

Financial Statements
June 30, 2025

Merced City School District

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Independent Auditor's Report

To the Governing Board
Merced City School District
Merced, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced City School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District'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, each major fund, and the aggregate remaining fund information of the Merced City School District, as of June 30, 2025, 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 District 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.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, 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 District'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 District'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 District'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 information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS 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 District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents 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 Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District'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 District's internal control over financial reporting and compliance.

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

Fresno, California
December 15, 2025



444 West 23rd Street, Merced, CA 95340
Phone (209) 385-6600 Fax (209) 385-6393



Board of Education: Priya Lakireddy, President; Ann-Marie Delgado, Clerk; Tsia Xiong, Allen Brooks, Beatrice McCutchen
Superintendent: Julianna Stocking

This section of Merced City School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Merced City School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for two categories of funds, governmental and proprietary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Merced City School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Change in Fund Net Position. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Enrollment based on CBEDS was 95 more than the prior year and funded ADA increased by 12.57 ADA as compared to prior year.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$232.7 million for the fiscal year ended June 30, 2025, and \$227.9 million for the fiscal year ended June 30, 2024, excluding the restatement related to the implementation of GASB Statement No. 101, an increase of \$4.8 million. Of this amount, \$81.1 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions and enabling legislation that limit the Governing Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 253,752,405	\$ 231,950,722
Capital assets	225,007,247	205,134,105
Total assets	478,759,652	437,084,827
Deferred Outflows of Resources	60,554,655	51,473,085
Liabilities		
Current liabilities	28,947,138	28,153,185
Long-term liabilities	258,322,471	220,415,868
Total liabilities	287,269,609	248,569,053
Deferred Inflows of Resources	19,357,445	12,135,796
Net Position		
Net investment in capital assets	165,868,525	148,137,001
Restricted	81,118,571	92,840,107
Unrestricted (deficit)	(14,299,843)	(13,124,045)
Total net position	\$ 232,687,253	\$ 227,853,063

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

The \$232.7 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted deficit net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$1.2 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 1,260,923	\$ 1,880,854
Operating grants and contributions	63,409,569	90,972,377
Capital grants and contributions	-	7,915,065
General revenues		
Federal and State aid not restricted	140,724,319	138,670,603
Property taxes	21,541,947	20,338,092
Other general revenues	15,434,947	9,080,828
Total revenues	242,371,705	268,857,819
Expenses		
Instruction-related	151,761,027	141,587,944
Pupil services	33,665,155	30,619,746
Administration	11,135,586	10,435,669
Plant services	18,944,724	16,419,757
All other services	10,172,001	8,900,177
Total expenses	225,678,493	207,963,293
Change in net position	\$ 16,693,212	\$ 60,894,526

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$225.7 million as compared to \$208.0 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$21.5 million because the cost was paid by those who benefited from the programs of \$1.3 million or by other governments and organizations who subsidized certain programs with grants and contributions of \$63.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$156.2 million in Federal and State funds and other revenues, including interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction	\$ 151,761,027	\$ 141,587,944	\$ (118,949,484)	\$ (94,675,254)
Pupil services	33,665,155	30,619,746	(17,933,836)	(13,754,048)
Administration	11,135,586	10,435,669	(9,090,247)	(8,608,414)
Plant services	18,944,724	16,419,757	(8,086,233)	16,318,778
All other services	10,172,001	8,900,177	(6,948,201)	(6,476,059)
Total	\$ 225,678,493	\$ 207,963,293	\$ (161,008,001)	\$ (107,194,997)

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$223.9 million while the prior year reported a balance of \$203.0 million, which is an increase of \$20.9 million from last year. The General Fund decreased by \$0.7 million primarily due to a slight increase in spending. The Building Fund increased by \$29.3 million due to the issuance of new bonds. The remaining District non-major funds decreased by a combined \$7.8 million due primarily to capital facility projects.

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	\$ 128,149,013	\$ 212,235,874	\$ 212,898,406	\$ 127,486,481
Building	7,179,667	30,565,033	1,220,850	36,523,850
Special Reserve Fund for Capital Outlay Projects	29,323,218	2,583,652	9,818,606	22,088,264
Student Activity	52,903	331,589	286,471	98,021
Child Development	3,214,460	6,901,301	7,095,140	3,020,621
Cafeteria	7,337,789	14,138,967	12,102,047	9,374,709
Deferred Maintenance	923,548	1,046,704	1,229,560	740,692
Capital Facilities	8,237,515	1,614,546	3,893,238	5,958,823
County School Facilities	13,480,710	722,178	1,418,095	12,784,793
Bond Interest and Redemption	5,088,269	20,492,066	19,794,673	5,785,662
Total	<u>\$ 202,987,092</u>	<u>\$ 290,631,910</u>	<u>\$ 269,757,086</u>	<u>\$ 223,861,916</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was approved on September 9, 2025. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

- The District budget was adopted using the Local Control Funding Formula (LCFF).
- In addition to LCFF's Basic Grant, the District received Supplemental and Concentration Grant funding due to its high level of need as identified through counts of targeted student groups: Low income, English language learners and foster youth.
- Continued revenues from Proposition 30, which established the Education Protection Account (EPA), and now Proposition 55, which extended the EPA, in addition to one-time revenues, significantly increased the ending cash balance at year end.

The District projected a decrease in General Fund balance of approximately \$25.1 million. Although total actual revenues and other sources were \$0.5 million less than expected, expenditures and other uses were \$24.9 million less than projected, resulting in a decrease in the fund of \$0.7 million.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2024, the District had \$205.1 million in a broad range of capital assets and right-to-use leased assets, (net of depreciation and amortization expenses), including land and construction in progress, buildings and improvements, furniture and equipment, and right-to-use leased assets. At June 30, 2025, capital assets totaled \$225.0 million. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$19.9 million from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 18,538,872	\$ 63,552,869
Buildings and land improvements	194,885,076	135,626,913
Furniture and equipment	10,860,306	5,470,761
Right-to-use leased assets	722,993	483,562
Total	<u>\$ 225,007,247</u>	<u>\$ 205,134,105</u>

The District's major additions this year includes the Sheehy 21st century technology and classroom modernization, and the MCSD Operational Services Support Center. We present more detailed information about our capital assets and right-to-use leased assets in the Notes to Financial Statements.

Long-Term Liabilities

At June 30, 2025, the District's long-term liabilities totaled \$258.3 million compared to \$220.4 million in the prior year. The long-term liabilities consist of:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 102,435,501	\$ 75,204,189
Unamortized premiums	3,601,412	1,959,626
Leases	679,911	487,107
Compensated absences	13,399,165	729,582
Net OPEB liability	11,601,449	16,255,392
Aggregate net pension liability	126,605,033	125,779,972
	<u> </u>	<u> </u>
Total	<u>\$ 258,322,471</u>	<u>\$ 220,415,868</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

The District's S&P bond rating as of the most recent bond issuance was "AA".

At year-end, the District has a net pension liability of \$126.6 million versus \$125.8 million last year, an increase of \$0.8 million, or 0.7%. The District also reported deferred outflows of resources from pension activities of \$52.6 million, and deferred inflows of resources from pension activities of \$12.6 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2025-2026 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecasts are:

General Fund Revenue Assumptions:

- Local Control Funding Formula (LCFF)
 - Average Daily Attendance (ADA) at 10,561.25 (funded), 10,561.25 (projected ADA, including County Operated Programs)
 - Cost of Living Adjustment (COLA) at 2.30%
 - Unduplicated pupil count at 83.55%
 - Minimum Proportionality Percentage (MPP) at 34.89%

- Portion of LCFF funded from Education Protection Account (EPA) is estimated at \$20,717,868
- Revenue set-asides within Unrestricted resources:
 - Instructional Materials (formerly IMFRP) at \$576,987
 - Home-to-School Transportation at \$2,884,196
 - Supplemental & Concentration Grants (LCAP) at \$40,571,015
- Contributions from Unrestricted to Restricted resources
 - Special Education at \$9,402,568
 - Routine Restricted Maintenance (RRM) at \$6,500,000
- Federal Revenues (Additional carryover to be determined at Unaudited Actuals and budgeted in 2025-26)
 - Title I-Basic at \$8,870,948 (includes estimated carryover of \$1,824,696)
 - Special Education at \$1,565,943
 - Special Education-Preschool at \$52,491
 - Special Education-Private Schools at \$35,428
 - Special Education-IDEA Mental Health at \$128,174
 - Title II-Supporting Effective Instruction at \$766,363 (includes estimated carryover of \$100,000)
 - Title III-English Learner Student Program at \$251,252
 - Title IV-Student Support & Academic Enrichment at \$561,524
- Other State Revenues
 - Lottery
 - Unrestricted at \$1,600,000
 - Restricted (Instructional Materials-Prop 20) at \$500,000
 - Expanded Learning Opportunities Program at \$18,134,215
 - California Community Schools Partnership Program \$4,350,000
 - Special Education at \$4,434,473
 - Mental Health Related Services \$750,000
 - Special Education Early Intervention \$750,000
- Other Local Revenues
 - WeWill! Grant \$115,895
 - Redevelopment Funds \$35,000
 - Safety Credit at \$100,000
 - Migrant Education \$110,591
 - Medi-Cal Billing Option at \$705,530
 - Retiree Benefits Acct at \$450,000

GENERAL FUND EXPENDITURE ASSUMPTIONS:

- Salaries/Benefits = \$173,728,514
 - Pension rates of 19.1% for CalSTRS and 27.4% for CalPERS
 - No current change to Workers Comp rate, though one is anticipated
 - Increase of STRS On-Behalf pension liability (GASB 68 requirement)
 - Addition of 2.0 FTE World Language Teachers
 - Continuation of Psychologist Interns
 - Addition of 3.0 FTE Speech and Language Pathologist
 - Addition of 4.0 FTE Counselor

- Addition of a 2.0 FTE Teacher for Special Education
 - Addition of a 1.0 FTE Teacher for STEAM Center (increased from part-time)
 - Extension of increased hours for Health Assistants, Custodians, and Application Technicians
 - Extension of funding for Campus Security Liaisons, Intervention Teachers, and Intervention Instructional Aides
 - Costs associated with pending salary negotiations 2025-26 are *not* budgeted at this time
- Supplies/Services/Capital Outlay = \$46,890,011
 - Technology/infrastructure upgrades
 - Clinical Services contract
 - Professional Development contracts
 - Restorative Practices and Conflict Resolution mentors
 - Vehicle replacement
 - Costs associated with one-time learning recovery funds
- Other Outgo/Indirect Costs = \$4,605,975
 - Transfer of apportionment to MCOE
 - Indirect costs from Child Development/Fund 12 and Cafeteria/Fund 13
 - Special Education Excess Costs
 - Contribution to Deferred Maintenance budget to address Facilities needs

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional information, contact the Merced City School District, 444 W. 23rd Street, Merced, California 95340.

Merced City School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 240,555,981
Receivables	12,463,865
Prepaid expense	7,042
Stores inventories	725,517
Capital assets not depreciated or amortized	18,538,872
Capital assets, net of accumulated depreciation and amortization	206,468,375
Total assets	<u>478,759,652</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	7,946,056
Deferred outflows of resources related to pensions	52,608,599
Total deferred outflows of resources	<u>60,554,655</u>
Liabilities	
Accounts payable	25,570,944
Interest payable	670,575
Unearned revenue	2,705,619
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	8,410,541
Long-term liabilities other than OPEB and pensions due in more than one year	111,705,448
Net other postemployment benefits (OPEB) liability due in more than one year	11,601,449
Aggregate net pension liabilities	126,605,033
Total liabilities	<u>287,269,609</u>
Deferred Inflows of Resources	
Deferred charge on refunding	384,386
Deferred inflows of resources related to OPEB	6,352,875
Deferred inflows of resources related to pensions	12,620,184
Total deferred inflows of resources	<u>19,357,445</u>
Net Position	
Net investment in capital assets	165,868,525
Restricted for	
Debt service	5,115,087
Capital projects	18,743,616
Educational programs	46,666,384
Child nutrition	8,881,537
Other activities	1,711,947
Unrestricted (deficit)	(14,299,843)
Total net position	<u>\$ 232,687,253</u>

Merced City School District
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 125,652,154	\$ 50,835	\$ 27,632,832	\$ (97,968,487)
Instruction-related activities				
Supervision of instruction	5,713,278	19,771	2,482,004	(3,211,503)
Instructional library, media, and technology	4,247,056	837	925,954	(3,320,265)
School site administration	16,148,539	19,413	1,679,897	(14,449,229)
Pupil services				
Home-to-school transportation	4,940,898	-	12,075	(4,928,823)
Food services	12,370,597	15,527	13,080,980	725,910
All other pupil services	16,353,660	47,993	2,574,744	(13,730,923)
Administration				
Data processing	1,898,845	-	-	(1,898,845)
All other administration	9,236,741	23,654	2,021,685	(7,191,402)
Plant services	18,944,724	905,223	9,953,268	(8,086,233)
Ancillary services	649,892	-	335,311	(314,581)
Community services	1,378,943	-	1,452,099	73,156
Enterprise services	635,322	106,604	321,203	(207,515)
Interest on long-term liabilities	3,720,322	-	-	(3,720,322)
Other outgo	3,787,522	71,066	937,517	(2,778,939)
Total governmental activities	<u>\$ 225,678,493</u>	<u>\$ 1,260,923</u>	<u>\$ 63,409,569</u>	<u>(161,008,001)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				16,953,340
Property taxes, levied for debt service				4,470,037
Taxes levied for other specific purposes				118,570
Federal and State aid not restricted to specific purposes				140,724,319
Interest and investment earnings				10,640,162
Interagency revenues				1,263
Miscellaneous				4,793,522
Subtotal, general revenues and subventions				<u>177,701,213</u>
Change in Net Position				<u>16,693,212</u>
Net Position - Beginning, as previously reported				227,853,063
Adjustments (Note 15)				<u>(11,859,022)</u>
Net Position, Beginning, as Restated				<u>215,994,041</u>
Net Position - Ending				<u>\$ 232,687,253</u>

See Notes to Financial Statements

Merced City School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 147,490,295	\$ 36,574,167	\$ 54,885,323	\$ 238,949,785
Receivables	7,624,135	-	4,839,730	12,463,865
Due from other funds	709,305	-	1,471,696	2,181,001
Prepaid expenditures	7,042	-	-	7,042
Stores inventories	234,845	-	490,672	725,517
Total assets	\$ 156,065,622	\$ 36,574,167	\$ 61,687,421	\$ 254,327,210
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 24,367,007	\$ 50,317	\$ 1,126,531	\$ 25,543,855
Due to other funds	1,506,515	-	709,305	2,215,820
Unearned revenue	2,705,619	-	-	2,705,619
Total liabilities	28,579,141	50,317	1,835,836	30,465,294
Fund Balances				
Nonspendable	244,437	-	493,172	737,609
Restricted	43,645,763	36,523,850	36,529,457	116,699,070
Committed	51,031,430	-	740,692	51,772,122
Assigned	10,089,371	-	22,088,264	32,177,635
Unassigned	22,475,480	-	-	22,475,480
Total fund balances	127,486,481	36,523,850	59,851,585	223,861,916
Total liabilities and fund balances	\$ 156,065,622	\$ 36,574,167	\$ 61,687,421	\$ 254,327,210

Merced City School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds	\$ 223,861,916
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Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

The cost of capital assets is	\$ 343,676,913
Accumulated depreciation and amortization is	<u>(118,669,666)</u>

Net capital assets	225,007,247
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In governmental funds, unmatured interest on long-term
liabilities is recognized in the period when it is due. On the
government-wide financial statements, unmatured interest on
long-term liabilities is recognized when it is incurred.

(670,575)

An internal service fund is used by management to charge the costs
of the self insurance program to the individual funds.
The assets and liabilities of the internal service fund are
included with governmental activities in the Statement of Net Position.

1,613,926

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Net other postemployment benefits (OPEB) liability	7,946,056
Aggregate net pension liability	<u>52,608,599</u>

Total deferred outflows of resources to pensions	60,554,655
--	------------

Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Debt refundings (deferred charge on refunding)	(384,386)
Net other postemployment benefits (OPEB) liability	(6,352,875)
Aggregate net pension liability	<u>(12,620,184)</u>

Total deferred inflows of resources to pensions	(19,357,445)
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Aggregate net pension liability is not due and payable in the current
period, and is not reported as a liability in the funds.

(126,605,033)

The District's net OPEB liability is not due and payable in the current
period, and is not reported as a liability in the funds.

(11,601,449)

Merced City School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

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

Long-term liabilities at year-end consist of

General obligation bonds including unamortized premiums	(94,598,275)
Leases	(679,911)
Compensated absences	(13,399,165)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(11,438,638)

Total long-term liabilities	<u>(120,115,989)</u>
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Total net position - governmental activities	<u><u>\$ 232,687,253</u></u>
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Merced City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	\$ 154,697,916	\$ -		\$ -	\$ 154,697,916
Federal sources	15,085,280	-		11,660,790	26,746,070
Other State sources	30,387,845	-		8,855,924	39,243,769
Other local sources	11,721,844	565,033		9,410,689	21,697,566
Total revenues	211,892,885	565,033		29,927,403	242,385,321
Expenditures					
Current					
Instruction	123,466,336	-		4,604,804	128,071,140
Instruction-related activities					
Supervision of instruction	5,583,719	-		451,862	6,035,581
Instructional library, media, and technology	4,442,405	-		-	4,442,405
School site administration	16,016,199	-		620,915	16,637,114
Pupil services					
Home-to-school transportation	3,893,463	-		-	3,893,463
Food services	1,225,252	-		11,221,188	12,446,440
All other pupil services	16,991,803	-		176,838	17,168,641
Administration					
Data processing	1,896,643	-		-	1,896,643
All other administration	8,610,446	-		803,005	9,413,451
Plant services	16,859,254	9,000		1,713,774	18,582,028
Ancillary services	381,053	-		286,471	667,524
Community services	817,449	-		597,330	1,414,779
Other outgo	3,787,522	-		-	3,787,522
Enterprise services	636,596	-		-	636,596
Facility acquisition and construction	6,071,511	906,045		15,366,970	22,344,526
Debt service					
Principal	150,185	-		17,471,453	17,621,638
Interest and other	-	305,805		2,323,220	2,629,025
Total expenditures	210,829,836	1,220,850		55,637,830	267,688,516
Excess (Deficiency) of Revenues Over Expenditures	1,063,049	(655,817)		(25,710,427)	(25,303,195)
Other Financing Sources (Uses)					
Transfers in	-	-		2,068,570	2,068,570
Sources from leases	342,989	-		-	342,989
Sources from bond proceeds	-	30,000,000		13,495,000	43,495,000
Sources from premium received on bond issuance	-	-		2,340,030	2,340,030
Transfers out	(2,068,570)	-		-	(2,068,570)
Net Financing Sources (Uses)	(1,725,581)	30,000,000		17,903,600	46,178,019
Net Change in Fund Balances	(662,532)	29,344,183		(7,806,827)	20,874,824
Fund Balance - Beginning, as previously reported	128,149,013	7,179,667	29,323,218	38,335,194	202,987,092
Adjustments (Note 15)	-	-	(29,323,218)	29,323,218	-
Fund Balance - Beginning, as restated	128,149,013	7,179,667	-	67,658,412	202,987,092
Fund Balance - Ending	\$ 127,486,481	\$ 36,523,850		\$ 59,851,585	\$ 223,861,916

Merced City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds \$ 20,874,824

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.

Capital outlay	\$ 28,956,299	
Depreciation and amortization expense	(9,083,157)	

Net expense adjustment		19,873,142
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The District issued capital appreciation general obligation bonds. The accretion of interest on the general obligation bonds during the current fiscal year increases the bonded debt obligation. (1,207,765)

Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (342,989)

In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between compensated absences earned and used. (810,561)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and aggregate net pension liability during the year. 5,611,997

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and net OPEB liability during the year. 461,192

Merced City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

Proceeds received from general obligation bonds are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(43,495,000)
Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) is capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	(384,386)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(2,340,030)
Premium amortization	698,244
Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	17,471,453
Leases	150,185
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(24,362)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	157,268
	<hr/>
Change in net position of governmental activities	<u><u>\$ 16,693,212</u></u>

Merced City School District
Statement of Net Position – Proprietary Funds
June 30, 2025

	Governmental Activities - Internal Service Fund
	<u> </u>
Assets	
Current assets	
Deposits and investments	\$ 1,606,196
Due from other funds	<u>34,819</u>
Total current assets	<u>1,641,015</u>
Liabilities	
Current liabilities	
Accounts payable	<u>27,089</u>
Net Position	
Restricted for self-insurance	<u><u>\$ 1,613,926</u></u>

Merced City School District
Statement of Revenues, Expenses, and Change in Net Position – Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges to other funds and miscellaneous revenues	\$ 250,859
Operating Expenses	
Payroll costs	178,112
Operating Income	72,747
Nonoperating Revenues	
Fair market value adjustments	22,491
Interest income	62,030
Total nonoperating revenues	84,521
Change in Net Position	157,268
Total Net Position - Beginning	1,456,658
Total Net Position - Ending	\$ 1,613,926

Merced City School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from operating funds	\$ 247,585
Cash payments from operating charges	2,089
Other operating cash payments	<u>(178,112)</u>
Net Cash From Operating Activities	<u>71,562</u>
Investing Activities	
Fair market value adjustments	22,491
Interest on investments	<u>62,030</u>
Net Cash From Investing Activities	<u>84,521</u>
Net Change in Cash and Cash Equivalents	156,083
Cash and Cash Equivalents, Beginning	<u>1,450,113</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,606,196</u></u>
Reconciliation of Operating Income to Net	
Cash from operating activities	
Operating income	\$ 72,747
Changes in assets and liabilities	
Due from other fund	(3,274)
Accounts payable	<u>2,089</u>
Net Cash From Operating Activities	<u><u>\$ 71,562</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Merced City School District (the District) was organized in 1905 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades TK - 8 as mandated by the State and/or Federal agencies. The District operates thirteen pre-schools, fourteen elementary schools, four middle schools, and a community day school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Merced City School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the *California State Accounting Manual* (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been consolidated with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$29,813.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued by the District (*Education Code* Sections 15125-15262).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no enterprise funds but has the following Internal Service proprietary fund:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Program that is accounted for in an internal service fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of capital assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position restricted for other activities results from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of this fund are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization expenses, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Stores Inventories

Stores inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, five to 50 years; equipment, two to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District'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 place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums, and debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, deferred inflows of resources related to pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (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 District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. 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 District.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the superintendent or chief business official may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$81,118,571 of restricted net position.

Operating Revenues and Expenses – Proprietary Funds

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 238,949,785
Proprietary activities	<u>1,606,196</u>
Total deposits and investments	<u><u>\$ 240,555,981</u></u>

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 165,615
Cash in revolving	5,050
Investments	<u>240,385,316</u>
Total deposits and investments	<u><u>\$ 240,555,981</u></u>

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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. The District maintains an investment of \$240,385,316 in the Merced County Treasury Investment Pool that has an average weighted maturity of 663 days.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District had no bank balance that was exposed to custodial credit risk.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Merced County Investment Pool is currently not rated.

Note 3 - Receivables

Receivables at June 30, 2025, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 2,687,717	\$ 3,590,980	\$ 6,278,697
State Government			
Other State	4,332,216	1,120,699	5,452,915
Local Sources	604,202	128,051	732,253
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 7,624,135</u>	<u>\$ 4,839,730</u>	<u>\$ 12,463,865</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 9,879,293	\$ -	\$ -	\$ 9,879,293
Construction in progress	53,673,576	22,432,924	(67,446,921)	8,659,579
Total capital assets not being depreciated or amortized	63,552,869	22,432,924	(67,446,921)	18,538,872
Capital assets being depreciated and amortized				
Land improvements	34,744,947	376,687	-	35,121,634
Buildings and improvements	202,552,740	67,112,256	-	269,664,996
Furniture and equipment	13,393,193	6,138,364	-	19,531,557
Right-to-use leased buildings and improvements	480,123	342,989	(144,200)	678,912
Right-to-use furniture and equipment	140,942	-	-	140,942
Total capital assets being depreciated and amortized	251,311,945	73,970,296	(144,200)	325,138,041
Total capital assets	314,864,814	96,403,220	(67,591,121)	343,676,913
Accumulated depreciation and amortization				
Land improvements	(16,692,231)	(1,173,108)	-	(17,865,339)
Buildings and improvements	(84,978,543)	(7,057,672)	-	(92,036,215)
Furniture and equipment	(7,922,432)	(748,819)	-	(8,671,251)
Right-to-use leased buildings and improvements	(125,758)	(75,370)	144,200	(56,928)
Right-to-use furniture and equipment	(11,745)	(28,188)	-	(39,933)
Total accumulated depreciation and amortization	(109,730,709)	(9,083,157)	144,200	(118,669,666)
Net depreciable and amortizable capital assets	141,581,236	64,887,139	-	206,468,375
Governmental activities capital assets, net	\$ 205,134,105	\$ 87,320,063	\$ (67,446,921)	\$ 225,007,247

Depreciation and amortization expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 4,072,805
School site administration	405,120
Home-to-school transportation	2,124,941
Food services	708,313
Data processing	88,539
All other administration	177,079
Plant services	1,506,360
	<u>1,506,360</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 9,083,157</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds and the internal service fund are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Funds		
General	\$ 709,305	\$ 1,506,515
Special Reserve Fund for Capital Outlay Projects	1,050,000	-
Non-Major Governmental Funds		
Child Development	400,948	380,129
Cafeteria	20,748	329,176
Proprietary Fund		
Internal Service	34,819	-
	<u>34,819</u>	<u>-</u>
Total	<u>\$ 2,215,820</u>	<u>\$ 2,215,820</u>

Merced City School District

Notes to Financial Statements

June 30, 2025

The General Fund owes the Child Development Non-Major Governmental Fund for Preschool Title I Program and contribution to offset shortfall.	\$ 400,000
The General Fund owes the Child Development Non-Major Governmental Fund for indirect costs.	948
The General Fund owes the Cafeteria Non-Major Governmental Fund for SNS catering.	19,180
The General Fund owes the Cafeteria Non-Major Governmental Fund for eligible indirect costs.	1,568
The General Fund owes the Special Reserve Fund for Capital Outlay Projects for capital outlay project costs.	1,050,000
The General Fund owes the Internal Service Fund for June income protection.	34,819
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs and other miscellaneous costs.	380,129
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs and other miscellaneous costs.	329,176
Total	<u>\$ 2,215,820</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consist of the following:

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future maintenance projects.	\$ 1,018,570
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for 21st Century facility projects.	1,050,000
Total	<u>\$ 2,068,570</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2025, consists of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Fund	Total Governmental Activities
Vendor payables	\$ 12,520,297	\$ 50,317	\$ 962,622	\$ 27,089	\$ 13,560,325
Salaries and benefits	3,409,587	-	163,909	-	3,573,496
Expanded Learning Opportunities Program	8,437,123	-	-	-	8,437,123
Total	<u>\$ 24,367,007</u>	<u>\$ 50,317</u>	<u>\$ 1,126,531</u>	<u>\$ 27,089</u>	<u>\$ 25,570,944</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2025, consists of the following:

	General Fund
Federal financial assistance	\$ 2,623,786
State categorical aid	81,833
Total	<u>\$ 2,705,619</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 75,204,189	\$ 44,702,765	\$ (17,471,453)	\$ 102,435,501	\$ 3,555,000
Unamortized premiums	1,959,626	2,340,030	(698,244)	3,601,412	-
Leases	487,107	342,989	(150,185)	679,911	152,587
Compensated absences	12,588,604	810,561	-	13,399,165	4,702,954
Total	<u>\$ 90,239,526</u>	<u>\$ 48,196,345</u>	<u>\$ (18,319,882)</u>	<u>\$ 120,115,989</u>	<u>\$ 8,410,541</u>

The change in compensated absences is presented as a net change.

The general obligation bonds are paid by the tax payers through the Bond Interest and Redemption Fund with local property taxes. The premiums will be amortized over the life of the related debt. The leases are paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2025
3/1/04	8/1/28	5.13-5.23	\$ 2,709,268	\$ 2,709,268	\$ -	\$ -	\$ (551,289)	\$ 2,157,979
	Accreted interest			4,987,426	-	336,587	(998,711)	4,325,302
6/1/05	6/1/30	4.00-5.07	8,415,303	4,146,990	-	-	(445,241)	3,701,749
	Accreted interest			6,555,115	-	488,843	(679,759)	6,364,199
10/16/14	8/1/37	4.76-5.04	1,198,568	1,198,568	-	-	(1,198,568)	-
	Accreted interest			729,822	-	96,041	(825,863)	-
10/16/14	8/1/44	3.00-3.25	10,260,000	7,705,000	-	-	(680,000)	7,025,000
12/17/15	8/1/39	2.00-5.00	2,124,008	1,812,195	-	-	(1,693,077)	119,118
	Accreted interest			712,737	-	67,090	(738,945)	40,882
12/17/15	8/1/45	1.94-4.52	16,140,000	14,915,000	-	-	(9,380,000)	5,535,000
4/25/17	8/1/40	3.56-4.38	614,260	614,260	-	-	-	614,260
	Accreted interest			211,614	-	34,573	-	246,187
4/25/17	8/1/47	3.00-4.00	11,025,000	10,395,000	-	-	(30,000)	10,365,000
10/14/18	8/1/48	3.00-5.00	6,640,000	6,320,000	-	-	(70,000)	6,250,000
4/12/22	8/1/46	4.00	3,920,000	3,840,000	-	-	-	3,840,000
4/12/22	8/1/40	3.85-4.36	1,736,465	1,736,465	-	-	-	1,736,465
	Accreted interest			172,336	-	79,851	-	252,187
6/22/23	8/1/49	5.00-5.25	4,280,000	4,280,000	-	-	(180,000)	4,100,000
6/22/23	6/1/48	3.53-5.04	2,057,292	2,057,292	-	-	-	2,057,292
	Accreted interest			105,101	-	104,780	-	209,881
5/6/25	8/1/45	5.00	13,495,000	-	13,495,000	-	-	13,495,000
5/6/25	8/1/54	5.00	30,000,000	-	30,000,000	-	-	30,000,000
Total				<u>\$ 75,204,189</u>	<u>\$ 43,495,000</u>	<u>\$ 1,207,765</u>	<u>\$ (17,471,453)</u>	<u>\$ 102,435,501</u>

2025 Issuance related refunding information:

Cash flow requirements of the refunded general obligation bonds	\$ 24,889,297
Cash flow requirements of the refunding general obligation bonds	<u>23,574,816</u>

Cash flow savings	<u>\$ 1,314,481</u>
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Economic gain (net present value savings)	<u>\$ 737,638</u>
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Net present value percentage	4.27%
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Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2026	\$ 580,000	\$ 2,875,161	\$ 3,455,161
2027	2,370,000	3,596,582	5,966,582
2028	1,925,000	3,495,157	5,420,157
2029	2,210,000	3,398,432	5,608,432
2030	610,000	3,334,807	3,944,807
2031-2035	5,105,000	16,206,635	21,311,635
2036-2040	9,735,000	14,774,504	24,509,504
2041-2045	19,675,000	11,703,350	31,378,350
2046-2050	26,450,000	5,993,489	32,443,489
2051-2055	11,950,000	1,605,000	13,555,000
Total	<u>\$ 80,610,000</u>	<u>\$ 66,983,117</u>	<u>\$ 147,593,117</u>

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2026	\$ 1,109,155	\$ 1,865,845	\$ 2,975,000	\$ -	\$ 2,975,000
2027	984,728	1,834,532	2,819,260	145,740	2,965,000
2028	990,466	1,842,662	2,833,128	301,872	3,135,000
2029	991,041	1,847,130	2,838,171	466,829	3,305,000
2030	1,061,342	1,720,116	2,781,458	608,542	3,390,000
2031-2035	1,839,617	1,802,641	3,642,258	1,072,742	4,715,000
2036-2040	1,260,398	243,701	1,504,099	1,025,901	2,530,000
2041-2045	974,763	158,462	1,133,225	1,181,775	2,315,000
2046-2049	1,175,353	123,549	1,298,902	2,651,098	3,950,000
Total	<u>\$ 10,386,863</u>	<u>\$ 11,438,638</u>	<u>\$ 21,825,501</u>	<u>\$ 7,454,499</u>	<u>\$ 29,280,000</u>

Leases

The District has entered into agreements to lease various equipment and facilities. The District's liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2024	Addition	Payments	Leases Outstanding June 30, 2025
Copiers	\$ 131,276	\$ -	\$ (24,592)	\$ 106,684
Facilities	355,831	342,989	(125,593)	573,227
Total	<u>\$ 487,107</u>	<u>\$ 342,989</u>	<u>\$ (150,185)</u>	<u>\$ 679,911</u>

Copiers

The District entered into an agreement to lease copiers for up to five years. Under the terms of the lease, the District paid total monthly payments of \$2,873, which amounted to total principal and interest costs of \$172,395. The annual interest rates charged on the lease is 8.23%. At June 30, 2025, the District has recognized a right-to-use leased asset of \$140,942 and a lease liability of \$106,684 related to the agreement. During the fiscal year, the District recorded \$28,188 in amortization expense and \$9,887 in interest expense for the right-to-use the copiers. The District also pays for each additional copy in excess of the contracted amount, which is not included in the measurement of the lease liability as they are variable in nature.

Facilities

The District entered into facilities lease agreements for up to five years. Under the terms of the leases, the District paid monthly payments of \$17,781 which amounted to total principal and interest costs of \$513,103. The annual interest rates charged on the leases are 3.00% to 5.00%. At June 30, 2025, the District has recognized a right-to-use leased asset of \$678,912 and a lease liability of \$573,227 related to these agreements. During the fiscal year, the District recorded \$75,370 in amortization expense and \$15,009 in interest expense for the right-to-use the facilities.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 152,587	\$ 25,371	\$ 177,958
2027	162,990	19,384	182,374
2028	173,974	12,965	186,939
2029	164,412	6,095	170,507
2030	25,948	162	26,110
Total	<u>\$ 679,911</u>	<u>\$ 63,977</u>	<u>\$ 743,888</u>

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 11,125,000	\$ 7,946,056	\$ 6,352,875	\$ 4,835,469
Medicare Premium Payment (MPP) Plan	476,449	-	-	(18,585)
Total	<u>\$ 11,601,449</u>	<u>\$ 7,946,056</u>	<u>\$ 6,352,875</u>	<u>\$ 4,816,884</u>

The details of each plan are as follows:

District Plan

Plan Administration

The Self-Insured Schools of California (SISC) administers the Postemployment Benefits Plan (the Plan). The Plan is a multiple-employer agent defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The plans assets are maintained in the Self-Insured Schools of California (SISC) postemployment benefits trust and financial information including audit reports of the plan can be found on their website.

Plan Membership

At June 30, 2024, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	175
Active employees	959
	<hr/>
Total	1,134
	<hr/>

Plan Administration

The Self-Insured Schools of California (SISC) administers the Postemployment Benefits Plan (the Plan). The Plan is a multiple-employer agent defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The plans assets are maintained in the Self-Insured Schools of California (SISC) postemployment benefits trust and financial information including audit reports of the plan can be found on their website.

Benefits Provided

The Plan provides medical and dental and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through SISC. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Upon attainment of age 55 and completion of at least 15 years of District service, including at least five years immediately before retirement, an employee may retire and receive District-paid medical, dental and vision insurance for a period depending on employment classification (and, in some cases, date of hire), and subject to making any required monthly retiree contributions.

Classified retirees with 15 years of service receive benefits for the lesser of ten years or until age 67. Benefits are capped at \$1,215.17 per month for 2024-25. Classified employees' service must be full-time to qualify.

Certificated retirees with less than 20 years of service receive benefits for the lesser of 10 years or until age 65 (Option 65). Certificated retirees with at least 20 years of service receive benefits for the lesser of 10 years or until the end of the school year in which age 67 is reached (Option 67). Retirees age 65 or older who have earned Medicare Part A must purchase Part B to retain eligibility for District-paid benefits. Benefits are capped at \$1,296.08 per month for 2024-2025.

Management retiree benefits depend on the date first hired by the District into a Management position, as follows:

Plan 1: Hired prior to January 17, 1989.

Plan 2: Hired on or after January 17, 1989 and on or before February 5, 1991.

Plan 3: Hired on or after February 6, 1991.

Plan 1 and Plan 2 retirees receive lifetime District-paid benefits and are not subject to a District cap; however, Plan 2 retirees must have at least 20 years of service to receive dental and vision coverage and at least 32 years of service to receive spousal coverage. Plan 3 retirees receive benefits for the lesser of 10 years or until the end of the school year in which age 67 is reached and are subject to a cap of \$1,257.58 per month for 2024-2025.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Merced City Teachers Association (MCTA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, MCTA, CSEA, and the unrepresented groups are based on availability of funds. There are no required contributions beyond the annual pay as you go amounts. For the measurement period of June 30, 2024, the District contributed \$5,278,077 to the Plan, of which \$3,768,150, including implicit subsidy, was used for current premiums and \$1,509,927 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of \$11,125,000 was measured and valued as of June 30, 2024. The components of the net OPEB liability of the District at June 30, 2025, were as follows:

Total OPEB liability	\$ 33,133,439
Plan fiduciary net position	<u>(22,008,439)</u>
Net OPEB liability	<u><u>\$ 11,125,000</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>66.42%</u></u>

Actuarial Assumptions

The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Discount rate	6.00%
Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.5%, 7.50% for 2024 decreasing to 5.40% for 2029, 5.25% for 2030-2034, 4.60% for 2035-2049, 4.50% for 2050-2064, 4.25% for 2065-2074, and 4.00% for 2070 and later years; Medicare ages: 4.50% for all years.

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Pre-retirement mortality rates were based on mortality rates for active employees from CalSTRS Experience Analysis (2015-2018) and pre-retirement mortality rates from CalPERS Experience Study (2000-2019). Post-retirement mortality rates were based on mortality rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018) and post-retirement mortality rates for healthy recipients from CalPERS Experience Study (2000-2019).

The actuarial assumptions used in the June 30, 2024, valuation were based on a review of plan experience during the period July 1, 2022 to June 30, 2024.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad U.S. Equity	60.0%	4.4%
U.S. Fixed	40.0%	1.8%

The Trust's investment policy restricts the investment allocation of the plan. It is the guideline of the plan that assets will not exceed a maximum allocation percentage by category of: equities - 70%, fixed income - 70% and non-correlating assets - 20%. It is also understood that from time to time, this will fluctuate in either direction and can be rebalanced due to market conditions.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2023	\$ 34,185,118	\$ 18,424,760	\$ 15,760,358
Service cost	1,397,668	-	1,397,668
Interest	2,023,569	-	2,023,569
Net investment income	-	2,093,500	(2,093,500)
Changes of benefit terms	2,150,345	-	2,150,345
Difference between expected and actual experience	1,155,505	-	1,155,505
Contributions - employer	-	5,278,077	(5,278,077)
Changes of assumptions	(4,010,616)	-	(4,010,616)
Benefit payments	(3,768,150)	(3,768,150)	-
Administrative expense	-	(19,748)	19,748
Net change in total OPEB liability	(1,051,679)	3,583,679	(4,635,358)
Balance, June 30, 2024	\$ 33,133,439	\$ 22,008,439	\$ 11,125,000

Changes in Benefit Terms – The plan made changes in that classified benefits are payable until earlier of 10 years or age 67 since the previous valuation.

Changes of Assumptions – The healthcare cost trend rates changed from a starting rate of 6.00% to a starting rate of 7.5% since the previous measurement.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (5.00%)	\$ 13,647,144
Current discount rate (6.00%)	11,125,000
1% increase (7.00%)	8,807,260

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (6.50%)	\$ 8,152,938
Healthcare cost trend rate (7.50%)	11,125,000
1% increase (8.50%)	14,563,077

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$4,835,469. At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 3,844,802	\$ -
Differences between expected and actual experience	1,468,864	648,473
Changes of assumptions	1,541,569	3,911,271
Net difference between projected and actual earnings on OPEB plan investments	1,090,821	1,793,131
Total	<u>\$ 7,946,056</u>	<u>\$ 6,352,875</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

The deferred outflows of resources and deferred inflows of resources related to the difference between projected and actual earnings on OPEB trust investments will be amortized over a closed five-year period. The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

The deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 1,191,585	\$ 1,720,489
2027	949,789	917,812
2028	377,510	892,771
2029	355,784	685,307
2030	305,097	374,824
Thereafter	921,489	1,761,672
Total	<u>\$ 4,101,254</u>	<u>\$ 6,352,875</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$476,449 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1787% and 0.1631%, resulting in a net increase in the proportionate share of 0.0156%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(18,585).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.93%)	\$ 514,076
Current discount rate (3.93%)	476,449
1% increase (4.93%)	443,362

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 441,379
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	476,449
1% increase (6.00% Part A and 7.50% Part B)	515,603

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 2,550	\$ -	\$ 2,500	\$ 5,050
Stores inventories	234,845	-	490,672	725,517
Prepaid expenditures	7,042	-	-	7,042
Total nonspendable	244,437	-	493,172	737,609
Restricted				
Legally restricted programs	43,645,763	-	3,020,621	46,666,384
Food service	-	-	8,881,537	8,881,537
Capital projects	-	36,523,850	18,743,616	55,267,466
Debt service	-	-	5,785,662	5,785,662
Student activity	-	-	98,021	98,021
Total restricted	43,645,763	36,523,850	36,529,457	116,699,070
Committed				
Economic uncertainties	31,531,430	-	-	31,531,430
Textbook adoption	10,000,000	-	-	10,000,000
Deferred maintenance program	-	-	740,692	740,692
Employer pension contribution	9,500,000	-	-	9,500,000
Total committed	51,031,430	-	740,692	51,772,122
Assigned				
School bus replacement	1,200,000	-	-	1,200,000
Internal golden handshake	651,000	-	-	651,000
Property and liability	2,151,663	-	-	2,151,663
Equipment and furniture	29,813	-	-	29,813
LCAP implementation	6,056,895	-	-	6,056,895
Capital projects	-	-	22,088,264	22,088,264
Total assigned	10,089,371	-	22,088,264	32,177,635
Unassigned				
Reserve for economic uncertainties	6,376,662	-	-	6,376,662
Remaining unassigned	16,098,818	-	-	16,098,818
Total unassigned	22,475,480	-	-	22,475,480
Total	\$ 127,486,481	\$ 36,523,850	\$ 59,851,585	\$ 223,861,916

Note 11 - Risk Management

Employee Medical Benefits

The District has contracted with the SISC III to provide employee medical and vision benefits. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District contracted with School Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2025, the District participated in the Merced County Schools Insurance Group (MCSIG I), an insurance purchasing pool. The intent of MCSIG I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MCSIG I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MCSIG I. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MCSIG I. Participation in MCSIG I is limited to districts that can meet MCSIG I selection criteria. The firm of Keenan and Associates provides administrative and cost control.

Unpaid Claims Liability

The District is self-insured for income protection, which is accounted for in the District's Internal Service Fund. The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. As of June 30, 2025, that liability has been established in the amount of \$25,000.

Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 82,295,065	\$ 36,047,746	\$ 11,728,568	\$ 9,294,030
CalPERS	44,309,968	16,560,853	891,616	8,242,300
Total	<u>\$ 126,605,033</u>	<u>\$ 52,608,599</u>	<u>\$ 12,620,184</u>	<u>\$ 17,536,330</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$15,332,390.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 82,295,065
State's proportionate share of the net pension liability	37,757,259
Total	<u>\$ 120,052,324</u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1225% and 0.1103%, resulting in a net increase in the proportionate share of 0.0122%.

For the year ended June 30, 2025, the District recognized pension expense of \$9,294,030. In addition, the District recognized pension expense and revenue of \$3,437,357 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,332,390	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	11,046,486	2,177,326
Differences between projected and actual earnings on pension plan investments	-	332,057
Differences between expected and actual experience in the measurement of the total pension liability	9,308,631	3,598,717
Changes of assumptions	360,239	5,620,468
Total	<u>\$ 36,047,746</u>	<u>\$ 11,728,568</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (5,516,827)
2027	6,644,310
2028	(542,094)
2029	(917,446)
Total	<u>\$ (332,057)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 1,322,324
2027	1,138,391
2028	1,063,281
2029	2,218,937
2030	2,632,011
Thereafter	943,901
Total	<u>\$ 9,318,845</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 146,375,993
Current discount rate (7.10%)	82,295,065
1% increase (8.10%)	28,784,832

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

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 service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$7,815,936.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$44,309,968. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1240% and 0.1154%, resulting in a net increase in the proportionate share of 0.0086%.

For the year ended June 30, 2025, the District recognized pension expense of \$8,242,300. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,815,936	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,329,587	574,491
Differences between projected and actual earnings on pension plan investments	1,721,187	-
Differences between expected and actual experience in the measurement of the total pension liability	3,714,743	317,125
Changes of assumptions	979,400	-
	<u>16,560,853</u>	<u>891,616</u>
Total	<u>\$ 16,560,853</u>	<u>\$ 891,616</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (14,837)
2027	2,676,053
2028	(395,421)
2029	(544,608)
Total	<u>\$ 1,721,187</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 2,607,232
2027	1,979,884
2028	1,544,998
Total	<u>\$ 6,132,114</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers 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 these assumptions, SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SEP investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 65,822,827
Current discount rate (6.90%)	44,309,968
1% increase (7.90%)	26,538,634

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to contribute to Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,624,001 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2025.

Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Frankline Phase 3	\$ 6,964,103	April 2026
MARS 26Th Street Project	6,600,000	October 2026
Stowell Shade Structure	369,970	August 2025
Tenaya Sports Field	6,241,410	December 2026
Hoover Fencing	1,077,925	February 2026
Fremont Fencing	497,640	February 2026
Fremont Temporary Classrooms	232,316	August 2025
Muir Temporary Classrooms	282,160	August 2025
Chenoweth Temporary Classrooms	428,140	August 2025
Community Day Modernization	420,500	September 2026
Total	<u>\$ 23,114,164</u>	

Note 14 - Participation in Public Entity Risk Pools and Joint Power

The District is a member of the Self Insured Schools of California III (SISC III), School Insurance Authority (SIA) and the Merced County Schools Insurance Group (MCSIG I) public entity risk pools. The District pays an annual premium to each entity for its employee medical benefits, workers' compensation and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one member to the Governing Board of SISC III.

During the year ended June 30, 2025, the District made payment of \$16,082,131 to SISC III for employee medical benefits.

The District has appointed no members to the Governing Board of SIA.

During the year ended June 30, 2025, the District made payment of \$1,359,408 to SIA for liability and property insurance.

The District has appointed one member to the Governing Board of MCSIG I.

During the year ended June 30, 2025, the District made payments of \$2,198,064 to MCSIG I for workers' compensation insurance.

Note 15 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences were increased by \$11,859,022 as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Net Position - Beginning, as previously reported on July 1, 2024	\$ 227,853,063
Change in accounting principle	<u>(11,859,022)</u>
Net Position - Beginning as Restated on July 1, 2024	<u>\$ 215,994,041</u>

Change within the Reporting Entity

During year ended June 30, 2025, there was a change within the financial reporting entity which resulted in the Special Reserve Fund for Capital Outlay Projects being reported as a nonmajor fund instead of major fund which resulted in adjustments to and restatements of beginning fund balance in the table below:

	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Beginning, as previously reported on July 1, 2024	\$ 29,323,218	\$ 38,335,194
Change to or within the financial reporting entity	<u>(29,323,218)</u>	<u>29,323,218</u>
Fund Balance - Beginning as Restated on July 1, 2024	<u>\$ -</u>	<u>\$ 67,658,412</u>

Required Supplementary Information
June 30, 2025

Merced City School District

Merced City School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 153,532,633	\$ 154,557,263	\$ 154,697,916	\$ 140,653
Federal sources	10,006,890	16,848,353	15,085,280	(1,763,073)
Other State sources	30,940,752	35,190,124	30,387,845	(4,802,279)
Other local sources	2,807,733	6,171,053	11,721,844	5,550,791
Total revenues ¹	197,288,008	212,766,793	211,892,885	(873,908)
Expenditures				
Current				
Certificated salaries	79,343,402	88,770,303	85,297,784	3,472,519
Classified salaries	25,538,732	32,451,454	31,578,842	872,612
Employee benefits	52,717,861	56,976,615	55,482,251	1,494,364
Books and supplies	10,504,195	12,921,289	8,748,919	4,172,370
Services and operating expenditures	22,596,225	27,035,251	20,353,197	6,682,054
Other outgo	680,152	16,520,770	1,096,762	15,424,008
Capital outlay	2,350,110	2,274,173	8,121,896	(5,847,723)
Debt service				
Debt service - principal	-	-	150,185	(150,185)
Total expenditures ¹	193,730,677	236,949,855	210,829,836	26,120,019
Excess of Revenues Over Expenditures	3,557,331	(24,183,062)	1,063,049	25,246,111
Other Financing Sources (Uses)				
Sources from leases	-	-	342,989	342,989
Transfers out	(900,000)	(900,000)	(2,068,570)	(1,168,570)
Net financing sources (uses)	(900,000)	(900,000)	(1,725,581)	(825,581)
Net Change in Fund Balances	2,657,331	(25,083,062)	(662,532)	24,420,530
Fund Balance - Beginning	128,149,013	128,149,013	128,149,013	-
Fund Balance - Ending	\$ 130,806,344	\$ 103,065,951	\$ 127,486,481	\$ 24,420,530

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Merced City School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 1,397,668	\$ 1,291,159	\$ 1,084,379	\$ 891,319
Interest	2,023,569	2,016,989	1,870,233	1,845,995
Changes of benefit terms	2,150,345	-	-	-
Difference between expected and actual experience	1,155,505	-	178,977	-
Changes of assumptions	(4,010,616)	-	1,811,801	-
Benefit payments	(3,768,150)	(2,855,124)	(2,561,611)	(2,492,234)
Net change in total OPEB liability	(1,051,679)	453,024	2,383,779	245,080
Total OPEB Liability - Beginning	34,185,118	33,732,094	31,348,315	31,103,235
Total OPEB Liability - Ending (a)	<u>\$ 33,133,439</u>	<u>\$ 34,185,118</u>	<u>\$ 33,732,094</u>	<u>\$ 31,348,315</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 5,278,077	\$ 3,679,926	\$ 3,505,569	\$ 3,642,239
Net investment income	2,093,500	1,755,931	(1,683,334)	3,654,894
Benefit payments	(3,768,150)	(2,855,124)	(2,561,611)	(2,492,234)
Administrative expense	(19,748)	(16,506)	(17,326)	(13,812)
Net change in plan fiduciary net position	3,583,679	2,564,227	(756,702)	4,791,087
Plan Fiduciary Net Position - Beginning	18,424,760	15,860,533	16,617,235	11,826,148
Plan Fiduciary Net Position - Ending (b)	<u>\$ 22,008,439</u>	<u>\$ 18,424,760</u>	<u>\$ 15,860,533</u>	<u>\$ 16,617,235</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 11,125,000</u>	<u>\$ 15,760,358</u>	<u>\$ 17,871,561</u>	<u>\$ 14,731,080</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>66.42%</u>	<u>53.90%</u>	<u>47.02%</u>	<u>53.01%</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See Notes to Required Supplementary Information

Merced City School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability	\$ 854,255	\$ 1,115,556	\$ 1,148,048	\$ 992,919
Service cost	1,881,578	1,861,887	1,476,257	1,459,536
Interest	-	-	-	-
Changes of benefit terms	(1,524,793)	-	2,176,181	-
Difference between expected and actual experience	629,991	-	(2,028,538)	-
Changes of assumptions	(2,450,662)	(2,327,062)	(2,439,448)	(1,804,354)
Benefit payments	(609,631)	650,381	332,500	648,101
Net change in total OPEB liability	31,712,866	31,062,485	30,729,985	30,081,884
Total OPEB Liability - Beginning	\$ 31,103,235	\$ 31,712,866	\$ 31,062,485	\$ 30,729,985
Total OPEB Liability - Ending (a)				
Plan Fiduciary Net Position	\$ 3,507,115	\$ 3,312,541	\$ 3,682,298	\$ 2,899,345
Contributions - employer	(8,835)	617,949	679,928	753,023
Net investment income	(2,450,662)	(2,327,062)	(2,439,448)	(1,804,354)
Benefit payments	(11,352)	(9,833)	(8,546)	(6,498)
Administrative expense	1,036,266	1,593,595	1,914,232	1,841,516
Net change in plan fiduciary net position	10,789,882	9,196,287	7,282,055	5,440,539
Plan Fiduciary Net Position - Beginning	\$ 11,826,148	\$ 10,789,882	\$ 9,196,287	\$ 7,282,055
Plan Fiduciary Net Position - Ending (b)				
Net OPEB Liability - Ending (a) - (b)	\$ 19,277,087	\$ 20,922,984	\$ 21,866,198	\$ 23,447,930
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.02%	34.02%	29.61%	23.70%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See Notes to Required Supplementary Information

Merced City School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.1787%	0.1631%	0.1589%	0.1582%
Proportionate share of the net OPEB liability	\$ 476,449	\$ 495,034	\$ 523,559	\$ 630,827
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Merced City School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1882%	0.1890%	0.1842%	0.1844%
Proportionate share of the net OPEB liability	\$ 797,634	\$ 703,821	\$ 704,986	\$ 775,695
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Merced City School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1225%	0.1103%	0.1059%	0.1052%	0.1080%
Proportionate share of the net pension liability	\$ 82,295,065	\$ 84,002,635	\$ 73,587,344	\$ 47,881,428	\$ 104,679,224
State's proportionate share of the net pension liability	37,757,259	40,248,025	36,852,254	24,092,078	53,962,152
Total	<u>\$ 120,052,324</u>	<u>\$ 124,250,660</u>	<u>\$ 110,439,598</u>	<u>\$ 71,973,506</u>	<u>\$ 158,641,376</u>
Covered payroll	<u>\$ 82,809,309</u>	<u>\$ 66,234,351</u>	<u>\$ 61,118,191</u>	<u>\$ 57,546,650</u>	<u>\$ 58,540,275</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	99.38%	126.83%	120.40%	83.20%	178.82%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1068%	0.1026%	0.1018%	0.1012%	0.1023%
Proportionate share of the net pension liability	\$ 96,491,668	\$ 94,309,058	\$ 94,184,029	\$ 81,851,939	\$ 68,857,165
State's proportionate share of the net pension liability	52,642,647	53,996,346	55,718,476	46,596,849	36,417,849
Total	<u>\$ 149,134,315</u>	<u>\$ 148,305,404</u>	<u>\$ 149,902,505</u>	<u>\$ 128,448,788</u>	<u>\$ 105,275,014</u>
Covered payroll	<u>\$ 57,857,254</u>	<u>\$ 54,793,146</u>	<u>\$ 53,634,165</u>	<u>\$ 51,275,694</u>	<u>\$ 46,041,734</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	166.78%	172.12%	175.60%	159.63%	149.55%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Merced City School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS
Year Ended June 30, 2025

CalPERS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportion of the net pension liability	<u>0.1240%</u>	<u>0.1154%</u>	<u>0.1195%</u>	<u>0.1216%</u>	<u>0.1187%</u>
Proportionate share of the net pension liability	<u>\$ 44,309,968</u>	<u>\$ 41,777,337</u>	<u>\$ 41,125,062</u>	<u>\$ 24,733,310</u>	<u>\$ 36,414,462</u>
Covered payroll	<u>\$ 26,479,374</u>	<u>\$ 20,833,618</u>	<u>\$ 18,582,292</u>	<u>\$ 17,737,952</u>	<u>\$ 17,102,835</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>167.34%</u>	<u>200.53%</u>	<u>221.31%</u>	<u>139.44%</u>	<u>212.91%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	<u>0.1226%</u>	<u>0.1197%</u>	<u>0.1193%</u>	<u>0.1188%</u>	<u>0.1184%</u>
Proportionate share of the net pension liability	<u>\$ 35,736,500</u>	<u>\$ 31,917,260</u>	<u>\$ 28,481,923</u>	<u>\$ 23,466,244</u>	<u>\$ 17,449,861</u>
Covered payroll	<u>\$ 16,960,497</u>	<u>\$ 15,907,186</u>	<u>\$ 15,208,597</u>	<u>\$ 14,297,746</u>	<u>\$ 13,099,677</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>210.70%</u>	<u>200.65%</u>	<u>187.28%</u>	<u>164.13%</u>	<u>133.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Merced City School District
Schedule of the District's Contributions – CalSTRS
Year Ended June 30, 2025

CalSTRS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 15,332,390	\$ 15,816,578	\$ 12,650,761	\$ 10,341,198	\$ 9,293,784
Less contributions in relation to the contractually required contribution	<u>15,332,390</u>	<u>15,816,578</u>	<u>12,650,761</u>	<u>10,341,198</u>	<u>9,293,784</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 80,274,293</u>	<u>\$ 82,809,309</u>	<u>\$ 66,234,351</u>	<u>\$ 61,118,191</u>	<u>\$ 57,546,650</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 10,010,387	\$ 9,419,161	\$ 7,906,651	\$ 6,747,178	\$ 5,501,882
Less contributions in relation to the contractually required contribution	<u>10,010,387</u>	<u>9,419,161</u>	<u>7,906,651</u>	<u>6,747,178</u>	<u>5,501,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 58,540,275</u>	<u>\$ 57,857,254</u>	<u>\$ 54,793,146</u>	<u>\$ 53,634,165</u>	<u>\$ 51,275,694</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

Merced City School District
Schedule of the District's Contributions – CalPERS
Year Ended June 30, 2025

CalPERS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 7,815,936	\$ 7,064,697	\$ 5,285,489	\$ 4,257,203	\$ 3,671,756
Less contributions in relation to the contractually required contribution	<u>7,815,936</u>	<u>7,064,697</u>	<u>5,285,489</u>	<u>4,257,203</u>	<u>3,671,756</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 28,894,403</u>	<u>\$ 26,479,374</u>	<u>\$ 20,833,618</u>	<u>\$ 18,582,292</u>	<u>\$ 17,737,952</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,372,850	\$ 3,063,405	\$ 2,470,545	\$ 2,112,170	\$ 1,693,854
Less contributions in relation to the contractually required contribution	<u>3,372,850</u>	<u>3,063,405</u>	<u>2,470,545</u>	<u>2,112,170</u>	<u>1,693,854</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 17,102,835</u>	<u>\$ 16,960,497</u>	<u>\$ 15,907,186</u>	<u>\$ 15,208,597</u>	<u>\$ 14,297,746</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – The plan made changes in that classified benefits are payable until earlier of 10 years or age 67 since the previous valuation.
- *Changes of Assumptions* – The healthcare cost trend rates changed from a starting rate of 6.00% to a starting rate of 7.5% since the previous measurement.

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Merced City School District

Merced City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 1,698,985
Special Education Grants to States - Private School ISP	84.027	10115	53,561
Special Education Grants to States - Mental Health	84.027A	15197	182,216
Subtotal			1,934,762
Special Education Preschool Grants	84.173	13430	32,164
COVID-19, Special Education: ARP IDEA PART B Preschool Grants	84.173	15639	(31,874)
Subtotal			290
Total Special Education Cluster (IDEA)			1,935,052
COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	3,891,869
COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund - Learning Loss	84.425U	10155	1,024,242
COVID-19, Expanded Learning Opportunities (ELO) ESSER II State Reserve	84.425D	15621	612,709
Subtotal			5,528,820
Title I Grants to Local Educational Agencies	84.010	14329	6,643,686
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	35,877
Subtotal			6,679,563
English Language Acquisition State Grants - LEP	84.365	14346	147,481
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	685,250
Student Support and Academic Enrichment Program	84.424	15396	509,114
Total U.S. Department of Education			15,485,280

See Notes to Supplementary Information

Merced City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through CDE			
Child Development Cluster			
Federal Child Care, Center-based	93.575	10163	\$ 361,744
Total U.S. Department of Health and Human Services			<u>361,744</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	823,446
Commodities	10.555	13524	884,477
School Lunch - Section 11	10.555	13524	5,910,776
Local Food for Schools	10.555	15708	14,821
Subtotal			<u>7,633,520</u>
School Breakfast Basic	10.553	13525	1,130
School Breakfast Needy	10.553	13526	2,362,188
Subtotal			<u>2,363,318</u>
Fresh Fruit and Vegetable Program	10.582	14968	153,399
Total Child Nutrition Cluster			<u>10,150,237</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program			
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	855,225
Cash in Lieu of Commodities	10.558	13534	57,916
Subtotal			<u>913,141</u>
Total U.S. Department of Agriculture			<u>11,063,378</u>
Total Federal Financial Assistance			<u><u>\$ 26,910,402</u></u>

Merced City School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,661.29	4,672.94
Fourth through sixth	3,369.88	3,366.01
Seventh and eighth	2,308.69	2,305.42
	<u>10,339.86</u>	<u>10,344.37</u>
Total regular ADA	<u>10,339.86</u>	<u>10,344.37</u>
Extended Year Special Education		
Transitional kindergarten through third	2.03	2.03
Fourth through sixth	1.59	1.59
Seventh and eighth	0.58	0.58
	<u>4.20</u>	<u>4.20</u>
Total extended year special education	<u>4.20</u>	<u>4.20</u>
Community Day School		
Transitional kindergarten through third	13.99	14.42
Fourth through sixth	5.93	1.51
	<u>19.92</u>	<u>15.93</u>
Total community day school	<u>19.92</u>	<u>15.93</u>
Total ADA	<u><u>10,363.98</u></u>	<u><u>10,364.50</u></u>

Merced City School District
Schedule of Instructional Time
Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Total Days Offered	Status
Kindergarten	36,000	54,185	180	Complied
Grades 1 - 3	50,400			
Grade 1		54,185	180	Complied
Grade 2		54,185	180	Complied
Grade 3		54,185	180	Complied
Grades 4 - 8	54,000			
Grade 4		54,185	180	Complied
Grade 5		54,185	180	Complied
Grade 6		54,185	180	Complied
Grade 7		55,445	180	Complied
Grade 8		55,445	180	Complied

Merced City School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Merced City School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ¹	2023 ¹
General Fund ³				
Revenues	\$ 215,799,440	\$ 211,891,267	\$ 230,872,600	\$ 229,288,139
Other sources	-	342,989	-	-
Total revenues and other sources	215,799,440	212,234,256	230,872,600	229,288,139
Expenditures	223,689,500	210,829,836	214,193,633	167,284,519
Other uses	1,535,000	2,068,570	3,750,991	5,255,391
Total expenditures and other uses	225,224,500	212,898,406	217,944,624	172,539,910
Increase/(Decrease) in Fund Balance	(9,425,060)	(664,150)	12,927,976	56,748,229
Ending Fund Balance	\$ 118,031,608	\$ 127,456,668	\$ 128,120,818	\$ 115,192,842
Available Reserves ²	\$ 25,678,858	\$ 22,475,480	\$ 8,750,123	\$ 11,581,471
Available Reserves as a Percentage of Total Outgo	11.40%	10.56%	4.01%	6.71%
Long-Term Liabilities ⁴	Not Available	\$ 258,322,471	\$ 232,274,890	\$ 212,645,156
Average Daily Attendance at P-2	10,364	10,364	10,281	10,036

The General Fund balance has increased by \$12,263,826 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$9,245,060 (7.39%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$45,677,315 over the past two years due to the implementation of GASB 101 and the issuances of new general obligation bonds.

Average daily attendance has increased by 328 over the past two years. No change in ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Merced City School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 98,021	\$ 3,121,913	\$ 4,723,744	\$ 799,544	\$ 5,841,455	\$ 12,784,793	\$ 21,730,191	\$ 5,785,662	\$ 54,885,323
Receivables	-	141,408	4,573,744	-	123,068	-	1,510	-	4,839,730
Due from other funds	-	400,948	20,748	-	-	-	1,050,000	-	1,471,696
Stores inventories	-	-	490,672	-	-	-	-	-	490,672
Total assets	\$ 98,021	\$ 3,664,269	\$ 9,808,908	\$ 799,544	\$ 5,964,523	\$ 12,784,793	\$ 22,781,701	\$ 5,785,662	\$ 61,687,421
Liabilities									
Accounts payable	\$ -	\$ 263,519	\$ 105,023	\$ 58,852	\$ 5,700	\$ -	\$ 693,437	\$ -	\$ 1,126,531
Due to other funds	-	380,129	329,176	-	-	-	-	-	709,305
Total liabilities	-	643,648	434,199	58,852	5,700	-	693,437	-	1,835,836
Fund Balances									
Nonspendable	-	-	493,172	-	-	-	-	-	493,172
Restricted	98,021	3,020,621	8,881,537	-	5,958,823	12,784,793	-	5,785,662	36,529,457
Committed	-	-	-	740,692	-	-	-	-	740,692
Assigned	-	-	-	-	-	-	22,088,264	-	22,088,264
Total fund balances	98,021	3,020,621	9,374,709	740,692	5,958,823	12,784,793	22,088,264	5,785,662	59,851,585
Total liabilities and fund balances	\$ 98,021	\$ 3,664,269	\$ 9,808,908	\$ 799,544	\$ 5,964,523	\$ 12,784,793	\$ 22,781,701	\$ 5,785,662	\$ 61,687,421

Merced City School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2025

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues									
Federal sources	\$ -	\$ 597,412	\$ 11,063,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,660,790
Other State sources	-	6,054,996	2,803,230	-	-	-	-	(2,302)	8,855,924
Other local sources	331,589	248,893	272,359	28,134	1,614,546	722,178	1,533,652	4,659,338	9,410,689
Total revenues	331,589	6,901,301	14,138,967	28,134	1,614,546	722,178	1,533,652	4,657,036	29,927,403
Expenditures									
Current									
Instruction	-	4,604,804	-	-	-	-	-	-	4,604,804
Instruction-related activities									
Supervision of instruction	-	451,862	-	-	-	-	-	-	451,862
School site administration	-	620,915	-	-	-	-	-	-	620,915
Pupil services									
Food services	-	-	11,221,188	-	-	-	-	-	11,221,188
All other pupil services	-	176,838	-	-	-	-	-	-	176,838
Administration									
All other administration	-	484,894	318,111	-	-	-	-	-	803,005
Plant services	-	108,379	562,748	697,599	-	-	345,048	-	1,713,774
Ancillary services	286,471	-	-	-	-	-	-	-	286,471
Community services	-	597,330	-	-	-	-	-	-	597,330
Facility acquisition and construction	-	50,118	-	531,961	3,893,238	1,418,095	9,473,558	-	15,366,970
Debt service									
Principal	-	-	-	-	-	-	-	17,471,453	17,471,453
Interest and other	-	-	-	-	-	-	-	2,323,220	2,323,220
Total expenditures	286,471	7,095,140	12,102,047	1,229,560	3,893,238	1,418,095	9,818,606	19,794,673	55,637,830
Excess (Deficiency) of Revenues Over Expenditures	45,118	(193,839)	2,036,920	(1,201,426)	(2,278,692)	(695,917)	(8,284,954)	(15,137,637)	(25,710,427)
Other Financing Sources									
Transfers in	-	-	-	1,018,570	-	-	1,050,000	-	2,068,570
Sources from bond proceeds	-	-	-	-	-	-	-	13,495,000	13,495,000
Sources from premium received on bond issuance	-	-	-	-	-	-	-	2,340,030	2,340,030
Net Financing Sources	-	-	-	1,018,570	-	-	1,050,000	15,835,030	17,903,600
Net Change in Fund Balances	45,118	(193,839)	2,036,920	(182,856)	(2,278,692)	(695,917)	(7,234,954)	697,393	(7,806,827)
Fund Balance - Beginning, as previously reported	52,903	3,214,460	7,337,789	923,548	8,237,515	13,480,710	-	5,088,269	38,335,194
Adjustments (Note 15)	-	-	-	-	-	-	29,323,218	-	29,323,218
Fund Balance - Beginning, as restated	52,903	3,214,460	7,337,789	923,548	8,237,515	13,480,710	29,323,218	5,088,269	67,658,412
Fund Balance - Ending	\$ 98,021	\$ 3,020,621	\$ 9,374,709	\$ 740,692	\$ 5,958,823	\$ 12,784,793	\$ 22,088,264	\$ 5,785,662	\$ 59,851,585

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Merced City School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Merced City School District, it is not intended to and does not present the net position, changes in net position or fund balances of Merced City School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. For the year ending June 30, 2025, the District disbursed food commodities totaling \$884,477.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information
June 30, 2025

Merced City School District

Organization

The Merced City School District was established in 1905 and consists of an area comprising approximately 92 square miles. The District operates thirteen pre-schools, fourteen elementary schools, four middle schools, and a community day school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Priya Lakireddy	President	2026
Annie Delgado	Clerk	2028
Allen Brooks	Member	2026
Beatrice McCutchen	Member	2026
Tsia Xiong	Member	2028

Administration

Julianna Stocking	District Superintendent
Vacant	Deputy Superintendent
Vacant	Associate Superintendent, Human Resources
Sergio Mendez	Assistant Superintendent of Educational Services

Independent Auditor's Reports
June 30, 2025

Merced City School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
Merced City School District
Merced, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced City School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2025.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fresno, California
December 15, 2025



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Merced City School District
Merced, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Merced City School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
December 15, 2025



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Merced City School District
Merced, California

Report on Compliance

Opinion on State Compliance

We have audited Merced City School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds required for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
December 15, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Merced City School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Title I Cluster	84.010
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19, Expanded Learning Opportunities (ELO) ESSER II State Reserve	84.425D
CACFP Claims - Centers and Family Day Care Homes and Cash in lieu of Commodities	10.558
Dollar threshold used to distinguish between type A and type B programs	\$ 807,312
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

The following findings represent noncompliance and significant deficiencies in controls over State compliance, including questioned costs, that are required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
61000	Classroom Teacher Salaries

2025-001 40000 – Unduplicated Local Control Funding Formula Pupil Count

Criteria

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of pupils who are either English Learners (EL) or participants in the Free/Reduced meal program in accordance with *Education Code* Sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020.

Condition

During the audit of the unduplicated local control funding formula pupil count, students were found to be misclassified as free/reduced priced meal status rather than paid which should not count towards the unduplicated pupil count total.

Cause

The students who were incorrectly reported as free/reduced had an income form on file documenting them as ineligible for the free/reduced classification. The status was not properly updated to CALPADS and therefore incorrectly reflected on the District's 1.18 report of unduplicated count students.

Effect

Sixty pupils classified as only Free/Reduced Priced Meal status from the Districts unduplicated pupil count listing were selected as a sample and four were determined to be misclassified as they did not have any income forms on file with the District. Through extrapolatory and an estimated error rate of 7%, the total reduction in free/reduced priced meal only qualifying unduplicated students amounted to 28 students.

Questioned Costs

The estimated questioned cost totaled \$76,466 in Supplemental and Concentration Grant funding. The estimated questioned cost was calculated using the California Department of Education provided "Audit Finding Calculator for Fiscal year 2024-2025 and Each Year Thereafter." The calculation is summarized in the following table:

Total Adjusted Enrollment from the UPP exhibit as of P-2	33,739
Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	28,085
Audit Adjustment - Number of Enrollment	-
Audit Adjustment - Number of Unduplicated Pupil Count	(28)
Revised Adjusted Enrollment	33,739
Revised Adjusted Unduplicated Pupil Count	28,057
UPP calculated as of P-2	0.8324
Revised UPP for audit finding	0.8316
Charter Schools Only: Determinative School District Concentration Cap	
Revised UPP adjusted for Concentration Cap	0.8316
Supplemental and Concentration Grant TK/K-3 ADA	4,783.81
Supplemental and Concentration Grant 4-6 ADA	3,433.41
Supplemental and Concentration Grant 7-8 ADA	2,344.00
Supplemental and Concentration Grant 9-12 ADA	-
Adjusted Base Grant per TK/K-3 ADA	\$ 11,068
Adjusted Base Grant per 4-6 ADA	\$ 10,177
Adjusted Base Grant per 7-8 ADA	\$ 10,478
Adjusted Base Grant per 9-12 ADA	\$ 12,460
Supplemental Grant Funding calculated as of P-2	\$ 18,720,585
Revised Supplemental Grant Funding for audit finding	\$ 18,702,593
Supplemental Grant Funding audit adjustment	<u>\$ (17,992)</u>
Concentration Grant Funding calculated as of P-2	\$ 20,641,222
Revised Concentration Grant Funding for audit finding	\$ 20,582,748
Concentration Grant Funding audit adjustment	<u>\$ (58,474)</u>
Total Supplemental and Concentration audit adjustment	<u><u>\$ (76,466)</u></u>

Repeat Finding

No

Recommendation

The District should implement controls to ensure the classifications reported to CALPADS is supported by proper documentation.

Corrective Action Plan and Views of Responsible Officials

Additional trainings have been held for staff responsible for this work. The documentation of free/reduced students will be reviewed for accuracy to assure compliance. Each year, the income threshold and any other required criteria will be incorporated into the annual household income verification process and application review for free/reduced qualification.

2025-002 61000 - Classroom Teacher Salaries

Criteria

In accordance with *Education Code* section 41372, the District is required to expend at least 60% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$188,116,190 and minimum classroom compensation (Part II) of \$106,767,786 which represented 56.76% of current expense, resulting in a deficiency of 3.24% or \$6,094,988.

Cause

The District did not meet applicable percentage requirement of classroom compensation to total current expenses, in part, due to targeted funding for student support and supplemental support services provided outside of the classroom setting.

Effect

The noncompliance resulted in the District being deficient by 3.24% or \$6,094,988.

Questioned Costs

There are no questioned costs related to this finding.

Repeat Finding

Yes

Recommendation

The District should request a waiver from the Merced County Superintendent of Schools for this issue.

Corrective Action Plan and Views of Responsible Officials

As per *Education Code* Section No. 41372, the District has applied for a waiver for this unique fiscal circumstance due to the District receiving funding sources to be used specifically for pandemic-related expenditures that are not eligible for exclusion from this calculation.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Finding

2024-001 61000 - Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* Section 41372, the District is required to expend at least 60% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$174,453,718 and minimum classroom compensation (Part II) of \$101,871,081 which represented 58.39% of current expense, resulting in a deficiency of 1.61% or \$2,808,705.

Cause

As a result of the District receiving significant sources of one-time funding to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained.

Effect

The noncompliance resulted in the District being deficient by 1.61% or \$2,808,705.

Questioned Costs

There are no questioned costs related to this finding assuming the District obtains a waiver.

Repeat Finding

No

Recommendation

The District should request a waiver from the Merced County Superintendent of Schools for this issue.

Current Status

Not implemented, see current year findings and recommendations.