merced City Council in April 2024.

REQUESTS FOR INFORMATION

The basic financial statements are intended to provide citizens, taxpayers, investors and creditors with an in-depth presentation and analysis of the City's finances, in accordance with Generally Accepted Accounting Principles. This report will also be provided on the City's website at: www.cityofmerced.org. Questions concerning any of the information contained in the basic financial statements should be addressed to the City of Merced, Finance Department, 678 West 18th Street, Merced, California 95340.

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City of Merced, California
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 157,368,209	\$ 192,270,630	\$ 349,638,839
Restricted cash and investments	14,310,183	1,121	14,311,304
Receivables	22,716,562	14,514,645	37,231,207
Internal balances	(2,712,400)	2,712,400	-
Prepaid items	53,844	-	53,844
Inventory	431,276	443,524	874,800
Total current assets	<u>192,167,674</u>	<u>209,942,320</u>	<u>402,109,994</u>
Noncurrent assets:			
Land held for resale	787,875	-	787,875
Lease receivable	1,039,722	532,955	1,572,677
Notes receivable	32,705,870	10,554	32,716,424
Capital assets:			
Non-depreciable	110,244,775	24,962,377	135,207,152
Depreciable, net	135,926,503	98,197,509	234,124,012
Right-to-use assets, net	<u>3,292,902</u>	<u>1,790,222</u>	<u>5,083,124</u>
Total capital assets	<u>249,464,180</u>	<u>124,950,108</u>	<u>374,414,288</u>
Total noncurrent assets	<u>283,997,647</u>	<u>125,493,617</u>	<u>409,491,264</u>
Total assets	<u>476,165,321</u>	<u>335,435,937</u>	<u>811,601,258</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	32,017,023	6,847,613	38,864,636
Deferred outflows related to other postemployment benefits	<u>1,017,636</u>	<u>788,730</u>	<u>1,806,366</u>
Total deferred outflows of resources	<u>33,034,659</u>	<u>7,636,343</u>	<u>40,671,002</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,146,330	2,533,423	5,679,753
Payroll payable	1,154,532	252,388	1,406,920
Deposits and other liabilities	1,132,580	3,527,171	4,659,751
Unearned revenue	32,833,448	961,991	33,795,439
Accrued interest payable	61,584	215,734	277,318
Claims payable, due within one year	4,785,063	-	4,785,063
Compensated absences, due within one year	772,158	176,262	948,420
SBITAs, due within one year	1,325,798	194,417	1,520,215
Long-term debt, due within one year	<u>2,719,976</u>	<u>3,651,503</u>	<u>6,371,479</u>
Total current liabilities	<u>47,931,469</u>	<u>11,512,889</u>	<u>59,444,358</u>

City of Merced, California
Statement of Net Position (Continued)
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Claims payable, due in more than one year	\$ 7,990,055	\$ -	\$ 7,990,055
Compensated absences, due in more than one year	3,198,901	1,009,131	4,208,032
SBITAs, due in more than one year	545,365	199,172	744,537
Long-term debt, due in more than one year	3,699,566	20,146,211	23,845,777
Net other postemployment benefits liability	15,518,889	9,617,997	25,136,886
Net pension liability	91,487,131	21,524,454	113,011,585
	<u>122,439,907</u>	<u>52,496,965</u>	<u>174,936,872</u>
Total noncurrent liabilities			
	<u>170,371,376</u>	<u>64,009,854</u>	<u>234,381,230</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receivables	1,028,652	500,873	1,529,525
Deferred inflows related to pensions	1,838,657	334,458	2,173,115
Deferred inflows related to other postemployment benefits	<u>1,807,555</u>	<u>951,642</u>	<u>2,759,197</u>
	<u>4,674,864</u>	<u>1,786,973</u>	<u>6,461,837</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	247,579,826	100,758,805	348,338,631
Restricted for:			
Streets and streetlights	13,517,158	-	13,517,158
Community development	37,072,122	-	37,072,122
Housing	39,325,885	-	39,325,885
Public safety	1,328,165	-	1,328,165
Special Districts	8,884,181	-	8,884,181
Other special projects and programs	8,845,984	4,786,417	13,632,401
Debt service	-	1,949,017	1,949,017
Parks and recreation	443,221	-	443,221
Capital projects	8,343,918	75,896,377	84,240,295
Unrestricted	<u>(31,186,720)</u>	<u>93,884,837</u>	<u>62,698,117</u>
	<u>\$ 334,153,740</u>	<u>\$ 277,275,453</u>	<u>\$ 611,429,193</u>
Total net position			

City of Merced, California

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 20,813,331	\$ 9,210,241	\$ 13,381,667	\$ -	\$ 22,591,908
Public safety	54,228,533	5,436,575	1,233,871	3,000,000	9,670,446
Public works	15,645,334	6,696,004	4,504,749	3,710,129	14,910,882
Culture and recreation	5,468,263	1,123,842	120,168	-	1,244,010
Interest on long-term debt	345,698	-	-	-	-
Total governmental activities	96,501,159	22,466,662	19,240,455	6,710,129	48,417,246
Business-type activities:					
Wastewater system	23,089,155	26,663,323	-	-	26,663,323
Water system	15,033,956	17,863,142	-	-	17,863,142
Refuse collection system	17,944,741	23,087,332	88,579	-	23,175,911
Merced municipal airport	2,011,243	200,403	1,101,028	-	1,301,431
Total business-type activities	58,079,095	67,814,200	1,189,607	-	69,003,807
Total primary government	<u>\$ 154,580,254</u>	<u>\$ 90,280,862</u>	<u>\$ 20,430,062</u>	<u>\$ 6,710,129</u>	<u>\$ 117,421,053</u>

General Revenues:

Taxes:

Property

Sales

Franchise taxes

Transient lodging taxes

Business license tax

Cost recovery impact study

Total taxes

Gain on sale of assets

Investment earnings (loss)

Other revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, restated

Net position - end of year

City of Merced, California
Statement of Activities (Continued)
Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ 1,778,577	\$ -	\$ 1,778,577
(44,558,087)	-	(44,558,087)
(734,452)	-	(734,452)
(4,224,253)	-	(4,224,253)
(345,698)	-	(345,698)
(48,083,913)	-	(48,083,913)
-	3,574,168	3,574,168
-	2,829,186	2,829,186
-	5,231,170	5,231,170
-	(709,812)	(709,812)
-	10,924,712	10,924,712
(48,083,913)	10,924,712	(37,159,201)
21,043,850	47,446	21,091,296
31,047,370	-	31,047,370
2,025,000	-	2,025,000
2,831,881	-	2,831,881
1,837,226	-	1,837,226
752,188	-	752,188
59,537,515	47,446	59,584,961
212,566	1,682	214,248
1,425,665	957,801	2,383,466
3	-	3
(718,132)	718,132	-
60,457,617	1,725,061	62,182,678
12,373,704	12,649,773	25,023,477
321,780,036	264,625,680	586,405,716
<u>\$ 334,153,740</u>	<u>\$ 277,275,453</u>	<u>\$ 611,429,193</u>

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Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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General Fund - This fund is used to account for financial resources applicable to the general government operations of the City of Merced. In compliance with Governmental Accounting Standards Board Statement No. 54, the Parks and Community Services, the Revenue Stabilization, Economic Development Opportunity, the Substandard Housing Funds, Affordance Housing, Payroll Clearing & Deposits Funds, and the Section 115 Trust Fund have been reported with the General Fund because a substantial portion of the inflows are not derived from restricted or committed revenue sources and do not meet the definition of a Special Revenue Fund.

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.

Measure C Special Revenue Fund - This fund is used to account for the one-half cent transactions and use tax that was approved by area voters and became effective April 1, 2006.

Low and Moderate Income Housing Special Revenue Fund - This fund is used to account for low and moderate income housing activities. On January 12, 2012, the City Council adopted Resolution 2012-5, assuming all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Redevelopment Agency.

Public Facilities Impact Fee Program (PFFP) Special Revenue Fund - This fund is used to account for the facilities fees collected for the project categories Transportation, Fire, Police, Parks and Recreation, Public Works and Information Technology to be used for city installation of public improvements and developer reimbursement of PFFP installed improvements.

American Rescue Plan Act Special Revenue Fund - This fund is used to account for the Coronavirus State and Local Fiscal Recovery Funds received by the City as a result of the American Rescue Plan Act to be used for community revitalization as a response to the COVID-19 pandemic.

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

City of Merced, California
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
ASSETS				
Cash, cash equivalents and investments	\$ 31,722,494	\$ 5,605,824	\$ 6,254,428	\$ 2,005,778
Restricted cash held by fiscal agents	6,491,375	6,128,346	-	-
Receivables:				
Accounts	2,673,189	-	12,624	-
Due from other governments	5,385,351	1,216,797	1,642,016	-
Interest	166,047	17,578	27,547	10,098
Due from other funds	-	-	-	-
Prepaid items	46,088	-	-	-
Inventory	89,161	-	-	-
Land held for resale	-	-	-	189,679
Lease receivable	290,576	-	-	-
Notes receivable	50,942	24,001,612	-	8,097,256
Total assets	<u>\$ 46,915,223</u>	<u>\$ 36,970,157</u>	<u>\$ 7,936,615</u>	<u>\$ 10,302,811</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 531,670	\$ 169,493	\$ 112,707	\$ 2,819
Payroll liabilities	857,409	7,438	67,597	-
Unearned revenue	1,544,465	8,238,392	-	-
Due to other funds	-	-	-	-
Advances from other funds	2,712,400	-	-	-
Deposit and other liabilities	1,062,011	6,968	-	-
Total liabilities	<u>6,707,955</u>	<u>8,422,291</u>	<u>180,304</u>	<u>2,819</u>
Deferred inflows of resources				
Related to leases	<u>288,487</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	186,191	-	-	-
Restricted	6,969,402	28,547,866	-	10,299,992
Committed	223,145	-	7,756,311	-
Assigned	6,140,273	-	-	-
Unassigned	26,399,770	-	-	-
Total fund balances	<u>39,918,781</u>	<u>28,547,866</u>	<u>7,756,311</u>	<u>10,299,992</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,915,223</u>	<u>\$ 36,970,157</u>	<u>\$ 7,936,615</u>	<u>\$ 10,302,811</u>

City of Merced, California
Balance Sheet – Governmental Funds (Continued)
June 30, 2023

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact Fee Program	American Rescue Plan Act	Streets and Signals		
\$ 27,483,750	\$ 21,993,633	\$ 504,925	\$ 37,512,916	\$ 133,083,748
-	1,690,462	-	-	14,310,183
3,548,691	-	4,023	1,806,829	8,045,356
-	-	1,429,435	3,940,208	13,613,807
138,283	-	2,506	144,233	506,292
-	-	-	386,258	386,258
-	-	-	-	46,088
-	-	-	-	89,161
-	-	-	598,196	787,875
-	-	-	542,866	833,442
72,060	-	-	484,000	32,705,870
<u>\$ 31,242,784</u>	<u>\$ 23,684,095</u>	<u>\$ 1,940,889</u>	<u>\$ 45,415,506</u>	<u>\$ 204,408,080</u>
\$ -	\$ 234,240	\$ 407,318	\$ 520,897	\$ 1,979,144
-	-	-	122,510	1,054,954
15,782	22,458,387	76,148	500,274	32,833,448
-	-	-	386,258	386,258
-	-	-	331,669	3,044,069
-	-	-	59,502	1,128,481
<u>15,782</u>	<u>22,692,627</u>	<u>483,466</u>	<u>1,921,110</u>	<u>40,426,354</u>
-	-	-	529,077	817,564
-	-	-	-	186,191
31,227,002	991,468	1,457,423	38,267,522	117,760,675
-	-	-	4,697,838	12,677,294
-	-	-	-	6,140,273
-	-	-	(41)	26,399,729
<u>31,227,002</u>	<u>991,468</u>	<u>1,457,423</u>	<u>42,965,319</u>	<u>163,164,162</u>
<u>\$ 31,242,784</u>	<u>\$ 23,684,095</u>	<u>\$ 1,940,889</u>	<u>\$ 45,415,506</u>	<u>\$ 204,408,080</u>

City of Merced, California

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

	Government- Wide Statement of Net Position	Internal Service Funds	Total
Total Fund Balances			\$ 163,164,162

Amount reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet. Except for the internal services funds reported below, the capital assets are adjusted as follows:

Non-depreciable	\$ 110,244,775	\$ (2,384,302)	107,860,473
Depreciated	135,926,503	(7,200,058)	128,726,445
Right to use assets, amortized	3,292,902	(3,025,656)	267,246
	<u> </u>	<u> </u>	<u> </u>
Total capital assets	<u>\$ 246,171,278</u>	<u>\$ (9,584,360)</u>	<u>236,854,164</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(4,544)

Internal services funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Position.

8,536,629

Deferred inflows and outflows of resources related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related deferred outflows	\$ 32,017,023	\$ (2,895,424)	\$ 29,121,599
OPEB related deferred outflows	1,017,636	(323,223)	694,413
Pension related deferred inflows	(1,838,657)	154,803	(1,683,854)
OPEB related deferred inflows	(1,807,555)	341,879	(1,465,676)

City of Merced, California

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023

	Government- Wide Statement of Net Position	Internal Service Funds	Total
Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet.			
Compensated absences, due within one year	\$ (772,158)	\$ 94,253	\$ (677,905)
Long-term debt, due within one year	(2,713,142)	538,142	(2,175,000)
Lease liabilities, due within one year	(6,834)	-	(6,834)
SBITA liabilities, due within one year	(1,325,798)	1,147,630	(178,168)
Compensated absences, due in more than one year	(3,198,901)	368,338	(2,830,563)
Long-term debt, due in more than one year	(3,693,209)	1,914,813	(1,778,396)
Lease liabilities, due in more than one year	(6,357)	-	(6,357)
SBITA liabilities, due in more than one year	(545,365)	468,491	(76,874)
Net other postemployment benefits obligation	(15,518,889)	3,709,884	(11,809,005)
Net pension liability	(91,487,131)	9,963,080	(81,524,051)
Total long-term liability	<u>\$ (119,267,784)</u>	<u>\$ 18,204,631</u>	<u>(101,063,153)</u>
Net Position of Governmental Activities			<u>\$ 334,153,740</u>

City of Merced, California

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2023

	General Fund	Special Revenue Funds		
		Housing	Measure C	Low and Moderate Income Housing
REVENUES:				
Taxes	\$ 45,040,393	\$ -	\$ 9,161,869	\$ -
Intergovernmental	1,239,919	10,999,677	9,943	-
Licenses and permits	19,849	-	-	-
Use of money and property	565,197	289,662	(2,061)	18,538
Charges for services	8,531,684	414,671	154,551	-
Fines, forfeitures and penalties	280,553	-	-	-
Other	1,082,586	100,000	74	-
Total revenues	56,760,181	11,804,010	9,324,376	18,538
EXPENDITURES:				
Current:				
General government	7,965,638	10,453,156	-	562,794
Public safety	37,314,564	-	7,490,723	-
Public works	2,268,693	-	1,949	-
Culture and recreation	1,836,105	-	-	-
Total current operating	49,385,000	10,453,156	7,492,672	562,794
Capital outlay	243,588	1,257,488	402,926	-
Debt service:				
Principal	2,139,155	-	124,141	-
Interest and fiscal charges	168,984	-	3,756	-
Total expenditures	51,936,727	11,710,644	8,023,495	562,794
EXCESS (DEFICIENCY) OF REVENUS OVER (UNDER) EXPENDITURES	4,823,454	93,366	1,300,881	(544,256)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	-	-
Transfers in	2,059,719	-	-	-
Transfers out	(3,739,168)	(24,426)	(182,452)	-
Total other financing sources (uses)	(1,679,449)	(24,426)	(182,452)	-
Net change in fund balance	3,144,005	68,940	1,118,429	(544,256)
FUND BALANCES:				
Beginning of year	36,774,776	28,478,926	6,637,882	10,844,248
End of year	\$ 39,918,781	\$ 28,547,866	\$ 7,756,311	\$ 10,299,992

City of Merced, California

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)

Year Ended June 30, 2023

Special Revenue Funds		Capital Projects Fund	Non-Major Governmental Funds	Total
Public Facilities Impact Fee Program	American Rescue Plan Act	Streets and Signals		
\$ -	\$ -	\$ -	\$ 5,335,253	\$ 59,537,515
-	2,049,831	2,461,381	9,189,833	25,950,584
-	-	-	2,249,988	2,269,837
83,813	(55,538)	45,509	377,832	1,322,952
4,655,008	-	5,410	11,290,453	25,051,777
-	-	-	136,896	417,449
-	-	421,262	449,810	2,053,732
<u>4,738,821</u>	<u>1,994,293</u>	<u>2,933,562</u>	<u>29,030,065</u>	<u>116,603,846</u>
245,252	1,743,610	-	5,067,919	26,038,369
-	-	-	4,194,359	48,999,646
-	-	-	7,887,010	10,157,652
-	60,089	-	668,938	2,565,132
<u>245,252</u>	<u>1,803,699</u>	<u>-</u>	<u>17,818,226</u>	<u>87,760,799</u>
-	387,454	4,107,571	5,357,916	11,756,943
-	-	-	-	2,263,296
-	-	-	7,096	179,836
<u>245,252</u>	<u>2,191,153</u>	<u>4,107,571</u>	<u>23,183,238</u>	<u>101,960,874</u>
<u>4,493,569</u>	<u>(196,860)</u>	<u>(1,174,009)</u>	<u>5,846,827</u>	<u>14,642,972</u>
-	-	-	104,544	104,544
-	-	414,347	431,515	2,905,581
-	(7,511)	(14,513)	(2,121,982)	(6,090,052)
<u>-</u>	<u>(7,511)</u>	<u>399,834</u>	<u>(1,585,923)</u>	<u>(3,079,927)</u>
4,493,569	(204,371)	(774,175)	4,260,904	11,563,045
<u>26,733,433</u>	<u>1,195,839</u>	<u>2,231,598</u>	<u>38,704,415</u>	<u>151,601,117</u>
<u>\$ 31,227,002</u>	<u>\$ 991,468</u>	<u>\$ 1,457,423</u>	<u>\$ 42,965,319</u>	<u>\$ 163,164,162</u>

City of Merced, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
Balances to the Government-Wide Statement of Activities:

Net Changes in Fund Balances - \$ 11,563,045

Amount reported for governmental activities in the Statement of Activities are different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. Net of internal service funds of \$1,926,035	16,121,814
Depreciation and amortization expense on capital and right-to-use assets are reported in the Governmental Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation and amortization expense are not reported as expenditures in the governmental funds. This amount is net of internal service funds of \$4,363,994.	(15,737,578)
In the Statement of Activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds proceeds from the sales increase financial resources. This represents the difference between proceeds and the loss on disposal of capital assets.	186,656
Accrued compensated leave payable does not require the use of current financial resources, but increase compensated leave liabilities in the Government-Wide Statement of Net Position.	(275,679)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,811,774
Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position, Long-term debt.	1,983,252
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statement, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.	3,701
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(1,595,597)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net expense of the internal service funds is reported with governmental activities.	(1,687,684)
	<u>\$ 12,373,704</u>

Wastewater System - This fund is used to account for the City's wastewater utility, which provides wastewater collection and treatment, and storm drainage collection 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, green waste and recycling materials, as well as street sweeping and leaf pickup for benefit of City customers.

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, California
Statement of Net Position – Proprietary Funds
June 30, 2023

	Business - Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash, cash equivalents, and investments	\$ 85,413,847	\$ 84,902,834	\$ 21,060,583	\$ 893,366	\$ 192,270,630	\$ 24,284,461
Restricted cash and investments	789	332	-	-	1,121	-
Accounts receivable, net	4,618,753	3,081,553	783,172	19,797	8,503,275	447,747
Due from other governments	2,493,999	2,396,194	-	195,761	5,085,954	1,865
Interest receivable	416,586	413,964	94,866	-	925,416	101,495
Prepaid items	-	-	-	-	-	7,756
Inventory	-	443,524	-	-	443,524	342,115
Total current assets	92,943,974	91,238,401	21,938,621	1,108,924	207,229,920	25,185,439
Noncurrent assets:						
Leases receivable	82,262	-	-	450,693	532,955	206,280
Notes receivable-private parties	-	10,554	-	-	10,554	-
Advances to other funds	-	2,712,400	-	-	2,712,400	331,669
Capital assets:						
Non-depreciable	10,002,710	13,424,748	290,728	1,244,191	24,962,377	2,384,302
Depreciable, net	71,060,590	22,871,272	1,587,358	2,678,289	98,197,509	7,200,058
Right-to-use assets, net	20,119	1,770,103	-	-	1,790,222	3,025,656
Total noncurrent assets	81,165,681	40,789,077	1,878,086	4,373,173	128,206,017	13,147,965
Total assets	174,109,655	132,027,478	23,816,707	5,482,097	335,435,937	38,333,404
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	2,607,199	1,684,586	2,392,669	163,159	6,847,613	2,895,424
Deferred outflows related to other postemployment benefits	268,342	235,001	285,387	-	788,730	323,223
Total deferred outflows of resources	2,875,541	1,919,587	2,678,056	163,159	7,636,343	3,218,647
LIABILITIES						
Current liabilities:						
Accounts payable	528,135	842,053	382,395	780,840	2,533,423	1,167,186
Payroll payable	78,549	61,785	104,095	7,959	252,388	99,578
Unearned revenue	857,993	41,208	62,790	-	961,991	-
Accrued interest payable	176,118	39,616	-	-	215,734	57,040
Deposits and other liabilities	936,716	1,896,019	659,817	34,619	3,527,171	4,099
Compensated absences, due within one year	77,352	27,556	59,858	11,496	176,262	94,253
Claims payable, due within one year	-	-	-	-	-	4,785,063
SBITAs, due within one year	-	194,417	-	-	194,417	1,147,630
Long-term debt, due within one year	2,980,003	671,500	-	-	3,651,503	538,142
Total current liabilities	5,634,866	3,774,154	1,268,955	834,914	11,512,889	7,892,991

City of Merced, California
Statement of Net Position – Proprietary Funds
June 30, 2023

	Business - Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds	Total	
Noncurrent liabilities:						
Compensated absences, due in more than one year	\$ 345,689	\$ 238,319	\$ 394,298	\$ 30,825	\$ 1,009,131	\$ 368,338
Claims payable, due in more than one year	-	-	-	-	-	7,990,055
SBITAS, due in more than one year	-	199,172	-	-	199,172	468,491
Long-term debt, due in more than one year	17,364,108	2,782,103	-	-	20,146,211	1,914,813
Net other postemployment benefits obligation	3,049,957	2,366,040	4,202,000	-	9,617,997	3,709,884
Net pension liability	8,100,453	5,371,735	7,422,954	629,312	21,524,454	9,963,080
Total noncurrent liabilities	28,860,207	10,957,369	12,019,252	660,137	52,496,965	24,414,661
Total liabilities	34,495,073	14,731,523	13,288,207	1,495,051	64,009,854	32,307,652
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to lease receivables	84,857	-	-	416,016	500,873	211,088
Deferred inflows related to pensions	125,918	83,441	115,385	9,714	334,458	154,803
Deferred inflows related to other postemployment benefits	232,618	183,897	535,127	-	951,642	341,879
Total deferred inflows of resources	443,393	267,338	650,512	425,730	1,786,973	707,770
NET POSITION						
Net investment in capital assets	60,739,308	34,218,931	1,878,086	3,922,480	100,758,805	10,993,895
Restricted:						
Other special projects and programs	1,521,195	1,339,709	1,793,933	131,580	4,786,417	-
Debt service	1,938,463	10,554	-	-	1,949,017	-
Capital projects	22,130,053	52,259,185	1,231,650	275,489	75,896,377	-
Unrestricted	55,717,711	31,119,825	7,652,375	(605,074)	93,884,837	(2,457,266)
Total net position	\$ 142,046,730	\$ 118,948,204	\$ 12,556,044	\$ 3,724,475	\$ 277,275,453	\$ 8,536,629

City of Merced, California

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2023

	Business - Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services	\$ 24,818,231	\$ 17,844,777	\$ 23,075,821	\$ 198,342	\$ 65,937,171	\$ 34,443,499
Other revenues	1,845,092	18,365	11,511	2,061	1,877,029	396,338
Total operating revenues	26,663,323	17,863,142	23,087,332	200,403	67,814,200	34,839,837
OPERATING EXPENSES						
Personnel services	5,253,478	3,662,763	6,258,324	423,730	15,598,295	9,680,397
Materials, supplies and other services	9,282,481	8,135,582	11,301,848	1,139,065	29,858,976	25,032,463
Depreciation/amortization	8,173,671	3,098,107	384,569	448,448	12,104,795	4,363,994
Total operating expenses	22,709,630	14,896,452	17,944,741	2,011,243	57,562,066	39,076,854
OPERATING INCOME (LOSS)	3,953,693	2,966,690	5,142,591	(1,810,840)	10,252,134	(4,237,017)
NONOPERATING REVENUES (EXPENSES):						
Property taxes	-	-	-	47,446	47,446	-
Intergovernmental revenues	-	-	88,579	1,101,028	1,189,607	-
Interest and investment earnings	441,123	444,089	(50,101)	122,690	957,801	133,661
Gain (loss) on disposition of capital assets	20	-	1,662	-	1,682	118,896
Interest and related expenses	(379,525)	(137,504)	-	-	(517,029)	(169,563)
Total nonoperating revenues (expenses)	61,618	306,585	40,140	1,271,164	1,679,507	82,994
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	4,015,311	3,273,275	5,182,731	(539,676)	11,931,641	(4,154,023)
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	265	12,359	107,146	939,367	1,059,137	3,435,132
Transfers out	(116,233)	(87,673)	(122,667)	(14,432)	(341,005)	(968,793)
Total transfers and capital contributions	(115,968)	(75,314)	(15,521)	924,935	718,132	2,466,339
CHANGE IN NET POSITION	3,899,343	3,197,961	5,167,210	385,259	12,649,773	(1,687,684)
NET POSITION:						
Beginning of year	138,121,387	113,941,667	7,388,834	3,339,216	262,791,104	8,311,796
Restatement	26,000	1,808,576	-	-	1,834,576	1,912,517
End of year	\$ 142,046,730	\$ 118,948,204	\$ 12,556,044	\$ 3,724,475	\$ 277,275,453	\$ 8,536,629

City of Merced, California
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Business - Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 24,707,793	\$ 18,003,785	\$ 23,450,367	\$ 355,627	\$ 66,517,572	\$ 34,922,886
Payments to suppliers and users	(9,318,091)	(7,981,520)	(11,422,391)	(425,711)	(29,147,713)	(24,294,439)
Payments to employees	(5,496,987)	(3,865,622)	(6,923,769)	(433,039)	(16,719,417)	(6,544,678)
Net cash provided by (used in) operating activities	9,892,715	6,156,643	5,104,207	(503,123)	20,650,442	4,083,769
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payments on notes receivable	-	8,497	-	-	8,497	-
Payments on advances from other funds	-	(573,481)	-	-	(573,481)	20,331
Operating grants received	167,912	161,329	88,579	1,064,646	1,482,466	(567)
Tax proceeds not attributable to capital	-	-	-	47,446	47,446	-
Cash receipts from other funds	265	12,359	107,146	939,367	1,059,137	3,435,132
Cash payments to other funds	(116,233)	(87,673)	(122,667)	(14,432)	(341,005)	(968,793)
Net cash provided by (used in) noncapital financing activities	51,944	(478,969)	73,058	2,037,027	1,683,060	2,486,103
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(3,153,354)	(1,253,354)	(890,859)	(1,281,655)	(6,579,222)	(1,926,035)
Proceeds from sale of capital assets	20	-	1,662	-	1,682	118,896
Cash received on lease receivables	1,693	-	-	(32,003)	(30,310)	9,087
Interest paid	(407,454)	(144,303)	-	-	(551,757)	(153,573)
Principal payments, long-term debt	(2,997,034)	(865,453)	-	-	(3,862,487)	(1,652,266)
Net cash provided by (used in) capital and related financing activities	(6,556,129)	(2,263,110)	(889,197)	(1,313,658)	(11,022,094)	(3,603,891)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	274,344	287,126	(95,787)	123,933	589,616	88,567
Net cash provided by investing activities	274,344	287,126	(95,787)	123,933	589,616	88,567
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS:	3,662,874	3,701,690	4,192,281	344,179	11,901,024	3,054,548
Beginning of year	81,751,762	81,201,476	16,868,302	549,187	180,370,727	21,229,913
End of year	<u>\$ 85,414,636</u>	<u>\$ 84,903,166</u>	<u>\$ 21,060,583</u>	<u>\$ 893,366</u>	<u>\$ 192,271,751</u>	<u>\$ 24,284,461</u>
FINANCIAL STATEMENT PRESENTATION:						
Cash, cash equivalents, and investments	\$ 85,413,847	\$ 84,902,834	\$ 21,060,583	\$ 893,366	\$ 192,270,630	\$ 24,284,461
Restricted cash and investments	789	332	-	-	1,121	-
Total	<u>\$ 85,414,636</u>	<u>\$ 84,903,166</u>	<u>\$ 21,060,583</u>	<u>\$ 893,366</u>	<u>\$ 192,271,751</u>	<u>\$ 24,284,461</u>

City of Merced, California
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended June 30, 2023

	Business - Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Wastewater System	Water System	Refuse Collection System	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NETCASH PROVIDED (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 3,953,693	\$ 2,966,690	\$ 5,142,591	\$ (1,810,840)	\$ 10,252,134	\$ (4,237,017)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation and amortization	8,173,671	3,098,107	384,569	448,448	12,104,795	4,363,994
Pension expense	182,646	121,155	167,372	14,230	485,403	224,684
OPEB expense	(336,648)	(277,215)	(662,522)	-	(1,276,385)	(548,628)
Changes in assets and liabilities:						
Receivables	(2,029,113)	(106,486)	288,971	153,861	(1,692,767)	83,049
Inventory	-	(164,940)	-	-	(164,940)	(107,045)
Prepaid expenses	-	-	-	-	-	132
Accounts payable	(35,610)	319,002	(120,543)	713,354	876,203	844,567
Payroll liabilities	(119,672)	(75,661)	(177,150)	(10,485)	(382,968)	(134,166)
Unearned revenues	(9,072)	9,426	18,937	-	19,291	-
Other liabilities	82,655	237,703	55,127	1,363	376,848	370
Claims payable	-	-	-	-	-	3,541,977
Compensated absences	30,165	28,862	6,855	(13,054)	52,828	51,852
Total adjustments	5,939,022	3,189,953	(38,384)	1,307,717	10,398,308	8,320,786
Net cash provided (used in) operating activities	\$ 9,892,715	\$ 6,156,643	\$ 5,104,207	\$ (503,123)	\$ 20,650,442	\$ 4,083,769
Noncash capital and noncapital financing and investing activities:						
Lease receivable recognized on lessor						
lease transaction	\$ -	\$ -	\$ -	\$ 248,165	\$ 248,165	\$ -
Issuance of SBITAs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,500
Amortization of bond premium/discount	\$ 82,804	\$ 34,134	\$ -	\$ -	\$ 116,938	\$ -

Custodial 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, California
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash, cash equivalents and investments	\$ 987,753
Restricted cash held by fiscal agent	2,914,368
Due from other governments	<u>22,930</u>
Total assets	<u>3,925,051</u>
LIABILITIES	
Deposits	<u>851,431</u>
Total liabilities	<u>851,431</u>
NET POSITION	
Restricted for:	
Bondholders	<u>2,986,564</u>
Total net position	<u><u>\$ 3,073,620</u></u>

City of Merced, California
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
ADDITIONS:	
Special tax assessments	\$ 1,418,251
Investment income	<u>108,818</u>
Total additions	<u>1,527,069</u>
DEDUCTIONS:	
Debts payment	1,684,316
Administration	<u>889,710</u>
Total deductions	<u>2,574,026</u>
Change in net position	(1,046,957)
NET POSITION:	
Beginning of year	<u>4,120,577</u>
End of year	<u><u>\$ 3,073,620</u></u>

Note 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 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 City was incorporated April 1, 1889 while 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 financial reporting entity, as defined by GASB, consists of the primary government, the City, and 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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the blended component units are appropriately presented as funds of the primary government.

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 Public Financing and Economic Development Authority (Authority)
- The Parking Authority of the City of Merced (Parking Authority)

The Authority is a separate public entity and provides 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. The Authority was originally created in August 1987 but had expired by its terms. The Authority was re-created on January 1, 2003, by the City and former City of Merced Redevelopment Agency (Agency). The Parking Authority became a member of the Authority on April 18, 2011. On January 30, 2012, the Agency was removed as a member from the Authority. Separately issued financial statements for the Authority are not prepared.

The Parking Authority is a separate public entity and is a specialized governmental agency focusing on parking issues and how to alleviate parking problems. All powers are vested in the governing board. The Parking Authority was created on April 18, 2011, by City and Authority Resolutions. Separately issued financial statements for the Parking Authority are not prepared.

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 Area Gang and Narcotic Enforcement Team (MAGNET), 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 MAGNET, therefore this entity is reported in the accompanying financial statements as Agency Funds in the Fiduciary Fund Financial Statements.

B. Basis of Presentation and Accounting

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information on all the activities of the government, except for fiduciary activities. 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.

Fund Financial Statements

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.

Major funds are funds whose revenues, expenditures or expenses, assets and deferred outflows of resources, or liabilities and deferred inflows of resources 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 governmental or enterprise fund may be reported as a major fund if the City believes that fund is particularly important to financial statement users. 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. In accordance with Governmental Accounting Standards Board Statement No. 54, the Parks and Community Services, Revenue Stabilization, Economic Development Opportunity, Substandard Housing, Affordable Housing, Payroll Clearing & Deposits, and the Section 115 Trust Funds have been reported with the General Fund because a substantial portion of the inflows are not derived from restricted or committed revenue sources and do not meet the definition of a Special Revenue Fund.

The Housing Special Revenue Fund is used to account for programs and activities aimed at benefiting low and moderate income persons. The majority of the fund's revenue is derived from grants that are restricted for these programs and activities.

The Measure C Special Revenue Fund is used to account for the one-half cent transaction and use tax that was approved by area voters and became effective April 1, 2006. The funds are committed for public safety, transportation, and other vital municipal improvements.

The Low and Moderate Income Housing Special Revenue Fund is used to account for housing activities. On January 12, 2012, City Council adopted Resolution 2012-5 assuming all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Redevelopment Agency. The funds are restricted for Low and Moderate Income Housing projects.

The Public Facilities Fee Special Revenue Fund is used to account for the facilities fees collected for the project categories Transportation, Fire, Police, Parks and Recreation, Public Works and Information Technology to be used for city installation of public improvements and developer reimbursement of PFFP installed improvements.

The American Rescue Plan Act Special Revenue Fund is used to account for the Coronavirus State and Local Fiscal Recovery Funds received by the City as a result of the American Rescue Plan Act to be used for community revitalization as a response to the COVID-19 pandemic.

The Streets and 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 Streets and Signals Capital Projects Fund when the project expenditures have been incurred. The funds are restricted for public capital improvement projects.

The City reports the following 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, Wastewater Improvement, Wastewater Revolving and University Capital Charge Wastewater Funds.

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, distribution pipelines and elevated storage tanks. The Water System Fund consists of the Water Operation, Restricted Water Wells, Restricted Water Mains and University Capital Charge Water Funds.

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 was created to divert waste from the landfill. The Refuse Collection Fund consists of the Refuse Collection and Refuse Capital Equipment Funds.

Additionally, the government reports the following fund types:

The Internal Service Funds are used to account for services provided to other departments of the City on a cost reimbursement basis. The City has Internal Service Funds for workers' compensation, liability and unemployment insurance, employee benefits, fleet management and replacement, facility maintenance, support services, personal computer replacement, and public works administration.

The Custodial 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 for interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

C. Basis of Accounting

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. 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 percent of property's assessed value and can increase property assessed value no more than 2 percent per year, except when property changes ownership or new construction occurs.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 all revenues, except sales and use tax, to be available if collected within 60 days. Sales and Use Tax is considered available if collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded in the accounting period in which the related liability is incurred.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash on hand and demand deposits and are stated at cost. All other investments are stated at fair value. 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.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments.

For purposes of the statement of cash flows, all cash and investments held by the enterprise funds and the internal service funds are pooled with the City's cash pool and are therefore considered to be short-term and accordingly, classified as cash and cash equivalents.

E. Receivables

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

F. 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 non-spendable fund balance classification in the applicable governmental funds to indicate that they are not 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."

G. 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 offset by a non-spendable fund balance classification, which indicates that it does not constitute available financial resources. Inventories in the proprietary funds are recorded at cost, which approximates market.

H. 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 City (or its component units) and developers. The land held for resale is generally recorded at the lower of cost or fair value. In instances where an anticipated sales price is known to be lower than cost, a write down is recorded.

I. Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using a straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land is not depreciated.

City policy has set the capitalization thresholds for reporting capital assets of \$5,000. Depreciation is recorded on a straight-line basis over the following useful lives:

	Years
Infrastructure	10-40
Buildings and structures	15-20
Improvements other than buildings	15
Machinery and equipment	5
Right-to-use assets	3-5

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, and streetlights. These subsystems are not delineated in the basic financial statements.

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or use lives of the underlying assets using the straight-line method. The amortization period varies from 3 to 5 years.

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.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources until then. The City has two items that qualify for reporting in this category. These items are related to the net pension liability and net other postemployment benefits liability. These amounts are further described in their respective footnotes.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies reporting in this category for the governmental funds, proprietary funds, and government-wide financial statements related to the lease receivable. These amounts are amortized over the term of the lease received over a straight-line basis. The City has two other items that qualify for reporting in this category in the proprietary and government-wide statements. These items are related to the net pension liability and net other postemployment benefits liability. These amounts are further described in their respective footnotes.

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. Unearned Revenue

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

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.

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.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the City.

Subscription-based Information Technology Arrangements (SBITA) represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the City.

N. Net Position and Fund Equity

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

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

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

Unrestricted Net Position – This amount is remaining net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Fund Financial Statements

In the Fund Financial Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance – This includes amounts with constraints placed on their use by those external to the City, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This includes amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – This includes amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose. The City Council has not delegated the authority to assign fund balance.

Unassigned fund balance – This is the residual classification that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by action, which includes passage of a resolution adopting the budget and appropriating revenue for the fiscal year. Detailed classifications of the City's fund balances are presented in Note 11.

O. Net Position and Fund Equity Flow Assumptions

Government-Wide Financial Statements

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

Fund Financial Statements

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to apply restricted funds first. Committed, assigned, and unassigned fund balances are considered unrestricted. When an expenditure is incurred, if committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of Estimates

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

Q. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan's (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GAAP requires that the reported results must pertain to liability and asset information within certain defined timeframes.

S. New Accounting Pronouncements

During the fiscal year ending June 30, 2023, the City implemented the following standards:

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City has determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The effect of the implementation of this statement on beginning net position is disclosed in Note 18.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistence of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective for reporting periods beginning after June 15, 2022. The City has determined that this statement does not have a material impact on the financial statements.

Future new standards which may impact the City include the following:

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for reporting periods beginning after June 15, 2023. The City has not determined the effect on the financial statements.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023. The City has not determined the effect on the financial statements.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The Statement is effective for fiscal periods beginning after June 15, 2024. The City has not determined the effect on the financial statements.

GASB Statement No. 103 – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The Statement also addresses certain application issues. The Statement is effective for fiscal periods beginning after June 15, 2025. The City has not determined the effect on the financial statements.

Note 2 - Cash and Investments

A. Summary of Cash and Investments

The following is a summary of pooled cash and investments, including restricted cash and investments on June 30, 2023:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental	Business-Type		Fiduciary Funds	
	Activities	Activities	Total	Statement of	Total
				Net Position	
Cash and investments	\$ 157,368,209	\$ 192,270,630	\$ 349,638,839	\$ 987,753	\$ 350,626,592
Restricted cash held by fiscal agent	14,310,183	1,121	14,311,304	2,914,368	17,225,672
Total Cash and Investments	<u>\$ 171,678,392</u>	<u>\$ 192,271,751</u>	<u>\$ 363,950,143</u>	<u>\$ 3,902,121</u>	<u>\$ 367,852,264</u>

Cash and investments as of June 30, 2023, consist of the following:

Cash on Hand	\$ 4,870
Deposits with financial institutions	6,638,494
Restricted cash held by fiscal agent	17,225,672
Investments	<u>343,983,228</u>
Total Cash and Investments	<u>\$ 367,852,264</u>

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 interest earned is allocated to the funds based on monthly cash and investment balances in these funds.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments to be carried at fair market value instead of cost. If material, 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. The fair market value adjustment for the fiscal year ended June 30, 2023 was (\$17,816,648).

B. Fair Value of Investments

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Inputs are assumptions that market participants use when pricing an asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements on June 30, 2023 are described below.

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Asset-backed securities	\$ 32,351,826	\$ -	\$ 32,351,826	\$ -
Federal agency securities	45,591,766	-	45,591,766	-
Collateralized mortgage obligations	25,582,408	-	25,582,408	-
Municipal securities	2,115,848	-	2,115,848	-
Supranational securities	15,112,151	-	15,112,151	-
U.S. corporate securities	85,106,850	-	85,106,850	-
U.S. treasury securities	106,905,886	-	106,905,886	-
Total investments subject to leveling	312,766,735	\$ -	\$ 312,766,735	\$ -
Investments not subject to leveling:				
Local Agency Investment Fund	31,216,493			
Money market funds	17,225,672			
Total Investments	\$ 361,208,900			

Asset-backed Securities, Federal Agency Securities, Commercial Paper, Municipal Securities, Supranational Securities, U.S. Corporate Securities, and U.S. Treasury Securities categorized as Level 2 are valued based on matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

C. Investments

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code with oversight by the Treasurer of the State of California. On June 30, 2023, LAIF included structured notes (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, 2023, the City had \$31,216,493 invested in LAIF, which had invested 1.46 percent of the pooled investment funds in Medium-term and Short-term Structured Notes and Asset-Backed Securities as compared to 1.88 percent in the previous year. The LAIF fair value factor of 0.984828499 was used to calculate the fair value of the investments in LAIF.

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

- Municipal Securities
- U.S. Treasury Securities
- U.S. Corporate Securities
- Federal Agency Securities
- Federally Insured Time Deposits
- Collateralized Time Deposits
- Negotiable Certificates of Deposit
- Local Agency Investment Fund
- Collateralized Bank Deposits
- Bankers' Acceptances
- Commercial Paper
- Medium-Term Notes
- Repurchase Agreements
- Mutual Funds and Money Market Mutual Funds
- Asset-backed Securities
- Foreign Corporate Securities
- Supranational Securities

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.

Cash and Investments	Fair Value	Investment Maturities (in years)		
		Less than 1 year	1-3 years	3-5 years
Cash:				
Cash deposits	\$ 6,638,494	\$ 6,638,494	\$ -	\$ -
Petty cash	4,870	4,870	-	-
Total cash	6,643,364	6,643,364	-	-
Investments:				
Federal agency securities	45,591,766	7,286,721	31,299,994	7,005,051
U.S. corporate securities	85,106,850	-	52,280,091	32,826,759
U.S. treasury securities	106,905,886	2,916,681	44,876,436	59,112,769
Asset-backed securities	32,351,826	590,224	16,055,334	15,706,268
Collateralized mortgage obligations	25,582,408	2,011,779	10,774,867	12,795,762
Supranational securities	15,112,151	-	15,112,151	-
Municipal securities	2,115,848	-	2,115,848	-
Local Agency Investment Fund (LAIF)	31,216,493	31,216,493	-	-
Total investments	343,983,228	44,021,898	172,514,721	127,446,609
Total cash and investments	<u>\$ 350,626,592</u>	<u>\$ 50,665,262</u>	<u>\$ 172,514,721</u>	<u>\$ 127,446,609</u>
Restricted Cash with Fiscal Agents:				
Public Investment Money				
Market Fund	\$ 10,734,298	\$ 10,734,298	\$ -	\$ -
IRS Section 115 - PARS				
Mutual Fund	6,444,596	6,444,596	-	-
Money market funds	46,778	46,778	-	-
Total restricted cash with fiscal agents	<u>\$ 17,225,672</u>	<u>\$ 17,225,672</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

	<u>Credit Quality Ratings</u>
Investments:	
Asset-backed Securities	Aaa
Federal Agency Securities	Aaa
Collateralized Mortgage Obligations	Aaa
Municipal Securities	Aa2
Supranational Securities	Aaa
U.S. Corporate Securities	A1/Aaa/A2/A3/Aa3
U.S. Treasury Securities	Aaa
Fiscal Agents:	
Local Agency Investment Fund	Not rated

Concentration of Credit Risk: The investment policy of the City of Merced contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5 percent or more of total City's investments are as follows:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Federal Home Loan Mortgage Corporation	\$ 33,488,078	9.55%
Federal National Mortgage Association	\$ 18,176,702	5.18%

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 percent 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 percent of the secured public deposits.

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 City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

On June 30, 2023, the carrying amount of the City's cash (excluding cash equivalents) is \$6,643,364, which includes the general checking account and petty cash of \$4,870. The bank balance in the City's general checking was \$4,798,482, fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The remainder of the cash balance is cash held in an account used solely for the collection of interest and the value of matured investments.

E. 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 "AA-" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. On June 30, 2023, cash and investments with fiscal agents totaled \$17,225,672.

Note 3 - Receivables

A. Government-wide Financial Statements

On June 30, 2023, the Government-Wide Financial Statements reported the following receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 8,493,103	\$ 8,503,275	\$ 16,996,378
Due from other governments	13,615,672	5,085,954	18,701,626
Interest receivable	607,787	925,416	1,533,203
 Total	 <u>\$ 22,716,562</u>	 <u>\$ 14,514,645</u>	 <u>\$ 37,231,207</u>

B. Fund Financial Statements

On June 30, 2023, the fund financial statements show the following receivables:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Accounts receivable	\$ 8,045,356	\$ 8,503,275	\$ 447,747	\$ 16,996,378
Due from other governments	13,613,807	5,085,954	1,865	18,701,626
Interest receivable	506,292	925,416	101,495	1,533,203
 Total	 <u>\$ 22,165,455</u>	 <u>\$ 14,514,645</u>	 <u>\$ 551,107</u>	 <u>\$ 37,231,207</u>

Accounts Receivable

Accounts receivable consists of amounts accrued in the ordinary course of operations. The accounts receivable as of June 30, 2023 was as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Governmental funds:			
General fund	\$ 5,390,816	\$ (2,717,627)	\$ 2,673,189
Measure C special revenue fund	12,624	-	12,624
Public facilities impact special revenue fund	3,548,691	-	3,548,691
Streets and signals capital project fund	4,023	-	4,023
Nonmajor governmental funds	2,049,821	(242,992)	1,806,829
 Total governmental funds	 <u>11,005,975</u>	 <u>(2,960,619)</u>	 <u>8,045,356</u>
Enterprise funds:			
Wastewater system	4,694,779	(76,026)	4,618,753
Water system	3,215,783	(134,230)	3,081,553
Refuse collection system	916,001	(132,829)	783,172
Nonmajor enterprise fund	75,552	(55,755)	19,797
 Total enterprise funds	 <u>8,902,115</u>	 <u>(398,840)</u>	 <u>8,503,275</u>
 Internal service funds	 <u>709,917</u>	 <u>(262,170)</u>	 <u>447,747</u>
 Total	 <u>\$ 20,618,007</u>	 <u>\$ (3,621,629)</u>	 <u>\$ 16,996,378</u>

Due from other Governments

Due from other governments consists of amounts due from other governmental entities. The due from other governments as of June 30, 2023 was as follows:

Governmental funds:	
General fund	\$ 5,385,351
Housing special revenue fund	1,216,797
Measure C special revenue fund	1,642,016
Streets and signals capital projects fund	1,429,435
Nonmajor governmental funds	<u>3,940,208</u>
Total governmental funds	<u>13,613,807</u>
Enterprise funds:	
Wastewater system	2,493,999
Water system	2,396,194
Nonmajor enterprise fund	<u>195,761</u>
Total enterprise funds	<u>5,085,954</u>
Internal service funds	<u>1,865</u>
Total	<u><u>\$ 18,701,626</u></u>

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, 2023, was as follows:

Governmental funds:	
General fund	\$ 166,047
Measure C special revenue fund	27,547
Housing special revenue fund	17,578
Low and moderate income housing special revenue fund	10,098
Public facilities impact special revenue fund	138,283
Streets and signals capital projects fund	2,506
Nonmajor governmental funds	<u>144,233</u>
Total governmental funds	<u>506,292</u>
Enterprise funds:	
Wastewater system	416,586
Water system	413,964
Refuse collection system	<u>94,866</u>
Total enterprise funds	<u>925,416</u>
Internal services fund	<u>101,495</u>
Total	<u><u>\$ 1,533,203</u></u>

Note 4 - Lease Receivables

The City has accrued receivables for 11 different leases. The remaining lease receivables was \$1,572,677 for the year ended June 30, 2023. Deferred inflows related to these leases were \$1,529,525 as of June 30, 2023. Interest revenue recognized on these leases was \$333,558 for the year ended June 30, 2023. Principal receipts of \$317,107 were recognized during the fiscal year. The interest rate on the leases were set at 1.953 percent. Final receipt is expected in fiscal year 2035.

Note 5 - Unearned Revenue

A. Government-wide Financial Statements

Unearned revenues in the Government-Wide Financial Statements represent amounts for which revenues have not been earned. On June 30, 2023, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepaid business license fees	\$ 1,445,523	\$ -	\$ 1,445,523
Grants	8,412,755	-	8,412,755
Service charges received in advance	21	155,914	155,935
American Rescue Plan Act grant	22,458,387	-	22,458,387
Developer credits	516,762	806,077	1,322,839
Total	<u>\$ 32,833,448</u>	<u>\$ 961,991</u>	<u>\$ 33,795,439</u>

B. Fund Financial Statements

On June 30, 2023, the following unearned revenues were recorded in the Fund Financial Statements because the revenues had not been earned:

<i>Governmental Funds:</i>	General	Housing	Public facilities impact	American Rescue Plan Act	Streets and signals	Nonmajor governmental	Total
Prepaid business license fees	\$ 1,370,081	\$ -	\$ -	\$ -	\$ -	\$ 75,442	\$ 1,445,523
Grants	174,363	8,238,392	-	-	-	-	8,412,755
Service charges received in advance	21	-	-	-	-	-	21
American Rescue Plan Act grant	-	-	-	22,458,387	-	-	22,458,387
Developer credits	-	-	15,782	-	76,148	424,832	516,762
Total	<u>\$ 1,544,465</u>	<u>\$ 8,238,392</u>	<u>\$ 15,782</u>	<u>\$ 22,458,387</u>	<u>\$ 76,148</u>	<u>\$ 500,274</u>	<u>\$ 32,833,448</u>
<i>Enterprise Funds:</i>	Wastewater system	Water system	Refuse collection system	Total			
Service charges received in advance	\$ 51,916	\$ 41,208	\$ 62,790	\$ 155,914			
Developer credits	806,077	-	-	806,077			
Total	<u>\$ 857,993</u>	<u>\$ 41,208</u>	<u>\$ 62,790</u>	<u>\$ 961,991</u>			

Note 6 - Interfund Transactions

A. Fund Financial Statements

Due To / Due From

On June 30, 2023, the City had the following short-term interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Governmental Activities</u>
Nonmajor governmental funds	Nonmajor governmental funds	\$ 386,258
	Total	<u>\$ 386,258</u>

Amounts shown as due to and from other funds represent interfund balances that arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Long-Term Advances

On June 30, 2023, the City had the following interfund long-term advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Internal service fund	Nonmajor governmental fund	\$ 331,669	\$ -	\$ 331,669
Water system	General fund	-	2,712,400	2,712,400
	Total	<u>\$ 331,669</u>	<u>\$ 2,712,400</u>	<u>\$ 3,044,069</u>

Advance from the Internal Service Fund to the Community Facilities Districts Fund (non-major governmental fund) has an interest rate equal to 2.016 percent which is the rate earned on the City's investment portfolio on the date of the disbursement. Advance is to be repaid with amounts received from the annual special tax. The term of the advance is 15 years.

Advance from the Water System to the General Fund is to assist the repayment of the settlement agreement with the California Department of Finance. The term of the advance is for 30 years and is subject to an interest rate of 2.22 percent.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2023 is as follows:

Transfers Out:	Governmental Funds			Transfers In:					Total
	General Fund	Streets and signals	Nonmajor governmental funds	Wastewater system	Water system	Refuse collection system	Nonmajor enterprise funds	Internal service funds	
Governmental Funds:									
General Fund	\$ -	\$ -	\$ 291,965	\$ -	\$ -	\$ -	\$ 889,469	\$ 2,557,734	\$ 3,739,168
Housing	-	-	-	-	-	-	-	24,426	24,426
Measure C	-	-	125,000	-	-	-	-	57,452	182,452
American Rescue Plan Act	6,017	-	-	265	-	-	-	1,229	7,511
Streets and signals	-	-	14,513	-	-	-	-	-	14,513
Nonmajor governmental funds	1,097,268	414,347	-	-	-	107,146	49,898	453,323	2,121,982
Enterprise Funds:									
Wastewater system	-	-	-	-	-	-	-	116,233	116,233
Water system	-	-	37	-	-	-	-	87,636	87,673
Refuse collection system	-	-	-	-	-	-	-	122,667	122,667
Nonmajor enterprise funds	-	-	-	-	-	-	-	14,432	14,432
Internal service funds	956,434	-	-	-	12,359	-	-	-	968,793
Total	\$ 2,059,719	\$ 414,347	\$ 431,515	\$ 265	\$ 12,359	\$ 107,146	\$ 939,367	\$ 3,435,132	\$ 7,399,850

Transfers represent funding of various City operations, funding for capital projects, lease payments or debt service, and intrafund transfers of specific departmental operations.

Furthermore, during the fiscal year ended June 30, 2023, the City made the following one-time transfers:

- 1) Transfer of \$270,000 from General fund to Internal Service Funds for additional workers' compensation claim paid out during the fiscal year.
- 2) A transfer of \$7,511 from American Rescue Plan Act Fund to various funds for COVID-19 related expenditures.
- 3) A transfer of \$415,920 from General Fund to Nonmajor Governmental Funds for loans forgiveness to Fire, Police and Parks Maintenance in Community Facility District Funds.

Note 7 - Capital Assets

A. Government-Wide Financial Statements

On June 30, 2023, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 86,076,169	\$ 2,461,520	\$ 88,537,689
Construction in process	24,168,606	22,500,857	46,669,463
Total non-depreciable assets	<u>110,244,775</u>	<u>24,962,377</u>	<u>135,207,152</u>
<i>Depreciable Assets:</i>			
Buildings and structures	64,829,485	11,624,781	76,454,266
Machinery and equipment	44,795,053	7,810,613	52,605,666
Improvements other than buildings, structures, and land improvements	34,288,304	593,752	34,882,056
Infrastructure	448,114,036	244,107,025	692,221,061
Right-to-use assets	5,221,541	2,438,414	7,659,955
Total depreciable assets	597,248,419	266,574,585	863,823,004
Total accumulated depreciation/ amortization	<u>(458,029,014)</u>	<u>(166,586,854)</u>	<u>(624,615,868)</u>
Total depreciable assets, net	<u>139,219,405</u>	<u>99,987,731</u>	<u>239,207,136</u>
Total	<u><u>\$ 249,464,180</u></u>	<u><u>\$ 124,950,108</u></u>	<u><u>\$ 374,414,288</u></u>

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

	Balance July 1, 2022 as restated	Reclassification	Additions	Deletions	Transfer of CIP	Balance June 30, 2023
<i>Non-depreciable Assets:</i>						
Land and improvements	\$ 86,076,169	\$ -	\$ -	\$ -	\$ -	\$ 86,076,169
Construction in progress	11,706,948	-	12,768,227	-	(306,569)	24,168,606
Total non-depreciable assets	97,783,117	-	12,768,227	-	(306,569)	110,244,775
<i>Depreciable Assets:</i>						
Buildings and structures	23,264,305	41,332,361	32,995	-	199,824	64,829,485
Machinery and equipment	43,601,911	793,109	2,139,082	(1,739,049)	-	44,795,053
Improvements other than buildings, structures, and land improvements	129,350,697	(95,641,577)	566,880	-	12,304	34,288,304
Infrastructure	392,071,040	53,516,107	2,432,448	-	94,441	448,114,036
Total depreciable assets	588,287,953	-	5,171,405	(1,739,049)	306,569	592,026,878
<i>Accumulated depreciation:</i>						
Buildings and structures	(13,246,534)	(36,999,786)	(1,395,709)	-	-	(51,642,029)
Machinery and equipment	(33,616,592)	(501,773)	(2,945,645)	1,728,175	-	(35,335,835)
Improvements other than buildings, structures, and land improvements	(93,304,501)	68,387,604	(1,080,130)	-	(6,818)	(26,003,845)
Infrastructure	(299,481,130)	(30,886,045)	(12,758,309)	-	6,818	(343,118,666)
Total accumulated depreciation	(439,648,757)	-	(18,179,793)	1,728,175	-	(456,100,375)
Total depreciable assets, net	148,639,196	-	(13,008,388)	(10,874)	306,569	135,926,503
<i>Amortizable Assets:</i>						
Right to use assets - equipment	26,831	-	-	-	-	26,831
Right to use assets - subscription assets	4,888,064	-	306,646	-	-	5,194,710
Total amortizable assets	4,914,895	-	306,646	-	-	5,221,541
<i>Accumulated amortization:</i>						
Right to use assets - equipment	(6,626)	-	(6,626)	-	-	(13,252)
Right to use assets - subscription assets	-	-	(1,915,387)	-	-	(1,915,387)
Total accumulated amortization	(6,626)	-	(1,922,013)	-	-	(1,928,639)
Total amortizable assets, net	4,908,269	-	(1,615,367)	-	-	3,292,902
Total governmental activities, net	\$ 251,330,582	\$ -	\$ (1,855,528)	\$ (10,874)	\$ -	\$ 249,464,180

Governmental activities depreciation and amortization expense for capital assets for the year ended June 30, 2023 were as follows:

General government	\$ 3,008,923
Public safety	993,193
Public works	15,171,139
Culture and recreation	928,551
Total depreciation and amortization expense	<u>\$ 20,101,806</u>

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2022 as restated	Reclassification	Additions	Deletions	Transfer of CIP	Balance June 30, 2023
<i>Non-depreciable Assets:</i>						
Land and improvements	\$ 2,461,520	\$ -	\$ -	\$ -	\$ -	\$ 2,461,520
Construction in progress	17,888,672	-	4,636,872	-	(24,687)	22,500,857
Total non-depreciable assets	20,350,192	-	4,636,872	-	(24,687)	24,962,377
<i>Depreciable Assets:</i>						
Buildings and structures	9,439,956	2,169,932	14,893	-	-	11,624,781
Machinery and equipment	7,029,365	100,483	1,028,696	(342,880)	(5,051)	7,810,613
Improvements other than buildings, structures, and land improvements	192,370,729	(191,776,977)	-	-	-	593,752
Infrastructure	53,671,964	189,506,562	898,761	-	29,738	244,107,025
Total depreciable assets	262,512,014	-	1,942,350	(342,880)	24,687	264,136,171
<i>Accumulated depreciation:</i>						
Buildings and structures	(4,575,277)	(1,585,226)	(441,491)	-	-	(6,601,994)
Machinery and equipment	(5,093,264)	(68,569)	(643,389)	342,880	168	(5,462,174)
Improvements other than buildings, structures, and land improvements	(125,044,271)	124,520,204	(8,702)	-	-	(532,769)
Infrastructure	(20,112,127)	(122,866,409)	(10,363,021)	-	(168)	(153,341,725)
Total accumulated depreciation	(154,824,939)	-	(11,456,603)	342,880	-	(165,938,662)
Total depreciable assets, net	107,687,075	-	(9,514,253)	-	24,687	98,197,509
<i>Amortizable Assets:</i>						
Right to use assets - subscription assets	2,438,414	-	-	-	-	2,438,414
Total amortizable assets	2,438,414	-	-	-	-	2,438,414
<i>Accumulated amortization:</i>						
Right to use assets - subscription assets	-	-	(648,192)	-	-	(648,192)
Total accumulated depreciation	-	-	(648,192)	-	-	(648,192)
Total depreciable assets, net	2,438,414	-	(648,192)	-	-	1,790,222
Total business-type activities, net	<u>\$ 130,475,681</u>	<u>\$ -</u>	<u>\$ (5,525,573)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,950,108</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2023 was as follows:

Wastewater system	\$ 8,173,671
Water system	3,098,107
Refuse collection system	384,569
Merced municipal airport	448,448
Total depreciation expense	<u>\$ 12,104,795</u>

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present general governmental capital assets since they do not provide for current financial resources. 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 Position.

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.

Note 8 - Deposits and Other Liabilities

A. Government-Wide Financial Statements

Deposits and other liabilities consist of amounts accrued in the ordinary course of operations. The other liabilities as of June 30, 2023, were as follows:

	Governmental Activities	Business-Type Activities	Total
Deposits	\$ 870,030	\$ 3,179,658	\$ 4,049,688
Other liabilities	262,550	347,513	610,063
Total	<u>\$ 1,132,580</u>	<u>\$ 3,527,171</u>	<u>\$ 4,659,751</u>

B. Fund Financial Statements

	Deposits	Other Liabilities	Total Deposits and Other Liabilities
<i>Governmental Funds:</i>			
General Fund	\$ 847,139	\$ 214,872	\$ 1,062,011
Housing	-	6,968	6,968
Nonmajor governmental funds	22,891	36,611	59,502
Total governmental funds	<u>870,030</u>	<u>258,451</u>	<u>1,128,481</u>
<i>Business-Type Activities:</i>			
Wastewater System	605,168	331,548	936,716
Water System	1,893,170	2,849	1,896,019
Refuse Collection System	657,999	1,818	659,817
Nonmajor enterprise fund	23,321	11,298	34,619
Total business-type activities	<u>3,179,658</u>	<u>347,513</u>	<u>3,527,171</u>
Internal Service Funds	<u>-</u>	<u>4,099</u>	<u>4,099</u>
Total	<u>\$ 4,049,688</u>	<u>\$ 610,063</u>	<u>\$ 4,659,751</u>

Note 9 - 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, 2023:

	Balance July 1, 2022 as restated	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Pension obligation bonds	\$ 1,765,000	\$ -	\$ (840,000)	\$ 925,000	\$ 925,000	\$ -
Direct Borrowings:						
Financed Purchases	2,945,934	-	(492,979)	2,452,955	538,142	1,914,813
Lease liabilities	20,788	-	(7,597)	13,191	6,834	6,357
SBITA	2,916,105	304,500	(1,349,442)	1,871,163	1,325,798	545,365
State Payable Settlement	4,278,396	-	(1,250,000)	3,028,396	1,250,000	1,778,396
Total	<u>\$ 11,926,223</u>	<u>\$ 304,500</u>	<u>\$ (3,940,018)</u>	<u>\$ 8,290,705</u>	<u>\$ 4,045,774</u>	<u>\$ 4,244,931</u>

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 to purchase 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 in the amount of \$7,138,378 were used by the City to prepay a portion of the unfunded actuarial accrued liability to the California Public Employees' Retirement System. The bonds are an unconditional obligation of the City payable from legally available funds.

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

The annual debt service requirements for the pension obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 925,000</u>	<u>\$ 54,538</u>	<u>\$ 979,538</u>
Total	<u>\$ 925,000</u>	<u>\$ 54,538</u>	<u>\$ 979,538</u>

Financed Purchases

On March 9, 2011, the City entered into a financing agreement with Bank of America to fund certain energy efficient, cost saving facility improvement measures and facility upgrades under which the related facility will become the property of the City when all terms of the lease agreement are met. The agreement of \$7,157,493 funded energy efficiency retrofitting of \$4,783,916 and capital improvements of \$2,373,577.

The annual debt service requirements for the financed purchases are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 538,142	\$ 105,278	\$ 643,420
2025	586,164	80,319	666,483
2026	637,209	53,146	690,355
2027	691,440	23,621	715,061
Total	<u>\$ 2,452,955</u>	<u>\$ 262,364</u>	<u>\$ 2,715,319</u>

Lease Liability

The City has entered into lease agreements for equipment. The City is required to make principal and interest payments through August 2025. The lease liability was valued using a discount rate of 2.00 percent which is based on the City's most recent borrowings.

Year Ending June 30	Principal	Interest	Total
2024	\$ 6,834	\$ 56	\$ 6,890
2025	6,033	19	6,052
2026	324	-	324
Total	<u>\$ 13,191</u>	<u>\$ 75</u>	<u>\$ 13,266</u>

Subscription Based Information Technology Arrangements (SBITAS)

The City has entered into agreements for the use of various software. The City is required to make principal and interest payments through January 2028. The SBITA liability was valued using a discount rate of 2.00 percent which is based on the City's most recent borrowings.

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,325,798	\$ 44,000	\$ 1,369,798
2025	431,962	13,104	445,066
2026	37,683	2,715	40,398
2027	39,666	1,728	41,394
2028	36,054	703	36,757
Total	<u>\$ 1,871,163</u>	<u>\$ 62,250</u>	<u>\$ 1,933,413</u>

State Payable Settlement

On August 6, 2019, the City of Merced finalized a Settlement Agreement with the California Department of Finance. The litigation, which had begun November 16, 2016, resolved was regarding the wind down of the Redevelopment Agency for the City of Merced (RDA) pursuant to Assembly Bill 26 and Assembly Bill 1484, collectively the "Dissolution Law."

The parties agreed that the City of Merced will remit \$9,528,396 to the Merced Designated Local Authority in eight installments with no interest. These payments are due on July 1 of each year with exception of the first-year payment, which was due on October 1, 2019.

The annual debt service requirements for the State Payable Settlement are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,250,000	\$ -	\$ 1,250,000
2025	1,250,000	-	1,250,000
2026	528,396	-	528,396
Total	<u>\$ 3,028,396</u>	<u>\$ -</u>	<u>\$ 3,028,396</u>

Business-Type Activities

Following is a summary of business-type activities long-term debt transactions during the fiscal year ended June 30, 2023:

	Balance July 1, 2022 as restated	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Revenue bonds payable	\$ 4,995,000	\$ -	\$ (1,590,000)	\$ 3,405,000	\$ 1,665,000	\$ 1,740,000
Unamortized premiums	350,817	-	(116,938)	233,879	-	233,879
Direct Borrowing:						
Loans payable	22,104,135	-	(1,945,300)	20,158,835	1,986,503	18,172,332
SBITAs	603,838	-	(210,249)	393,589	194,417	199,172
Total	<u>\$ 28,053,790</u>	<u>\$ -</u>	<u>\$ (3,862,487)</u>	<u>\$ 24,191,303</u>	<u>\$ 3,845,920</u>	<u>\$ 20,345,383</u>

Revenue Bonds Payable

Revenue bonds payable on June 30, 2023, consisted of the following:

	Bonds Payable	Unamortized Premiums
Water revenue bonds	\$ 1,020,000	\$ 68,271
Wastewater revenues bonds	2,385,000	165,608
Total	<u>\$ 3,405,000</u>	<u>\$ 233,879</u>

2012 Series Water and Wastewater Revenue Bonds

On June 19, 2012, the City issued 2012 Series in the amount of \$17,995,000 with an average interest rate of 3.665 percent to advance refund \$22,270,000 of outstanding 2005 CSCDA Water and Wastewater Bonds, \$6,555,000 and \$15,715,000 respectively, with an average interest rate of 5.223 percent.

The debt issuance resulted in an unamortized premium of \$1,808,425 that will be amortized over the life of the bonds. The unamortized premium balance on June 30, 2023 totals \$233,879.

The bonds were secured by pledges of the Water and Wastewater Fund net revenues under the respective installment purchase agreements for each individual program participant. The indentures prescribe that the City will collect charges and fees for the use of Water and Wastewater which are reasonably fair and nondiscriminatory, and which are estimated in each fiscal year to be at least sufficient to yield net revenues during such fiscal year equal to 125 percent of debt services for such fiscal year plus the amount necessary to restore the Reserve Fund, if any, to the respective amounts required to be on deposit therein in such fiscal year. For 2022-23 fiscal year, the debt coverage is 10.31 and 10.02 for the Water Fund and Wastewater Fund, respectively.

The City's obligation at issuance was \$5,455,000 for the Water Fund and \$12,540,000 for the Wastewater Fund. Principal payments are due on October 1 of each year and interest payments ranging from 2.0 percent to 5.0 percent are due on April 1 and October 1 of each year.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 500,000	\$ 25,600	\$ 525,600
2025	520,000	7,800	527,800
Total	<u>\$ 1,020,000</u>	<u>\$ 33,400</u>	<u>\$ 1,053,400</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,165,000	\$ 90,125	\$ 1,255,125
2025	1,220,000	30,500	1,250,500
Total	<u>\$ 2,385,000</u>	<u>\$ 120,625</u>	<u>\$ 2,505,625</u>

Loans Payable

Loans payable on June 30, 2023 consisted of the following:

California Infrastructure and Economic Development Bank (CIEDB)	
Enterprise Fund Installment Sales Agreement	\$ 4,827,209
California State Water Resources Control Board	
Clean Water State Revolving Fund	<u>15,331,626</u>
Total	<u>\$ 20,158,835</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 principal balance of the agreement was \$8,262,208 and bears interest of 3.17 percent.

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:

Year Ending June 30	Principal	Interest	Total
2024	\$ 350,000	\$ 147,474	\$ 497,474
2025	350,000	136,379	486,379
2026	400,000	124,492	524,492
2027	425,000	111,416	536,416
2028	425,000	97,944	522,944
2029-2033	2,350,000	273,762	2,623,762
2034	<u>527,209</u>	<u>8,356</u>	<u>535,565</u>
Total	<u>\$ 4,827,209</u>	<u>\$ 899,823</u>	<u>\$ 5,727,032</u>

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 was \$32,315,970 with an interest rate of 1.0 percent per annum, after the American Recovery and Reinvestment Act (ARRA) principal forgiveness grant of \$2,000,000.

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

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,636,503	\$ 153,316	\$ 1,789,819
2025	1,652,868	136,951	1,789,819
2026	1,669,397	120,423	1,789,820
2027	1,686,091	103,729	1,789,820
2028	1,702,952	86,868	1,789,820
2029-2032	6,983,815	175,464	7,159,279
Total	<u>\$ 15,331,626</u>	<u>\$ 776,751</u>	<u>\$ 16,108,377</u>

Subscription Based Information Technology Arrangements (SBITAS)

The City has entered into agreements for the use of various software. The City is required to make principal and interest payments through January 2025. The lease liability was valued using a discount rate of 2.00 percent which is based on the City's most recent borrowings.

Year Ending June 30	Principal	Interest	Total
2024	\$ 194,417	\$ 9,625	\$ 204,042
2025	199,172	4,870	204,042
Total	<u>\$ 393,589</u>	<u>\$ 14,495</u>	<u>\$ 408,084</u>

B. Governmental 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 Position.

C. Debt with No City Commitment

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.

The following bond issues are not reported in the City's financial statements, because the City acts solely as an agent for the bondholders 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.

	Outstanding June 30, 2023
Bellevue Ranch East CFD	\$ 6,530,000
Bellevue Ranch West CFD	4,885,000
Moraga CFD	<u>3,370,000</u>
Total	<u><u>\$ 14,785,000</u></u>

Note 10 - Compensated Absences

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

A summary of changes in compensated absences for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Governmental activities	\$ 3,643,528	\$ 1,135,242	\$ (807,711)	\$ 3,971,059	\$ 772,158	\$ 3,198,901
Business-type activities	<u>1,132,565</u>	<u>179,398</u>	<u>(126,570)</u>	<u>1,185,393</u>	<u>176,262</u>	<u>1,009,131</u>
Total	<u><u>\$ 4,776,093</u></u>	<u><u>\$ 1,314,640</u></u>	<u><u>\$ (934,281)</u></u>	<u><u>\$ 5,156,452</u></u>	<u><u>\$ 948,420</u></u>	<u><u>\$ 4,208,032</u></u>

Note 11 - Classification of Fund Balance

In governmental funds, nonspendable, restricted, committed, assigned and unassigned are presented as components of fund balance as follows:

	Major Governmental Funds							Non Major Government Funds	Total Government
	General	Housing Special Revenue	Measure C Special Revenue	Low & Moderate Income Housing Special Revenue	Public Facilities Impact Special Revenue	American Rescue Plan Act Special Revenue	Streets and Signals Capital Projects		
Nonspendable:									
Inventory	\$ 89,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,161
Prepaid items	46,088	-	-	-	-	-	-	-	46,088
Notes receivable	50,942	-	-	-	-	-	-	-	50,942
Total nonspendable	186,191	-	-	-	-	-	-	-	186,191
Restricted for:									
Street and street lights	-	-	-	-	-	-	-	13,517,158	13,517,158
Trust 115 - Pension	6,444,596	-	-	-	-	-	-	-	6,444,596
Community development	-	-	-	-	31,227,002	991,468	-	4,853,652	37,072,122
Housing	478,027	28,547,866	-	10,299,992	-	-	-	-	39,325,885
Public safety	-	-	-	-	-	-	-	2,629,642	2,629,642
Special districts	-	-	-	-	-	-	-	8,884,181	8,884,181
Capital projects	-	-	-	-	-	-	1,457,423	6,886,495	8,343,918
Parks & Recreation	-	-	-	-	-	-	-	164,825	164,825
Measure Y	-	-	-	-	-	-	-	278,396	278,396
Other	46,779	-	-	-	-	-	-	1,053,173	1,099,952
Total restricted	6,969,402	28,547,866	-	10,299,992	31,227,002	991,468	1,457,423	38,267,522	117,760,675
Committed to:									
Substandard Housing	223,145	-	-	-	-	-	-	-	223,145
Community development	-	-	-	-	-	-	-	4,697,838	4,697,838
Public safety	-	-	7,756,311	-	-	-	-	-	7,756,311
Total committed	223,145	-	7,756,311	-	-	-	-	4,697,838	12,677,294
Assigned to:									
General government	3,050	-	-	-	-	-	-	-	3,050
Appropriations in subsequent year	4,330,484	-	-	-	-	-	-	-	4,330,484
Encumbrances:									
General government	1,557,050	-	-	-	-	-	-	-	1,557,050
Community development	38,409	-	-	-	-	-	-	-	38,409
Public works	-	-	-	-	-	-	-	-	-
Parks and recreation	211,280	-	-	-	-	-	-	-	211,280
Total assigned	6,140,273	-	-	-	-	-	-	-	6,140,273
Unassigned	26,399,770	-	-	-	-	-	-	(41)	26,399,729
Total Fund Balances	\$ 39,918,781	\$ 28,547,866	\$ 7,756,311	\$ 10,299,992	\$ 31,227,002	\$ 991,468	\$ 1,457,423	\$ 42,965,319	\$ 163,164,162

Note 12 - Other Fund Disclosures

On June 30, 2023, the funds below had the following deficit fund balance or net position:

Governmental Fund:

<u>Nonmajor Funds</u>	\$ (41)
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The deficit fund balance in the nonmajor funds is in the Traffic Safety special revenue fund. The deficit was caused by higher than planned expenditures. The deficit will be eliminated by future tax revenues.

Internal Service Funds:

<u>Workers' Compensation Insurance Fund</u>	(9,824,156)
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The deficit net position was caused by recognizing a liability for claims 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 yet reported (IBNR).

<u>Fleet Management Fund</u>	(390,531)
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The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit will be eliminated by future charges for services.

<u>Facility Maintenance Fund</u>	(2,000,872)
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The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit balance will be eliminated by future charges for services and debt service payments related to the capital lease agreement.

<u>Public Works Administration Fund</u>	(3,053,132)
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The deficit net position was caused by the adjustments related to the recognition of the net pension liability and the net OPEB liability. The deficit will be eliminated by future charges for services.

Note 13 - Risk Management

The City maintains internal service funds to account for the City's general liability and workers' compensation insurance. All unpaid claims that were probable liabilities that occurred prior to 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, 2023, claims for general liability and workers' compensation were \$2,537,278 and \$10,237,840 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 (CSJVRMA), with a self-insured retention of \$100,000 for general liability and errors and omissions. The CSJVRMA retains the first \$1,000,000 of coverage above the \$100,000 self-insured retention. The CSJVRMA pays each claim from first dollar and then allocates the amount the city is responsible for and the amount which is shared by the pooled layers through the retrospective adjustment process. The CSJVRMA is a member of California Affiliated Risk Management Authorities (CARMA) for excess coverage over \$1 million up to \$54 million.

The Workers' Compensation Insurance Fund is used to account for all workers' compensation claims against the City. The fund provides for a maximum of \$350,000 for each claim. Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) covers the layer above the member's retained limit up to \$5 million. LAWCX is a member of the Public Risk Innovation, Solutions, and Management (PRISM), formerly known as California State Association of Counties Excess Insurance Authority (CSAC EIA) who provides the excess coverage over the \$5 million.

The changes in balance of claims liabilities during the past two years are as follows:

	General Liability	Workers' Compensation	Total Claims Liability
Liability - June 30, 2022	\$ 1,273,006	\$ 6,708,683	\$ 7,981,689
Claims incurred	1,201,652	1,867,176	3,068,828
Claims payments	(459,552)	(1,784,292)	(2,243,844)
Changes to prior year estimates	-	426,468	426,468
Liability - June 30, 2023	2,015,106	7,218,035	9,233,141
Claims incurred	1,426,651	5,033,134	6,459,785
Claims payments	(904,479)	(2,072,441)	(2,976,920)
Changes to prior year estimates	-	59,112	59,112
Liability - June 30, 2023	<u>\$ 2,537,278</u>	<u>\$ 10,237,840</u>	<u>\$ 12,775,118</u>
Current portion	<u>\$ 2,537,278</u>	<u>\$ 2,247,785</u>	<u>\$ 4,785,063</u>

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's coverage during the year ended June 30, 2023.

Note 14 - Pension Plans

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Safety (Fire and Police) and Miscellaneous Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions under the Plans are established by State statute and City Resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding number of employees covered, benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of service are eligible to retire at the retirement age with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The basic death benefit is offered to all members. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Summary of the Plans’ reported financial statement balances are as follows:

	Defined-Benefit Pension Plans		
	Miscellaneous Plan	Safety Plan	Total Plans
Deferred outflows - pension	\$ 17,311,964	\$ 21,552,672	\$ 38,864,636
Net pension liability	(57,893,230)	(55,118,355)	(113,011,585)
Deferred inflows - pension	(266,490)	(1,906,625)	(2,173,115)
Pension expense	7,376,335	7,788,557	15,164,892

The Plans' provisions and benefits in effect on June 30, 2023 are summarized as follows:

	Miscellaneous Plan		
	Existing plan members hired before	Existing plan members hired after	New plan members hired after
Hire date	December 10, 2012	December 10, 2012	January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	8.71%	8.71%	8.71%

	Safety Plan		
	Existing plan members hired before	Existing plan members hired after	New plan members hired after
Hire date - Fire	October 7, 2011	October 7, 2011	January 1, 2013
Hire date - Police	December 10, 2012	December 10, 2012	January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible	3.0%	2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.75%
Required employer contribution rates	17.14%	17.14%	17.14%

Employees Covered – As of the measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous Plan	Safety
Inactive employees or beneficiaries currently receiving benefits	424	153
Inactive employees entitled to but not yet receiving benefits	238	129
Active employees	298	204
Total	960	486

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. The City contributed \$6,070,789 and \$6,788,419 to the miscellaneous plan and safety plan, respectively during the fiscal year.

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The June 30, 2021 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous and Safety Plans
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.300%
Salary increases	Varies by entry age and service
Mortality rate table (1)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The project of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1, 2}</u>
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100.0%</u>	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study

C. Changes in the Net Pension Liability

The following table shows the changes in the net pension liability recognized over the measurement period.

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 171,545,296	\$ 139,255,217	\$ 32,290,079
Change in the year:			
Service cost	3,224,985	-	3,224,985
Interest on the total pension liability	12,077,169	-	12,077,169
Changes in assumptions	6,089,670	-	6,089,670
Differences between actual and expected experience	513,749	-	513,749
Contribution - employer	-	5,541,736	(5,541,736)
Contribution - employee	-	1,376,573	(1,376,573)
Net Investment income	-	(10,529,139)	10,529,139
Administrative expenses	-	(86,748)	86,748
Benefit payments, including refunds of employee contribution	(9,459,544)	(9,459,544)	-
Net changes	12,446,029	(13,157,122)	25,603,151
Ending at June 30, 2022	\$ 183,991,325	\$ 126,098,095	\$ 57,893,230

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 186,726,599	\$ 158,920,426	\$ 27,806,173
Change in the year:			
Service cost	4,039,909	-	4,039,909
Interest on the total pension liability	13,087,509	-	13,087,509
Changes in assumptions	8,120,409	-	8,120,409
Differences between actual and expected experience	(2,502,445)	-	(2,502,445)
Contribution - employer	-	6,015,801	(6,015,801)
Contribution - employee	-	1,596,118	(1,596,118)
Net Investment income	-	(12,079,721)	12,079,721
Administrative expenses	-	(98,998)	98,998
Benefit payments, including refunds of employee contribution	(9,380,920)	(9,380,920)	-
Net changes	13,364,462	(13,947,720)	27,312,182
Ending at June 30, 2022	\$ 200,091,061	\$ 144,972,706	\$ 55,118,355

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of each plan as of the measurement date, calculated using the discount rate of 6.90 percent for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point-higher than the current rate:

	Miscellaneous Plan	Safety Plan	Total Plans
1% decrease	5.90%	5.90%	5.90%
Net pension liability	\$ 82,340,086	\$ 83,323,170	\$ 165,663,256
Current discount rate	6.90%	6.90%	6.90%
Net pension liability	\$ 57,893,230	\$ 55,118,355	\$ 113,011,585
1% increase	7.90%	7.90%	7.90%
Net pension liability	\$ 37,721,109	\$ 32,092,673	\$ 69,813,782

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$15,164,892 (\$7,367,335 and \$7,788,557 for Miscellaneous and Safety Plans, respectively). On June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows / inflows of resources
Pension contributions subsequent to measurement date	\$ 6,070,789	\$ -	\$ 6,788,419	\$ -	\$ 12,859,208
Differences between expected and actual experience	551,923	(266,490)	1,218,583	(1,906,625)	(402,609)
Change in assumptions	4,398,095	-	6,186,978	-	10,585,073
Net differences between projected and actual earnings on pension plan investments	6,291,157	-	7,358,692	-	13,649,849
Total	\$ 17,311,964	\$ (266,490)	\$ 21,552,672	\$ (1,906,625)	\$ 36,691,521

For Miscellaneous and Safety Plans, \$6,070,789 and \$6,788,419, respectively, is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Period Ended</u>	<u>Miscellaneous plan Deferred outflows / inflows of resources</u>	<u>Safety plan Deferred outflows / inflows of resources</u>
2024	\$ 2,827,239	\$ 3,204,544
2025	2,623,150	2,806,980
2026	1,517,140	1,983,090
2027	4,007,156	4,863,014
Total	<u>\$ 10,974,685</u>	<u>\$ 12,857,628</u>

Note 15 - Other Postemployment Healthcare Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description – The City of Merced Retiree Healthcare Plan (“Plan”) is an agent multiple-employer defined benefit healthcare plan. Benefit provisions are established and may be amended through agreements and Memorandums of Understanding (MOU) between the City, its management employees, and the unions representing City employees. The City’s Retiree Healthcare Plan does not issue a stand-alone financial report.

The City has \$6,444,596 in the California Employers’ Retiree Benefit Trust (CERBT) at the end of the fiscal year ending June 30, 2023. 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.

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. Retired employees not eligible may continue medical coverage at their own expense.

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 United Health Care. Dental and vision benefits are available to retirees, but at their own expense.

Employees Covered – On June 30, 2022, the measurement date, the following number of participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	274
Inactive employees entitled to but not yet receiving benefits	1
Active employees	84
	<hr/>
Total	359
	<hr/> <hr/>

Contributions - 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. No additional pre-funding is currently planned. The City contributed \$1,606,501 during the fiscal year.

B. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions - The total OPEB liability at the June 30, 2022 measurement date was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	Based on Municipal Bond Rate 3.54%, Bond Buyer 20
Inflation	2.50%
Expected long-term investment rate of return	3.54% at June 30, 2022
Salary increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Mortality, disability, termination, retirement	CalPERS 2000-2019 Experience Study
Mortality improvement scale	Post-retirement mortality projected fully generational with Scale MP-2021
Medical trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Healthcare participation for future retirees	Medical coverage: 100% Spouse coverage: 100% for those with more than single coverage Assumptions based on study of recent retiree experience

The actuarial assumptions at the June 30, 2022 measurement date were based on the results of an actuarial experience study for the period 2000 to 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation CERBT-Strategy 1	Long-term expected real rate of return
Global equity	49%	4.56%
Fixed income	23%	1.56%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITS	20%	4.06%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.54 percent and was based on the index provided by the Bond Buyer 20-Bond General Obligation index based on the 20-year AA municipal bond rate as of June 30, 2022.

C. Change in the Net OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning balance	\$ 32,368,131	\$ 2,875,340	\$ 29,492,791
Change in the year:			
Service cost	476,580	-	476,580
Interest on the total OPEB liability	691,842	-	691,842
Changes in assumptions	(4,279,863)	-	(4,279,863)
Contribution - employer	-	1,629,983	(1,629,983)
Net Investment income	-	(384,791)	384,791
Benefit payments, including refunds	(1,629,983)	(1,629,983)	-
Administrative expenses	-	(728)	728
Net Changes	<u>(4,741,424)</u>	<u>(385,519)</u>	<u>(4,355,905)</u>
Ending at June 30, 2023 (measurement date June, 30, 2022)	<u>\$ 27,626,707</u>	<u>\$ 2,489,821</u>	<u>\$ 25,136,886</u>

Changes in assumptions – the City updated the discount rate to 3.54 percent from 2.16 percent reported in fiscal year ended June 30, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – the following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage–point higher than the current discount rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB liability	\$ 28,136,986	\$ 25,136,886	\$ 22,587,967

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – the following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage–point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability	\$ 24,108,726	\$ 25,136,886	\$ 26,308,235

OPEB Plan Fiduciary Net Position – detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report.

D. OPEB Expense and Deferred Outflows/ Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$802,852. On June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 503,404
Change in assumptions	-	2,255,793
Net differences between projected and actual earnings on OPEB plan investments	199,865	-
Employer contributions made subsequent to the measurement date	1,606,501	-
Total	\$ 1,806,366	\$ 2,759,197

The \$1,606,501 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	Deferred outflows/ (inflows) of resources
2024	\$ (2,724,879)
2025	33,317
2026	19,333
2027	112,897
Total	<u>\$ (2,559,332)</u>

Note 16 - Commitments and Contingency Liabilities

As of June 30, 2023, the City had the following outstanding commitments that exceeded \$500,000:

Vendor Name	Outstanding Amount
Dokken Engineering	\$ 1,458,590
Mid Cal Pipeline & Utilities Inc	891,882
City of Merced Engineering	656,424
Merced County Department of Public Works	625,230
Redstone Construction Inc	623,422
West Coast Arborists Inc	615,185
Stantec Consulting Services	570,394
Solitude Lake Management LLC	529,488
Taylor Backhoe Service	513,840
Total	<u>\$ 6,484,455</u>

Note 17 - Pollution Remediation Obligations

The City of Merced is aware of various contaminated sites throughout the City, which contain certain gasoline chemicals and other contaminants such as pesticides and solvents.

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 offset by insurance recoveries, and therefore no liability is reported on the City's Statement of Net Position.

Note 18 - Adoption of New Accounting Standard and Correction of Error

As of July 1, 2021, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

	Governmental Activities	Business-Type Activities
Net Position as July 1, 2022, as previously reported	\$ 319,808,077	\$ 262,791,104
Recognition of right-to-use subscription IT asset	4,888,064	2,438,414
Recognition of subscription arrangement liability	(2,916,105)	(603,838)
Net Position at July 1, 2022, as restated	<u>\$ 321,780,036</u>	<u>\$ 264,625,680</u>

	Wastewater Fund	Water Fund	Internal Service Fund
Net Position as July 1, 2022, as previously reported	\$ 138,121,387	\$ 131,941,667	\$ 8,311,796
Recognition of right-to-use subscription IT asset	44,181	2,394,233	4,687,925
Recognition of subscription arrangement liability	(18,181)	(585,657)	(2,775,408)
Net Position at July 1, 2022, as restated	<u>\$ 138,147,387</u>	<u>\$ 133,750,243</u>	<u>\$ 10,224,313</u>



City of Merced, California

Required Supplementary Information
June 30, 2023

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 and is adopted by resolution 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, 2023, 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 General Fund and major special revenue 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 in the various categories 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, California
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
Property tax:				
Secured	\$ 8,487,049	\$ 8,487,049	\$ 11,066,767	\$ 2,579,718
Unsecured	560,000	560,000	647,218	87,218
Supplemental roll:				
Prior year - unsecured	6,500	6,500	18,127	11,627
Prior year - supplemental roll	134,800	134,800	279,994	145,194
Housing Authority In Lieu	-	-	15,427	15,427
Sales and use	15,300,000	15,300,000	16,763,206	1,463,206
Transient occupancy tax	1,800,000	1,800,000	2,831,881	1,031,881
Franchise	1,676,000	1,676,000	2,025,000	349,000
Business license	1,522,500	1,522,500	1,728,128	205,628
Cost revenue impact study fee	723,450	723,450	752,188	28,738
Real property transfer	300,000	300,000	266,231	(33,769)
Vehicle in lieu backfill	7,950,000	7,950,000	8,646,226	696,226
Total taxes	38,460,299	38,460,299	45,040,393	6,580,094
Intergovernmental:				
Motor vehicle in lieu tax	80,000	80,000	91,286	11,286
Homeowners property tax relief	60,000	60,000	66,926	6,926
Police standards and training	60,000	60,000	72,223	12,223
Other state grants	961,866	1,928,655	691,972	(1,236,683)
Other federal grants	-	841,411	118,635	(722,776)
State mandated cost reimbursement	84,502	84,502	78,709	(5,793)
Total intergovernmental	1,246,368	3,054,568	1,119,751	(1,934,817)
Licenses and permits:				
Animal licenses	11,000	11,000	10,238	(762)
Bicycle licenses	28	28	-	(28)
Other licenses and permits	6,900	6,900	9,611	2,711
Total licenses and permits	17,928	17,928	19,849	1,921
Use of money and property				
Investment earnings, net of investment	322,520	322,520	409,380	86,860
Leases, rents and concessions (other than recreation)	36,962	36,962	5,953	(31,009)
Total use of money and property	359,482	359,482	415,333	55,851

City of Merced, California
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES, Continued:				
Service charges:				
Accident and police reports	\$ 9,600	\$ 9,600	\$ 9,704	\$ 104
Fire department special services	22,923	520,034	530,273	10,239
Fire prevention	262,000	262,000	274,192	12,192
Administrative citations	100,000	100,000	(13,966)	(113,966)
Administrative fines	50,000	50,000	21,575	(28,425)
Cost recovery	105,846	105,846	77,624	(28,222)
Release fees class I	71,500	71,500	71,568	68
Administrative	5,077,329	5,077,329	5,077,329	-
Interdepartmental charges	2,274,004	2,274,004	2,249,004	(25,000)
Total service charges	7,973,202	8,470,313	8,297,303	(173,010)
Fines, forfeitures and penalties:				
Criminal fines	70,000	70,000	81,517	11,517
Parking fines	150,000	150,000	199,036	49,036
Total fines, forfeitures and penalties	220,000	220,000	280,553	60,553
Other:				
Animal control services	15,000	15,000	6,845	(8,155)
School police officer	973,990	973,990	906,860	(67,130)
Reimbursement Special Debt Expense	-	-	-	-
Cash overages (shortages)	100	100	20	(80)
Contributions	370	25,982	22,212	(3,770)
Miscellaneous	31,737	31,737	38,395	6,658
Total other	1,021,197	1,046,809	974,332	(72,477)
Total revenues	49,298,476	51,629,399	56,147,514	4,518,115

City of Merced, California
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
Current operating:				
General government:				
City council	\$ 503,809	\$ 431,382	\$ 316,013	\$ 115,369
Youth council	12,767	13,134	6,468	6,666
City manager	1,316,089	1,636,325	1,137,826	498,499
City clerk	569,041	521,256	463,263	57,993
City attorney	1,766,015	1,830,576	1,536,390	294,186
Finance	3,802,104	3,930,957	3,767,876	163,081
Office of neighborhood safety	-	428,920	18,235	410,685
Purchasing	307,360	347,528	347,517	11
Economic development	628,082	397,998	350,350	47,648
Total general government	8,905,267	9,538,076	7,943,938	1,594,138
Public safety:				
Police protection	25,154,125	25,258,314	24,183,734	1,074,580
Fire protection and weed abatement	12,340,383	14,000,362	13,109,364	890,998
Total public safety	37,494,508	39,258,676	37,293,098	1,965,578
Public works	2,339,878	2,391,759	2,268,693	123,066
Total current operating	48,739,653	51,188,511	47,505,729	3,682,782
Capital outlay	454,810	610,411	243,588	366,823
Debt service:				
Principal	2,166,520	2,166,520	2,139,155	27,365
Interest	169,550	169,550	168,984	566
Total debt service	2,336,070	2,336,070	2,308,139	27,931
Total expenditures	51,530,533	54,134,992	50,057,456	4,077,536
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,232,057)	(2,505,593)	6,090,058	8,595,651
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	6,200	6,200	-	(6,200)
Transfers in	1,819,179	2,205,876	1,909,653	(296,223)
Transfers out	(5,352,264)	(7,646,486)	(7,409,144)	237,342
Total other financing sources (uses)	(3,526,885)	(5,434,410)	(5,499,491)	(65,081)
Net change in fund balance	\$ (5,758,942)	\$ (7,940,003)	590,567	\$ 8,530,570
FUND BALANCE:				
Beginning of year, restated			13,678,641	
End of year			\$ 14,269,208	

City of Merced, California

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balance –
General Fund
Year Ended June 30, 2023

Reconciliation of General Fund Budgetary Schedule to generally accepted accounting principles information presented in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund.

	General Fund - Budgetary Schedule - Actual	General Fund Reserve	Parks and Community Services Fund	Revenue Stabilization Fund	Economic Development Opportunity Fund
Total revenues	\$ 56,147,514	\$ -	\$ 465,575	\$ -	\$ 2,999
Total expenditures	50,057,456	-	1,836,105	-	21,700
Excess (deficiency) of revenues over (under) expenditures	6,090,058	-	(1,370,530)	-	(18,701)
Total other financing sources (uses)	(5,499,491)	1,638,244	1,356,267	-	(464,219)
Net change in fund balance	590,567	1,638,244	(14,263)	-	(482,920)
Beginning of year, as restated	13,678,641	13,974,083	225,543	-	3,162,135
End of year	<u>\$ 14,269,208</u>	<u>\$ 15,612,327</u>	<u>\$ 211,280</u>	<u>\$ -</u>	<u>\$ 2,679,215</u>

	Substandard Housing Fund	Affordable Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust
Total revenues	\$ 46,552	\$ (21,973)	\$ -	\$ 119,514
Total expenditures	21,466	-	-	-
Excess (deficiency) of revenues over (under) expenditures	25,086	(21,973)	-	119,514
Total other financing sources (uses)	-	500,000	-	789,750
Net change in fund balance	25,086	478,027	-	909,264
Beginning of year, as restated	199,042	-	-	5,535,332
End of year	<u>\$ 224,128</u>	<u>\$ 478,027</u>	<u>\$ -</u>	<u>\$ 6,444,596</u>

City of Merced, California
 Budgetary Comparison Schedule – Housing Special Fund
 Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental	\$ 8,587,136	\$ 30,775,271	\$ 10,999,677	\$ (19,775,594)
Use of money and property	297,880	297,880	289,662	(8,218)
Service charges	459,392	685,100	414,671	(270,429)
Other revenue	-	107,461	100,000	(7,461)
Total revenues	9,344,408	31,865,712	11,804,010	(20,061,702)
EXPENDITURES:				
Current operating:				
General government	10,562,151	34,794,529	10,453,156	24,341,373
Total current operating	10,562,151	34,794,529	10,453,156	24,341,373
Capital outlay	2,820,847	2,186,066	1,257,488	928,578
Total expenditures	13,382,998	36,980,595	11,710,644	25,269,951
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,038,590)	(5,114,883)	93,366	5,208,249
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers out	(24,426)	(24,426)	(24,426)	-
Total other financing sources (uses)	(24,426)	(24,426)	(24,426)	-
Net change in fund balances	\$ (4,063,016)	\$ (5,139,309)	68,940	\$ 5,208,249
FUND BALANCE:				
Beginning of Year			28,478,926	
End of Year			\$ 28,547,866	

City of Merced, California
Budgetary Comparison Schedule – Measure C Special Revenue Fund
Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	\$ 7,674,827	\$ 7,674,827	\$ 9,161,869	\$ 1,487,042
Intergovernmental	35,000	30,663	9,943	(20,720)
Use of money and property	56,410	56,410	(2,061)	(58,471)
Service charges	79,459	154,550	154,551	1
Other revenue	-	-	74	74
Total revenues	<u>7,845,696</u>	<u>7,916,450</u>	<u>9,324,376</u>	<u>1,407,926</u>
EXPENDITURES:				
Current operating:				
Public safety	8,535,853	8,999,053	7,490,723	1,508,330
Public works	<u>1,949</u>	<u>1,949</u>	<u>1,949</u>	<u>-</u>
Total current operating	8,537,802	9,001,002	7,492,672	1,508,330
Capital outlay	<u>1,994,620</u>	<u>2,170,868</u>	<u>402,926</u>	<u>1,767,942</u>
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>127,897</u>	<u>(127,897)</u>
Total expenditures	<u>10,532,422</u>	<u>11,171,870</u>	<u>8,023,495</u>	<u>3,148,375</u>
EXCESS(DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,686,726)</u>	<u>(3,255,420)</u>	<u>1,300,881</u>	<u>4,556,301</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>(182,452)</u>	<u>(182,452)</u>	<u>(182,452)</u>	<u>-</u>
Total other financing sources (uses)	<u>(182,452)</u>	<u>(182,452)</u>	<u>(182,452)</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,869,178)</u>	<u>\$ (3,437,872)</u>	1,118,429	<u>\$ 4,556,301</u>
FUND BALANCE:				
Beginning of Year			<u>6,637,882</u>	
End of Year			<u>\$ 7,756,311</u>	

City of Merced, California
 Budgetary Comparison Schedule – Low and Moderate Income Housing
 Special Revenue Fund
 Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	\$ 34,859	\$ 34,859	\$ 18,538	\$ (16,321)
Total revenues	34,859	34,859	18,538	(16,321)
EXPENDITURES:				
Current operating:				
General government	200,879	310,432	562,794	(252,362)
Total current operating	200,879	310,432	562,794	(252,362)
Total expenditures	200,879	310,432	562,794	(252,362)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(166,020)	(275,573)	(544,256)	(268,683)
Net change in fund balances	\$ (166,020)	\$ (275,573)	(544,256)	\$ (268,683)
FUND BALANCE:				
Beginning of Year			10,844,248	
End of Year			\$ 10,299,992	

City of Merced, California
 Budgetary Comparison Schedule – Public Facilities Impact
 Special Revenue Fund
 Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	\$ 378,300	\$ 378,300	\$ 83,813	\$ (294,487)
Charges for services	6,969,913	6,969,913	4,655,008	(2,314,905)
Total revenues	7,348,213	7,348,213	4,738,821	(2,609,392)
EXPENDITURES:				
Current operating:				
General government	245,252	245,252	245,252	-
Public works	-	-	-	-
Total current operating	245,252	245,252	245,252	-
Total expenditures	245,252	245,252	245,252	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,102,961	7,102,961	4,493,569	(2,609,392)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(2,636,318)	(2,636,318)	-	2,636,318
Total other financing sources (uses)	(2,636,318)	(2,636,318)	-	2,636,318
Net change in fund balances	<u>\$ 4,466,643</u>	<u>\$ 4,466,643</u>	4,493,569	<u>\$ 26,926</u>
FUND BALANCE:				
Beginning of Year			26,733,433	
End of Year			<u>\$ 31,227,002</u>	

City of Merced, California
 Budgetary Comparison Schedule – American Rescue Plan Act
 Special Revenue Fund
 Year Ended June 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,049,831	\$ 2,049,831
Use of money and property	-	-	(55,538)	(55,538)
Total revenues	-	-	1,994,293	1,994,293
EXPENDITURES:				
Current operating:				
General government	3,638,962	3,616,951	1,743,610	1,873,341
Culture and recreation	7,775,000	7,691,000	60,089	7,630,911
Total current operating	11,413,962	11,307,951	1,803,699	9,504,252
Capital outlay	13,436,400	13,716,507	387,454	13,329,053
Total expenditures	24,850,362	25,024,458	2,191,153	22,833,305
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,850,362)	(25,024,458)	(196,860)	24,827,598
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(91,511)	(7,511)	84,000
Total other financing sources (uses)	-	(91,511)	(7,511)	84,000
Net change in fund balances	<u>\$ (24,850,362)</u>	<u>\$ (25,115,969)</u>	(204,371)	<u>\$ 24,911,598</u>
FUND BALANCE:				
Beginning of Year			1,195,839	
End of Year			<u>\$ 991,468</u>	

City of Merced, California
Schedule of Changes in the Net Pension Liability and Related Ratios –
Miscellaneous Plan
Last 10 Years⁽¹⁾

Measurement period	2021-22	2020-21	2019-20
Total pension liability			
Service cost	\$ 3,224,985	\$ 2,983,483	\$ 2,940,267
Interest on total pension liability	12,077,169	11,634,523	11,245,961
Changes of assumptions	6,089,670	-	-
Differences between expected and actual experience	513,749	(621,812)	1,266,165
Benefit payments, including refunds of employee contributions	(9,459,544)	(8,603,156)	(7,699,994)
Net change in total pension liability	12,446,029	5,393,038	7,752,399
Total pension liability - beginning	171,545,296	166,152,258	158,399,859
Total pension liability - ending (a)	\$ 183,991,325	\$ 171,545,296	\$ 166,152,258
Plan fiduciary net position			
Contributions - employer	\$ 5,541,736	\$ 4,989,325	\$ 4,535,059
Contributions - employee	1,376,573	1,355,200	1,509,866
Net investment income	(10,529,139)	26,112,420	5,445,041
Benefit payments, including refunds of employee contributions	(9,459,544)	(8,603,156)	(7,699,994)
Net plan to plan resource movement	-	-	-
Other miscellaneous income/(expense)	(86,748)	(115,394)	-
Net change in plan fiduciary net position - ending	(13,157,122)	23,738,395	3,789,972
Plan fiduciary net position - beginning	139,255,217	115,516,822	111,726,850
Plan fiduciary net position - ending (b)	126,098,095	139,255,217	115,516,822
Plan net pension liability - ending (a)-(b)	\$ 57,893,230	\$ 32,290,079	\$ 50,635,436
Plan fiduciary net position as a percentage of the total pension liability	68.53%	81.18%	69.52%
Covered payroll	\$ 19,342,923	\$ 19,474,429	\$ 18,920,634
Plan net pension liability / (asset) as percentage of covered payroll	299.30%	165.81%	267.62%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from plan changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: In Measurement Year ended June 30, 2022, CalPERS reduced the discount rate from 7.15% to 6.90% and the inflation rate from 2.50% to 2.30%. None in measurement years 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In measurement year 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In measurement year 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In measurement year 2014, amounts reported were based on the 7.5% discount rate.

City of Merced, California
Schedule of Changes in the Net Pension Liability and Related Ratios –
Miscellaneous Plan
Last 10 Years⁽¹⁾

2017-18	2016-17	2015-16	2014-15	2013-14
\$ 2,637,968	\$ 2,693,011	\$ 2,380,009	\$ 2,478,640	\$ 2,627,256
10,244,849	9,858,159	9,435,717	9,059,272	8,695,697
(1,271,983)	8,157,365	-	(2,210,035)	-
1,040,612	673,366	(818,329)	(1,270,597)	-
(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
5,361,657	14,903,681	4,936,954	2,618,874	6,183,800
145,841,888	130,938,207	126,001,253	123,382,379	117,198,579
<u>\$ 151,203,545</u>	<u>\$ 145,841,888</u>	<u>\$ 130,938,207</u>	<u>\$ 126,001,253</u>	<u>\$ 123,382,379</u>
\$ 3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
1,325,496	1,224,690	1,235,668	1,311,171	1,253,749
8,420,861	10,300,142	473,484	2,039,373	14,172,466
(7,289,789)	(6,478,220)	(6,060,443)	(5,438,406)	(5,139,153)
(249)	-	-	-	-
(300,293)	-	-	-	-
5,492,102	8,036,224	(1,503,851)	497,547	12,534,506
101,478,084	93,441,860	94,945,711	94,448,164	81,913,658
106,970,186	101,478,084	93,441,860	94,945,711	94,448,164
<u>\$ 44,233,359</u>	<u>\$ 44,363,804</u>	<u>\$ 37,496,347</u>	<u>\$ 31,055,542</u>	<u>\$ 28,934,215</u>
70.75%	69.58%	71.36%	75.35%	76.55%
\$ 16,559,749	\$ 16,516,474	\$ 15,970,003	\$ 16,286,485	\$ 16,471,824
267.11%	268.60%	234.79%	190.68%	175.66%

City of Merced, California
Schedules of Changes in the Net Pension Liability and Related Ratios –
Safety Plan
Last 10 Years⁽¹⁾

Measurement period	2021-22	2020-21	2019-20
Total pension liability			
Service cost	\$ 4,039,909	\$ 3,588,362	\$ 3,726,898
Interest on total pension liability	13,087,509	12,629,921	12,011,759
Changes of assumptions	8,120,409	-	-
Differences between expected and actual experience	(2,502,445)	1,327,276	1,259,662
Benefit payments, including refunds of employee contributions	(9,380,920)	(8,679,502)	(8,022,558)
Net change in total pension liability	13,364,462	8,866,057	8,975,761
Total pension liability - beginning	186,726,599	177,860,542	168,884,781
Total pension liability - ending (a)	\$ 200,091,061	\$ 186,726,599	\$ 177,860,542
Plan fiduciary net position			
Contributions - employer	\$ 6,015,801	\$ 5,426,591	\$ 5,077,238
Contributions - employee	1,596,118	1,382,442	1,417,644
Net investment income	(12,079,721)	29,662,188	6,167,292
Benefit payments, including refunds of employee contributions	(9,380,920)	(8,679,502)	(8,022,558)
Net plan to plan resource movement	-	-	-
Other miscellaneous income/(expense)	(98,998)	(131,121)	-
Net change in plan fiduciary net position - ending	(13,947,720)	27,660,598	4,639,616
Plan fiduciary net position - beginning	158,920,426	131,259,828	126,620,212
Plan fiduciary net position - ending (b)	144,972,706	158,920,426	131,259,828
Plan net pension liability - ending (a)-(b)	\$ 55,118,355	\$ 27,806,173	\$ 46,600,714
Plan fiduciary net position as a percentage of the total pension liability	72.45%	85.11%	73.80%
Covered payroll	\$ 13,375,127	\$ 13,748,512	\$ 14,095,681
Plan net pension liability / (asset) as percentage of covered payroll	412.10%	202.25%	330.60%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from plan changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: In Measurement Year ended June 30, 2022, CalPERS reduced the discount rate from 7.15% to 6.90% and the inflation rate from 2.50% to 2.30%. None in measurement years 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In measurement year 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In measurement year 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In measurement year 2014, amounts reported were based on the 7.5% discount rate.

City of Merced, California
Schedules of Changes in the Net Pension Liability and Related Ratios –
Safety Plan
Last 10 Years⁽¹⁾

2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
\$ 3,521,487	\$ 3,543,500	\$ 3,431,918	\$ 2,918,262	\$ 2,915,019	\$ 3,121,317
11,402,363	10,821,482	10,305,955	9,919,699	9,584,428	9,243,496
-	(689,001)	8,884,695	-	(2,398,329)	-
1,031,970	982,138	(1,074,802)	(2,152,774)	(2,052,784)	-
(7,503,871)	(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
8,451,949	7,638,516	14,814,140	4,549,320	2,252,908	6,619,144
160,432,832	152,794,316	137,980,176	133,430,856	131,177,948	124,558,804
\$ 168,884,781	\$ 160,432,832	\$ 152,794,316	\$ 137,980,176	\$ 133,430,856	\$ 131,177,948
\$ 4,487,096	\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
1,348,870	1,210,467	1,163,431	1,111,386	1,068,553	1,106,201
7,801,644	9,388,347	11,381,967	474,720	2,226,669	15,776,487
(7,503,871)	(7,019,603)	(6,733,626)	(6,135,867)	(5,795,426)	(5,745,669)
-	(280)	-	-	-	-
280	(335,745)	-	-	-	-
6,134,019	7,027,912	9,310,604	(1,399,977)	406,951	13,752,998
120,486,193	113,458,281	104,147,677	105,547,654	105,140,703	91,387,705
126,620,212	120,486,193	113,458,281	104,147,677	105,547,654	105,140,703
\$ 42,264,569	\$ 39,946,639	\$ 39,336,035	\$ 33,832,499	\$ 27,883,202	\$ 26,037,245
74.97%	75.10%	74.26%	75.48%	79.10%	80.15%
\$ 13,061,894	\$ 12,872,349	\$ 12,534,855	\$ 11,867,192	\$ 11,774,523	\$ 12,061,197
323.57%	310.33%	313.81%	285.09%	236.81%	215.88%

City of Merced, California
Schedule of Pension Contributions –
Miscellaneous Plan
Last 10 Years⁽¹⁾

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 6,070,789	\$ 5,541,736	\$ 4,989,325	\$ 4,535,059
Contributions in relation to the actuarially determined contributions	<u>(6,070,789)</u>	<u>(5,541,736)</u>	<u>(4,989,325)</u>	<u>(4,535,059)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 21,254,119	\$ 19,342,923	\$ 19,474,429	\$ 18,920,634
Contributions as a percentage of covered payroll	28.56%	28.65%	25.62%	23.97%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2020 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2020 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.5%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

City of Merced, California
Schedule of Pension Contributions –
Miscellaneous Plan
Last 10 Years⁽¹⁾

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,955,103	\$ 3,336,076	\$ 2,989,612	\$ 2,847,440	\$ 2,585,409	\$ 2,247,444
<u>(3,955,103)</u>	<u>(3,336,076)</u>	<u>(2,989,612)</u>	<u>(2,847,440)</u>	<u>(2,585,409)</u>	<u>(2,247,444)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$17,061,048	\$16,559,749	\$16,516,474	\$15,970,003	\$16,286,485	\$16,471,824
23.18%	20.15%	18.10%	17.83%	15.87%	13.64%

City of Merced, California
Schedule of Pension Contributions –
Safety Plan
Last 10 Years⁽¹⁾

	2023	2022	2021	2020
Actuarially determined contribution	\$ 6,788,419	\$ 6,015,801	\$ 5,426,591	\$ 5,077,238
Contributions in relation to the actuarially determined contributions	<u>(6,788,419)</u>	<u>(6,015,801)</u>	<u>(5,426,591)</u>	<u>(5,077,238)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	\$ 13,986,872	\$ 13,375,127	\$ 13,748,512	\$14,095,681
Contributions as a percentage of covered payroll	48.53%	44.98%	39.47%	36.02%

(1) FY 2014-15 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2020 funding valuation report:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2020 Funding Valuation report
Asset Valuation Method	Market value of assets
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

City of Merced, California
Schedule of Pension Contributions –
Safety Plan
Last 10 Years⁽¹⁾

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 4,487,096	\$ 3,784,726	\$ 3,498,832	\$ 3,149,784	\$ 2,907,155	\$ 2,615,979
<u>(4,487,096)</u>	<u>(3,784,726)</u>	<u>(3,498,832)</u>	<u>(3,149,784)</u>	<u>(2,907,155)</u>	<u>(2,615,979)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$13,061,894	\$12,872,349	\$12,534,855	\$11,867,192	\$11,774,523	\$12,061,197
34.35%	29.40%	27.91%	26.54%	24.69%	21.69%

City of Merced, California
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Years⁽¹⁾

Measurement Period (1)	2022	2021
Total OPEB liability		
Service cost	\$ 476,580	\$ 608,895
Interest on total pension liability	691,842	819,684
Changes in assumptions	(4,279,863)	(888,270)
Differences between expected and actual experience	-	(3,859,438)
Benefit payments, including refunds of employee contributions	(1,629,983)	(1,587,163)
Net change in total OPEB liability	(4,741,424)	(4,906,292)
Total OPEB liability - beginning	32,368,131	37,274,423
Total OPEB liability - ending (a)	<u>\$ 27,626,707</u>	<u>\$ 32,368,131</u>
OPEB fiduciary net position		
Contributions - employer	\$ 1,629,983	\$ 1,587,163
Administrative expenses	(728)	(854)
Net investment income (2)	(384,791)	620,069
Benefit payments, including refunds of employee contributions	(1,629,983)	(1,587,163)
Net change in plan fiduciary net position	(385,519)	619,215
Plan fiduciary net position - beginning	2,875,340	2,256,125
Plan fiduciary net position - ending (b)	<u>2,489,821</u>	<u>2,875,340</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 25,136,886</u>	<u>\$ 29,492,791</u>
Plan fiduciary net position as a percentage of the total pension liability	9.01%	8.88%
Covered - employee payroll	\$ 9,516,164	\$ 10,517,865
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	264.15%	280.41%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable.

(2) Net of administrative expenses.

City of Merced, California
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Years⁽¹⁾

2020	2019	2018	2017
\$ 456,726	\$ 470,000	\$ 506,000	\$ 877,000
1,118,660	1,277,000	1,218,000	1,133,000
4,988,037	852,000	(1,100,000)	(2,937,000)
-	(2,015,000)	-	(2,947,000)
(1,588,000)	(1,617,000)	(1,585,000)	(1,427,000)
4,975,423	(1,033,000)	(961,000)	(5,301,000)
32,299,000	33,332,000	34,293,000	39,594,000
<u>\$ 37,274,423</u>	<u>\$ 32,299,000</u>	<u>\$ 33,332,000</u>	<u>\$ 34,293,000</u>
\$ 1,588,000	\$ 1,617,000	\$ 1,585,000	\$ 1,427,000
-	-	-	-
76,125	126,000	148,000	181,000
(1,588,000)	(1,617,000)	(1,585,000)	(1,427,000)
76,125	126,000	148,000	181,000
2,180,000	2,054,000	1,906,000	1,725,000
2,256,125	2,180,000	2,054,000	1,906,000
<u>\$ 35,018,298</u>	<u>\$ 30,119,000</u>	<u>\$ 31,278,000</u>	<u>\$ 32,387,000</u>
6.05%	6.75%	6.16%	5.56%
\$ 10,836,000	\$ 11,970,000	\$ 11,909,000	\$ 12,558,000
323.17%	251.62%	262.64%	257.90%

City of Merced, California
Schedule of Contributions - OPEB
Last 10 Years⁽¹⁾

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,302,000	\$ 2,723,000	\$ 2,751,000	\$ 2,380,000	\$ 2,431,000	\$ 2,370,000
Contributions in relation to the actuarially determined	(1,606,501)	(1,629,983)	(1,587,163)	(1,588,000)	(1,617,000)	(1,584,000)
Contribution deficiency (excess)	<u>\$ 695,499</u>	<u>\$ 1,093,017</u>	<u>\$ 1,163,837</u>	<u>\$ 792,000</u>	<u>\$ 814,000</u>	<u>\$ 786,000</u>
Covered-employee payroll	\$ 9,750,385	\$ 9,516,164	\$10,517,865	\$10,836,000	\$11,970,000	\$11,909,000
Contributions as a percentage of covered-employee payroll	16.48%	17.13%	15.09%	14.65%	13.51%	13.30%

(1) - Fiscal year 2018 was the 1st year of implementation.

Notes to schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were as of the June 30, 2021 measurement date.

Methods and assumptions used to determine contributions:

Valuation date	June 30, 2021
Actuarial cost method	Entry age, level percentage of payroll
Amortization method	Level percentage of payroll
Amortization period	Level dollar, fresh start amortization of 6/30/22 UAAL over 20 years
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	2.16%
General Inflation	2.50%
Medical Trend	Non-Medicare - 6.50% for 2024 through 2030, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 5.65% for 2024 through 2030, decreasing to an ultimate rate of 3.75% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-21



City of Merced, California

Supplementary Information

June 30, 2023

City of Merced, California

General Fund

Combining Balance Sheet

June 30, 2023

	General Fund	General Fund Reserve	Parks and Community Services Fund	Economic Development Opportunity Fund
ASSETS				
Cash, cash equivalents and investments	\$ 12,748,379	\$ 15,612,327	\$ 216,310	\$ 2,684,387
Restricted cash held by fiscal agents	46,779	-	-	-
Receivables:				
Accounts	2,314,572	-	-	-
Due from other governments	4,173,267	-	34,676	-
Interest	148,062	-	-	16,528
Prepaid items	-	-	-	-
Inventory	89,161	-	-	-
Lease receivables	290,576	-	-	-
Note receivables	-	-	-	-
Total assets	<u>\$ 19,810,796</u>	<u>\$ 15,612,327</u>	<u>\$ 250,986</u>	<u>\$ 2,700,915</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 504,662	\$ -	\$ 15,383	\$ 21,700
Payroll liabilities	474,537	-	24,323	-
Unearned revenues	1,544,465	-	-	-
Advance from other funds	2,712,400	-	-	-
Deposits and other liabilities	17,037	-	-	-
Total liabilities	<u>5,253,101</u>	<u>-</u>	<u>39,706</u>	<u>21,700</u>
Deferred inflows of resources:				
Leases	288,487	-	-	-
Fund balances:				
Nonspendable	89,161	-	-	-
Restricted	46,779	-	-	-
Committed	-	-	-	-
Assigned	5,890,584	-	211,280	37,426
Unassigned	8,242,684	15,612,327	-	2,641,789
Total fund balances	<u>14,269,208</u>	<u>15,612,327</u>	<u>211,280</u>	<u>2,679,215</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,810,796</u>	<u>\$ 15,612,327</u>	<u>\$ 250,986</u>	<u>\$ 2,700,915</u>

City of Merced, California

General Fund

Combining Balance Sheet

June 30, 2023

Substandard Housing Fund	Affordable Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust	General Fund Combined
\$ 230,982	\$ 477,428	\$ (247,319)	\$ -	\$ 31,722,494
-	-	-	6,444,596	6,491,375
-	-	358,617	-	2,673,189
-	-	1,177,408	-	5,385,351
858	599	-	-	166,047
-	-	46,088	-	46,088
-	-	-	-	89,161
-	-	-	-	290,576
-	-	50,942	-	50,942
<u>\$ 231,840</u>	<u>\$ 478,027</u>	<u>\$ 1,385,736</u>	<u>\$ 6,444,596</u>	<u>\$ 46,915,223</u>
\$ 7,712	\$ -	\$ (17,787)	\$ -	\$ 531,670
-	-	358,549	-	857,409
-	-	-	-	1,544,465
-	-	-	-	2,712,400
-	-	1,044,974	-	1,062,011
<u>7,712</u>	<u>-</u>	<u>1,385,736</u>	<u>-</u>	<u>6,707,955</u>
-	-	-	-	288,487
-	-	97,030	-	186,191
-	478,027	-	6,444,596	6,969,402
223,145	-	-	-	223,145
983	-	-	-	6,140,273
-	-	(97,030)	-	26,399,770
<u>224,128</u>	<u>478,027</u>	<u>-</u>	<u>6,444,596</u>	<u>39,918,781</u>
<u>\$ 231,840</u>	<u>\$ 478,027</u>	<u>\$ 1,385,736</u>	<u>\$ 6,444,596</u>	<u>\$ 46,915,223</u>

City of Merced, California
General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2023

	General Fund	General Fund Reserve	Parks and Community Services Fund	Economic Development Opportunity Fund
REVENUES:				
Taxes	\$ 45,040,393	\$ -	\$ -	\$ -
Intergovernmental	1,119,751	-	120,168	-
Licenses and permits	19,849	-	-	-
Use of money and property	415,334	-	52,090	2,999
Charges for services	8,297,302	-	185,063	-
Fines, forfeitures and penalties	280,553	-	-	-
Other	974,332	-	108,254	-
Total revenues	56,147,514	-	465,575	2,999
EXPENDITURES:				
Current operating:				
General government	7,943,938	-	-	21,700
Public safety	37,293,098	-	-	-
Public works	2,268,693	-	-	-
Culture and recreation	-	-	1,836,105	-
Total current operating	47,505,729	-	1,836,105	21,700
Capital outlay	243,588	-	-	-
Debt Service:				
Principal	2,139,155	-	-	-
Interest	168,984	-	-	-
Total expenditures	50,057,456	-	1,836,105	21,700
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,090,058	-	(1,370,530)	(18,701)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,909,653	-	150,066	-
Transfers out	(2,841,485)	-	(8,214)	(889,469)
Intrafund transfers	(4,567,659)	1,638,244	1,214,415	425,250
Total other financing sources (uses)	(5,499,491)	1,638,244	1,356,267	(464,219)
NET CHANGE IN FUND BALANCES	590,567	1,638,244	(14,263)	(482,920)
FUND BALANCES:				
Beginning of year, as restated	13,678,641	13,974,083	225,543	3,162,135
End of year	\$ 14,269,208	\$ 15,612,327	\$ 211,280	\$ 2,679,215

City of Merced, California
General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2023

Substandard Housing Fund	Affordable Housing Fund	Payroll Clearing & Deposits Fund	Section 115 Trust	General Fund Combined
\$ -	\$ -	\$ -	\$ -	\$ 45,040,393
-	-	-	-	1,239,919
-	-	-	-	19,849
(2,767)	(21,973)	-	119,514	565,197
49,319	-	-	-	8,531,684
-	-	-	-	280,553
-	-	-	-	1,082,586
46,552	(21,973)	-	119,514	56,760,181
-	-	-	-	7,965,638
21,466	-	-	-	37,314,564
-	-	-	-	2,268,693
-	-	-	-	1,836,105
21,466	-	-	-	49,385,000
-	-	-	-	243,588
-	-	-	-	2,139,155
-	-	-	-	168,984
21,466	-	-	-	51,936,727
25,086	(21,973)	-	119,514	4,823,454
-	-	-	-	2,059,719
-	-	-	-	(3,739,168)
-	500,000	-	789,750	-
-	500,000	-	789,750	(1,679,449)
25,086	478,027	-	909,264	3,144,005
199,042	-	-	5,535,332	36,774,776
\$ 224,128	\$ 478,027	\$ -	\$ 6,444,596	\$ 39,918,781

City of Merced, California
University Capital Fund
Combining Balance Sheet
June 30, 2023

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
ASSETS			
Intergovernmental receivable	\$ 4,890,193	\$ 2,493,999	\$ 2,396,194
Total assets	<u>\$ 4,890,193</u>	<u>\$ 2,493,999</u>	<u>\$ 2,396,194</u>
LIABILITIES AND FUND BALANCES			
Accrued interest payable	\$ 62,984	\$ 32,122	\$ 30,862
Bonds payable current	350,000	178,500	171,500
Bonds payable noncurrent	<u>4,477,209</u>	<u>2,283,377</u>	<u>2,193,832</u>
Total liabilities	<u>4,890,193</u>	<u>2,493,999</u>	<u>2,396,194</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,890,193</u>	<u>\$ 2,493,999</u>	<u>\$ 2,396,194</u>

City of Merced, California
University Capital Fund
Combining Statement of Revenues, Expenses and Changes in Fund Balance
Year Ended June 30, 2023

	Total University Charge	University Capital Charge Wastewater System	University Capital Charge Water System
OPERATING REVENUES:			
Sewer facility fee	\$ 169,390	\$ 86,389	\$ 83,001
Total operating revenues	169,390	86,389	83,001
NONOPERATING REVENUE (EXPENSES):			
Interest and fiscal agent fees	169,390	86,389	83,001
Total nonoperating (expenses)	169,390	86,389	83,001
Net Income (Loss)	-	-	-
FUND BALANCES:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -