GCG
GOODWIN CONSULTING GROUP

City of Merced
Community Facilities District No. 2003-1
(Bellevue Ranch East)
$12,745,000 Special Tax Bonds, Series 2005
Continuing Disclosure Annual Report for
Fiscal Year 2008-09
(per SEC Rule 15c2-12(b)(5))

CUSIP Numbers

$175,000	587626AA0*	$330,000	587626AM4
$225,000	587626AB8*	$340,000	587626AN2
$230,000	587626AC6*	$360,000	587626AP7
$235,000	587626AD4*	$375,000	587626AQ5
$245,000	587626AE2	$395,000	587626AR3
$255,000	587626AF9	$410,000	587626AS1
$260,000	587626AG7	$435,000	587626AT9
$280,000	587626AH5	$460,000	587626AU6
$290,000	587626AJ1	$480,000	587626AV4
$295,000	587626AK8	$2,790,000	587626BA9
$315,000	587626AL6	$3,565,000	587626BF8

* *Retired as of the date of this report*

January 26, 2010

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Continuing Disclosure Annual Report
for
City of Merced
Community Facilities District No. 2003-1
(Bellevue Ranch East)
$12,745,000 Special Tax Bonds, Series 2005
Fiscal Year 2008-09

This Continuing Disclosure Annual Report ("Annual Report") contains certain information required to be filed annually per SEC rule 15c2-12(b)(5) (the "Rule") by the City of Merced (the "City") Community Facilities District No. 2003-1 (Bellevue Ranch East) (the "CFD"). The Rule is applicable to the Special Tax Bonds, Series 2005 (the "Series 2005 Bonds") issued in the aggregate principal amount of $12,745,000 by the CFD on August 4, 2005. The Rule requires that an issuer undertake in a written agreement or contract, for the benefit of holders of the securities issued, to file with national and state repositories the following:

i. Certain financial information as presented in the Continuing Disclosure Agreement
ii. Audited financial statements of the City
iii. Notice of certain enumerated significant events
iv. Notice of any failure to provide such annual financial information as agreed

In compliance with the Rule, the City signed the Continuing Disclosure Agreement on August 4, 2005, requiring the City to provide annually, or as they occur, the aforementioned enumerated documents or events. Per the Continuing Disclosure Agreement, the City is required to file an annual report with all national and State of California repositories which includes:

a) The City's audited financial statements for the most recently completed fiscal year.

   ÷ **See Appendix A.**

b) The balance in the Reserve Fund held under the Fiscal Agent Agreement.

   ÷ **As of December 31, 2009, the balance in the Reserve Fund was $831,004. The Reserve Fund Requirement is $830,290; therefore, pursuant to the Series 2005 Bonds covenants, the Reserve Fund is fully funded.**

c) The principal amount of the Series 2005 Bonds outstanding.

   ÷ **As of the date of this report, $10,490,000 of the Series 2005 Bonds remains outstanding. Of the $2,255,000 Bonds retired, $805,000 matured as scheduled and $1,450,000 were called on September 1, 2008.**

d) The amount of prepayments of the special tax, if any.

÷ **As of the date of this report, there have been no prepayments of the special tax obligation.**

e) The total assessed value of all parcels currently subject to the special tax within the CFD, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the CFD and distinguishing between the assessed value of developed property and undeveloped property.

Total Assessed Value of all Land	**$33,537,477**
Total Assessed Value of all Improvements	**$63,894,630**
Total Assessed Value of all Parcels	**$97,432,107**
Assessed Value of Developed Property	**$78,944,481**
Assessed Value of Undeveloped Property	**$18,487,626**
Total Assessed Value of all Parcels	**$97,432,107**

f) Identification of each parcel within the CFD for which any special tax payment is delinquent, together with the following information respecting each such parcel: (A) the amount delinquent; (B) the date of each delinquency; (C) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed; and (D) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

÷ **See Appendix B.**

g) A land ownership summary listing property owners responsible for more than ten percent (10%) of the annual special tax levy, as shown on the Merced County Assessor's last equalized tax roll prior to the September next preceding the Annual Report date.

Property Owner	**FY 2009-10 Special Tax Levy**	**Percentage**	**Number of Parcels**	**Total 2009 Assessed Value**
CWN Development, LLC	$140,654	19.42%	3	$2,888,500
JP Morgan Chase Bank, NA	$121,440	16.77%	233	$5,963,000

h) A description of the status of the facilities being constructed with proceeds of the Series 2005 Bonds as of January 31, 2009.

÷ **See Appendix C.**

i) Changes, if any to the rate and method of apportionment.

÷ **No changes.**

j) The amount of special taxes generated by the developed parcels and undeveloped parcels within the CFD.

Property Classification	**Number of Parcels**	**FY 2009-10 Special Tax Levy**	**Percentage of Total Special Tax Levy**
Developed	468	$278,750	38.49%
Undeveloped	547	$445,554	61.51%

k) To the extent not provided pursuant to (b) through (j) above, the annual information required to be filed with the California Debt and Investment Advisory Commission.

÷ **See Appendix D.**

l) **Senate Bill 165 Reporting Requirements.** On September 18, 2000, former Governor Gray Davis signed Senate Bill 165 which enacted the Local Agency Special Tax and Bond Accountability Act. In approving the bill, the Legislature declared that local agencies need to demonstrate to voters that special taxes and bond proceeds are being spent on the facilities and services for which they were intended. To further this objective, the Legislature added Sections 50075.3 and 53411 to the California Government Code setting forth annual reporting requirements relative to special taxes collected and bonds issued by a public agency. The amount of special taxes collected and expended for the fiscal year 2008-09 special tax levy is set forth in the table below:

Fiscal Year 2008-09 Revenues

Interest	$15,896
Transfer In	1,494,807
Assessments	1,022,710
Other Revenue	26,072
Total Revenues Collected	**2,559,485**

Fiscal Year 2008-09 Expenditures

Bond Interest	558,693
Bond Principal	1,723,500
Fiscal Agent Fees	2,225
Professional Services	31,318
Support Services	182
Administration Services	6,134
Direct Service Charges	1,317
Total Expenditures	**2,323,369**
Beginning Fund Balance	**1,359,662**
Ending Fund Balance	**1,595,778**
Net Change in Fund Balance	**$236,116**

m) **Reporting of Significant Events.** Pursuant to the provisions of the Continuing Disclosure Agreement, the CFD shall give, or cause to be given, notice of the occurrence of any of the following events, if material:

1. Principal and interest payments delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled bond calls.
5. Defeasances
6. Rating changes.
7. Adverse tax opinions or events adversely affecting the tax-exempt status of the bonds.
8. Unscheduled draws on debt service reserves reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the bonds.

As of January 2010, no significant events have been reported by the CFD.

APPENDIX A

Audited Financial Statements for the Fiscal Year Ending June 30, 2009

THE FOLLOWING FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY OF MERCED (OTHER THAN THE SPECIAL TAXES LEVIED IN THE COMMUNITY FACILITIES DISTRICT) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

APPENDIX B

Special Tax Delinquencies
as of November 16, 2009

City of Merced
Community Facilities District No. 2003-1
(Bellevue Ranch East)
Delinquency Information as of November 16, 2009

Assessor's Parcel Number	Amount Delinquent	Date of Earliest Delinquency	Status of Foreclosure Proceedings	Action Taken	Date Complaint Filed
224-042-003-000	$580.00	12/10/2007	Initiated	Complaint Filed	10/1/2009
224-042-015-000	$290.00	4/10/2009	None	Reminder Letter Mailed 10/2/2009	N/A
224-055-001-000	$655.40	12/10/2008	None	Reminder Letter Mailed 10/2/2009	N/A
224-055-002-000	$573.48	12/10/2008	None	Reminder Letter Mailed 10/2/2009	N/A
224-072-005-000	$345.00	4/10/2009	None	Reminder Letter Mailed 10/2/2009	N/A
224-072-009-000	$770.00	12/10/2008	None	Reminder Letter Mailed 10/2/2009	N/A
224-101-001-000	$345.00	4/10/2009	None	Reminder Letter Mailed 10/2/2009	N/A
224-130-018-000	$245.00	4/10/2009	None	Reminder Letter Mailed 10/2/2009	N/A
224-171-027-000	$245.00	4/10/2009	None	Reminder Letter Mailed 10/2/2009	N/A

Number of Parcels Delinquent: **9**
Total Amount Delinquent: **$4,048.88**

Source: Merced County Tax Collector's Office;
Goodwin Consulting Group, Inc.

APPENDIX C

Status of Facilities to be Constructed

The following is a list of all CFD Facilities that are eligible to be financed and that may be financed out of the proceeds of the Bonds. Please note that some of the items listed can be done in addition to or in lieu of others.

Community Facilities District No. 2003-1
Bellevue Ranch East
CFD Facilities
Completion Status As of 12/31/09

	Project Description		Percentage of Completion	Anticipated Completion Date
Roadways (Arterials):				
1	M Street (from current terminus at Lehigh Drive to Cardella Road)		100.00%	
2	M Street (from Cardella Road to Barclay Way)		100.00%	
3	M Street (from Barclay Way to Bellevue Road)		100.00%	
4	G Street (from Merced Community College north to Cardella Road)		0.00%	Unknown
5	G Street (from Cardella Road to Foothill Drive)		100.00%	
6	G Street (from Foothill Drive to Bellevue Road)		100.00%	
7	Cardella Road (from M Street to Bancroft Drive)		100.00%	
8	Cardella Road (Bancroft Drive to G Street)		100.00%	
9	Bellevue Road (from M Street to Barclay Way)		0.00%	2011-2012
10	Bellevue Road (from Barclay Way to G Street)		0.00%	2011-2012
Collector Streets:				
1	Barclay Way		100.00%	
2	Mandeville Lane		100.00%	
3	Bancroft Dr.		100.00%	
4	Merrill Place		100.00%	
5	Foothill		100.00%	
Sanitary Sewer:				
1	Bancroft Drive/R Street Sanitary Sewer		100.00%	
2	Bancroft Drive trunk sanitary sewer		100.00%	
3	Barclay Dr. trunk sanitary sewer		100.00%	
4	Bellevue Road trunk sanitary sewer along Bellevue Road		0.00%	2011-2012
5	Sanitary sewer pump station Bancroft Dr. and Cardella Rd.		100.00%	
Irrigation Improvements:				
1	Tower Lateral - realignment irrigation channel between the crossing at G Street north of Bellevue Road south to Cottonwood Creek		100.00%	
2	6-mile Drain - irrigation channel along G Street between Bellevue Road and Cottonwood Creek		100.00%	
Storm Drain:				
1	Drainage Pump Station in Village 7		100.00%	
Streetscapes:				
1	Landscaping along arterial and collector streets		60.00%	Unknown
Bridges:				
1	Bellevue Road across Fahrens Creek		0.00%	2011-2012
2	M Street (Phase 2) across Cottonwood Creek		0.00%	2011-2012
Traffic Signals:				
1	Cardella Road/G Street		100.00%	
2	Cardella Road/M Street		0.00%	2011-2012
3	Bellevue Road/G Street		100.00%	
4	Bellevue Road/M Street		0.00%	2011-2012
5	Foothill/G Street		100.00%	
Parks:				
1	Elmer Murchie Park		100.00%	

Excludes streetscapes.

APPENDIX D

California Debt and Investment Advisory Commission Report for the Fiscal Year Ending June 30, 2009

Print Form | Return

STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
(916) 653-3269 FAX (916) 654-7440

For Office Use Only
CDIAC # 2005-1348
Fiscal Year _____

I. GENERAL INFORMATION

A. Issuer: Merced CFD No 2003-1
B. Community Facilities District Number/Name: Bellevue Ranch East
C. Name/Title/Series of Bond Issue: 2005 Special Tax Bonds
D. Date of Bond Issue: 07/20/2005
E. Original Principal Am ount of Bonds: $ 12745000
F. Reserve Fund Minimum Balance Required: $ 830290

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: June 30 06/30/2009 (Year)
A. Principal Amount of Bonds Outstanding: $ 10665000
B. Bond Reserve Fund: $ 834964.79
C. Capitalized Interest Fund: $ 0
D. Construction Fund(s): $ 131857.59

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX

A. Assessed Value Reported as of: 07/01/2009 (Date) (Check One)

☒ From Equalized Tax Roll

☐ From Appraisal of Property
(Use only in first year or before annual tax roll billing commences)

B. Total Assessed Value of All Parcels: $ 97341307

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due: $ 845644.04
B. Total Amount of Unpaid Special Taxes: $ 10188.88
C. The Taxes are Paid Under the County's Teeter Plan. ☒ Yes ☐ No

V. DELINQUENT REPORTING INFORMATION

Delinquent Parcel Information Reported as of Equalized Tax Roll of: 09/08/2009 (Date)
A. Total Number of Delinquent Parcels: 20
B. Total Amount of Taxes Due on Delinquent Parcels: $ 10768.88

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
03/31/2009	1	580

STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT

(Continued)

VII. ISSUE RETIRED

This issue is retired and not longer subject to the Yearly Fiscal Status filing requirements. (*Indicate reason for retirement.*)

A. Matured ☐ Yes ☒ No If yes, indicate final maturity date: _____

B. Refunded Entirely ☐ Yes ☒ No If yes, state refunding bond title:_____

_____ and issue date:_____

C. Other: _____

VIII. NAME OF PARTY COMPLETING THIS FORM

Name Satwant Pegany

Title Analyst

Firm/Agency Willdan Financial Services

Address 27368 Via Industria Ste 110

City/State/Zip _____

Phone No. _____ Date Of Report 10/30/2009

Email spegany@willdan.com

Completion and submittal of this form to the California Debt and Investment Advisory Commission will assure your compliance with California State law. Section 53359.5 of the California Government Code requires that all agencies issuing Mello-Roos Community Facilities bonds after January 1, 1993 to report specific information to the Commission by October 30th of each year.