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 2009-10
(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 per the original debt service schedule.*

January 31, 2011

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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 2009-10

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.

→ **The City's audited financial statements for the year ended June 30, 2010, were not available as of the date of this Annual Report. A revised Annual Report will be filed once they become available.**

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

→ **As of December 31, 2010, the balance in the Reserve Fund was $835,646. 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, $10,305,000 of the Series 2005 Bonds remains outstanding. Of the $2,440,000 Bonds retired, $990,000 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 1/	**$14,631,249**
Total Assessed Value of all Improvements 1/	**$71,325,250**
Total Assessed Value of all Parcels	**$85,958,699**
Assessed Value of Developed Property	**$77,774,365**
Assessed Value of Undeveloped Property	**$8,184,334**
Total Assessed Value of all Parcels	**$85,958,699**

1/ Does not include "Other" Assessed Values.

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 2010-11 Special Tax Levy**	**Percentage**	**Number of Parcels**	**Total 2010 Assessed Value**
CWN Development, LLC	$142,679	19.94%	3	$2,485,616
JP Morgan Chase Bank, NA /1	$109,789	15.34%	232	$2,552,000

/1 Property owned by JP Morgan Chase Bank, NA, was acquired by Merced Project Owner, LLC, in July 2010.

h) A description of the status of the facilities being constructed with proceeds of the Series 2005 Bonds as of December 31, 2010.

→ **As of the date of this report, all facilities authorized to be constructed with proceeds of the Series 2005 Bonds have been completed.**

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 2010-11 Special Tax Levy**	**Percentage of Total Special Tax Levy**
Developed	469	$307,360	42.95%
Undeveloped	550	$408,232	57.05%

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 C.**

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 2009-10 special tax levy is set forth in the table on the following page:

Fiscal Year 2009-10 Revenues

Interest	$	4,681
Assessments		724,685
Other Revenue		220
Total Revenues Collected		**729,586**

Fiscal Year 2009-10 Expenditures

Bond Interest		518,135
Bond Principal		175,000
Fiscal Agent Fees		2,350
Professional Services		11,469
Support Services		274
Administrative Services		4,580
Direct Service Charges		1,366
Total Expenditures		**713,174**
Beginning Fund Balance		**1,595,778**
Ending Fund Balance		**1,612,191**
Net Change in Fund Balance	**$**	**16,413**

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 2011, no significant events have been reported by the CFD.

APPENDIX A

Audited Financial Statements
for the Fiscal Year Ending June 30, 2010
(To Come Under Separate Cover)

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 January 6, 2011

City of Merced
Community Facilities District No. 2003-1 (Bellevue Ranch East)
Delinquencies as of January 6, 2011

Assessor's Parcel Number	Amount Delinquent	Date of Earliest Delinquency	Status of Foreclosure Proceedings	Action Taken	Date Complaint Filed
224 - 041 - 006 - 000	$290.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 043 - 008 - 000	$290.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 044 - 005 - 000	$290.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 051 - 017 - 000	$290.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 053 - 019 - 000	$305.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 054 - 004 - 000	$290.00	4/10/2010	None	Reminder Letter Mailed 09/15/10	N/A
224 - 054 - 008 - 000	$345.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 072 - 009 - 000	$770.00	12/10/2008	None	Reminder Letter Mailed 09/15/10	N/A
224 - 101 - 008 - 000	$385.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 102 - 003 - 000	$770.00	12/10/2009	None	Reminder Letter Mailed 09/15/10	N/A
224 - 102 - 030 - 000	$1,035.00	12/10/2009	None	Reminder Letter Mailed 09/15/10	N/A
224 - 110 - 020 - 000	$345.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 110 - 041 - 000	$345.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 130 - 030 - 000	$385.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 151 - 006 - 000	$305.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 152 - 001 - 000	$590.00	4/10/2010	None	Reminder Letter Mailed 09/15/10	N/A
224 - 173 - 006 - 000	$348.56	4/10/2010	None	Reminder Letter Mailed 09/15/10	N/A
224 - 174 - 005 - 000	$245.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 181 - 003 - 000	$245.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 181 - 006 - 000	$245.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 181 - 007 - 000	$735.00	12/10/2009	None	Reminder Letter Mailed 09/15/10	N/A
224 - 182 - 003 - 000	$245.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 182 - 014 - 000	$245.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A
224 - 212 - 016 - 000	$290.00	12/10/2010	None	Reminder Letter Mailed 01/24/11	N/A

Number of Parcels Delinquent: **24**
Total Amount Delinquent: **$9,628.56**

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

APPENDIX C

California Debt and Investment Advisory Commission Report for the Fiscal Year Ending June 30, 2010

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: $ 12,745,000.00
F. Reserve Fund Minimum Balance Required: $ 830,290.00

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: June 30 2010 (Year)
A. Principal Amount of Bonds Outstanding: $ 10,490,000.00
B. Bond Reserve Fund: $ 833,413.73
C. Capitalized Interest Fund: $ 0.00
D. Construction Fund(s): $ 0.00

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

A. Assessed Value Reported as of: 07-01-2010 (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: $ 85,958,699.00

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due: $ 724,304.42
B. Total Amount of Unpaid Special Taxes: $ 28,663.25
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: 08-19-2010 (Date)
A. Total Number of Delinquent Parcels: 79
B. Total Amount of Taxes Due on Delinquent Parcels: $ 29,433.25

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

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 Eric Frederick

Title Senior Associate

Firm/Agency Goodwin Consulting Group, Inc.

Address 555 University Ave., Suite 280

City/State/Zip Sacramento, CA 95825

Phone No. (916) 561-0890 Date Of Report 10-15-2010

Email eric@goodwinconsultinggroup.net

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.