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MERCED COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2025

MERCED COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Merced Community College District
Merced, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of Merced Community College District (the "District"), as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the 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. Our responsibilities under those standards are further described in the Auditors' 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences* which required a restatement of net position as of July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, 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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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.

Other Matters

Required Supplementary Information

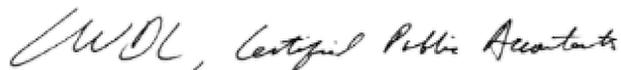
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility 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 Supplementary Information listed in the table of contents, including 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* (Uniform Guidance), is presented for purposes of additional analysis and is 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. Such 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 accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2026, 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.



San Diego, California
January 8, 2026

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

INTRODUCTION

Merced Community College District (the "District", or "Merced College") was formed in 1962. The District is located in Merced, California and has two campuses for students. The main campus is located in the city of Merced itself, with a satellite campus located in Los Banos, California. The District also has classes available at other locations outside of their two main campuses for students at the high schools in Merced, Atwater, Delhi, Dos Palos, and Mariposa, as well as classes for inmates of the Valley State Prison and the Central California Women's Facility located in Chowchilla. We invite you to learn more about us and our services to students and the community at www.mccd.edu.

ACCOUNTING STANDARDS

The following management's discussion and analysis provides an overview of the financial position and activities of the District's Financial Report as of and for the fiscal year that ended June 30, 2025. This discussion has been prepared by management, and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements (GASB) No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

The annual report consists of three basic financial statements, plus notes, that provide information on the District as a whole:

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Changes in total net position are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred by the District.

The Statement of Cash Flows presents information about the cash activities of the District during the year.

Notes to Financial Statements provide additional information crucial for the review of the financial statements.

Each of these statements will be reviewed and significant events discussed.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL AND ENROLLMENT HIGHLIGHTS

The 2024-25 state budget bill was signed by Governor Gavin Newsom on June 26, 2024. The approved budget assumed total General Fund expenditures of \$211.5 billion, a 6% decrease from 2023-24. The enacted Budget focuses state spending on the Governor's key priorities, supporting higher education being one of them.

The enacted state budget also had the following impact on community colleges:

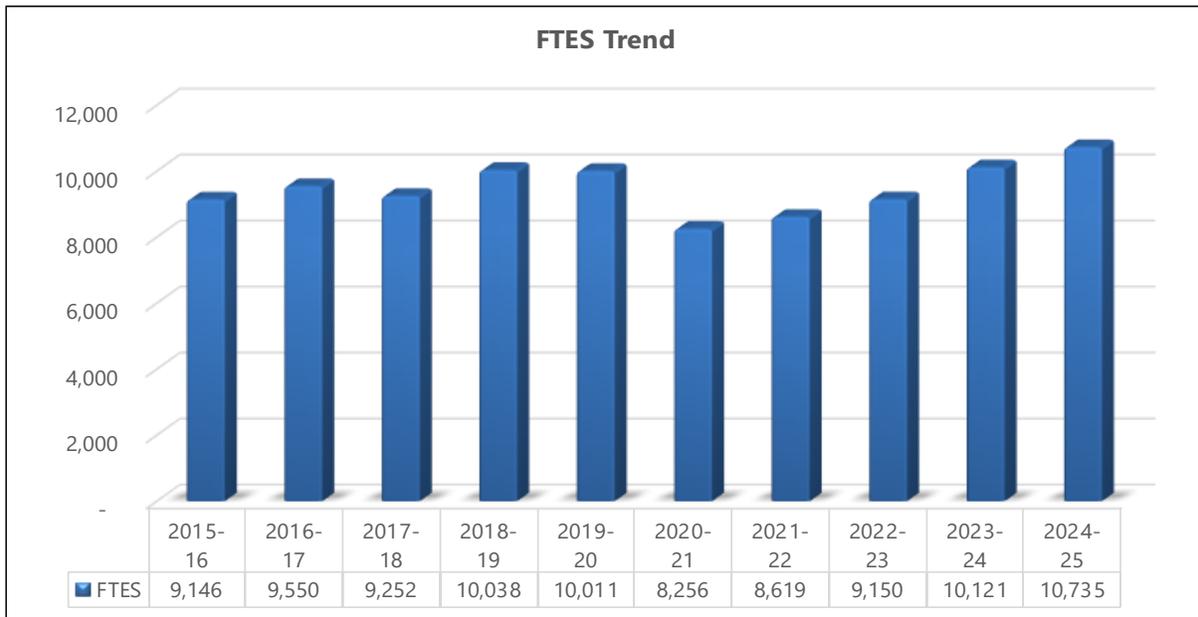
- 1.07% Cost of Living Adjustment (COLA) to the Student Centered Funding Formula (SCFF)
- 0.5% Enrollment growth
- \$446.4 million deferrals from 2023-24 to 2024-25 and \$243.7 million in deferrals from 2024-25 to 2025-26.

On September 10, 2024, the District presented to the Board of Trustees its annual budget. The 2024-25 adopted budget estimated Unrestricted Operating General Fund Revenues of \$101.8 million and \$101.3 million Unrestricted Operating General Fund Expenditures, resulting in projected net revenue of \$.5 million for the fiscal year. The projected net revenue, coupled with a beginning fund balance of \$16.7 million, would result in an ending fund balance of \$17.2 million. At year end, actual figures for revenues were \$105.4 million or 3.5% higher and expenditures were \$103.4 million or 2.1% higher than the amount estimated at the time of the adopted budget. The net effect of the combined increase in revenues and expenditures resulted in a net revenue of about \$2 million. The ending Unrestricted Operating General Fund balance was \$18.7 million or 18.06% of expenditures.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL AND ENROLLMENT HIGHLIGHTS, continued

In 2024-25, the District reported 10,735 credit and non-credit resident full time equivalent students (FTES). See the chart below for a historical perspective on the changes in FTES over the past 10 years.



In 2017-18, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires the District to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. The primary objective of these statements is to improve accounting and financial reporting by state and local governments for unfunded pension liabilities and to disclose any financial support for pensions that is provided by entities outside of the District.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL AND ENROLLMENT HIGHLIGHTS, continued

GASB 68 establishes standards for measuring and recognizing unfunded pension liabilities, deferred outflows and inflows of resources, and expenses for the State of California's public employee pension systems, California Public Employees Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). The District's proportionate share of the combined CalPERS and CalSTRS net pension liability was \$67.8 million, as of the measurement date of June 30, 2024. The pension liability is one of the primary reasons for the large negative balance in the unrestricted net deficit shown on the Statement of Net Position for year ended June 30, 2025 of \$85.4 million.

Legislation was enacted to increase employer contribution rates over seven years which began in 2014-15. The CalSTRS employer contribution rate for 2024-25 was 19.10% which was adopted in May 2022. The rate allows the continual elimination of the employer share of the unfunded actuarial obligation by 2046 and provides rate stability going forward. Employee contributions increased from the 2014-15 rate of 8.15% to 10.25% in 2016-17. This rate will remain in effect for at least thirty years, at which time the liability is projected to be fully funded.

CalPERS sets its own rates and is addressing its unfunded liability by increasing employer contribution rates over the next several years, more than doubling the 2014-15 rate of 11.77%. The employer contribution rate for 2024-25 was 27.05%.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

STATEMENT OF NET POSITION

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024	Change
Current assets	\$ 83,521,777	\$ 91,861,763	\$ (8,339,986)
Non-current assets	154,923,088	149,714,211	5,208,877
Deferred outflows of resources	33,528,465	31,254,832	2,273,633
Total Assets and Deferred Outflows of Resources	\$ 271,973,330	\$ 272,830,806	\$ (857,476)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	\$ 33,267,130	\$ 47,232,955	\$ (13,965,825)
Non-current liabilities	153,580,973	158,781,619	(5,200,646)
Deferred inflows of resources	14,277,960	13,785,640	492,320
Total Liabilities and Deferred Inflows of Resources	201,126,063	219,800,214	(18,674,151)
NET POSITION			
Net investment in capital assets	115,897,601	107,266,497	8,631,104
Restricted	41,154,648	37,231,884	3,922,764
Unrestricted (deficit)	(86,204,982)	(91,467,789)	5,262,807
Total Net Position	70,847,267	53,030,592	17,816,675
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 271,973,330	\$ 272,830,806	\$ (857,476)

Assets

Total assets decreased approximately \$3.1 million, a percentage decrease of 1.3%. The major changes affecting total assets are listed below:

Current assets decreased by approximately \$8.3 million, a percentage decrease of 9.1%. This decrease is primarily due to a decrease in cash by \$16.3 million offset by increase in receivables of approximately \$6.9 million related to apportionment's received by the District, but not yet deposited into the county.

Non-current assets increased by approximately \$5.2 million, a percentage increase of 3.5%. This increase is primarily due to an increase in net capital assets related to new building construction and expansion of technology infrastructure.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources increased by approximately \$2.3 million and deferred inflows of resources increased by \$0.5 million. The changes to deferred inflows are primarily related to the net differences between projected and actual investment earnings of pension plan investments and OPEB investments with a measurement date of June 30, 2024. This is discussed in more detail in Note 8 and Note 9 of financial statements.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

STATEMENT OF NET POSITION, continued

Liabilities

Total liabilities decreased by \$19.2 million, a percentage decrease of 9.3%. The major changes affecting total liabilities are listed below:

Current liabilities decreased by \$14.0 million, a percentage decrease of 29.6%. The decrease is primarily due to decrease of accounts payable to vendors as of June 30, 2025.

The non-current liabilities decreased by \$5.2 million, a percentage decrease of 3.3%. The primary factor for this decrease is the change in the net pension liability, which was attributable to favorable differences between projected and actual investment earnings, continued employer contributions in accordance with statutory requirements, and the amortization of prior deferred inflows of resources.

Net Position

Net position increased by \$17.8 million, a percentage increase of 33.6%. Despite the increase, a deficit in the unrestricted net position remains for year ended June 30, 2025 of \$(86.2) million primarily due to the OPEB and pension liabilities.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

	2025	2024	Change
OPERATING REVENUES			
Tuition and fees, net	\$ 4,780,611	\$ 5,022,207	\$ (241,596)
Grants and contracts, non-capital	74,136,917	70,472,184	3,664,733
Auxiliary enterprise sales, net	337,735	496,947	(159,212)
Total Operating Revenues	79,255,263	75,991,338	3,263,925
OPERATING EXPENSES			
Salaries and employee benefits	98,864,179	94,633,628	4,230,551
Supplies, materials, and other operating expenses	21,838,713	26,470,638	(4,631,925)
Financial aid	45,705,190	36,769,525	8,935,665
Depreciation and amortization	6,871,624	6,093,332	778,292
Total Operating Expenses	173,279,706	163,967,123	9,312,583
Operating Loss	(94,024,443)	(87,975,785)	(6,048,658)
NON-OPERATING REVENUES/(EXPENSES)			
State apportionments, non-capital	59,049,173	61,633,932	(2,584,759)
Education protection account	17,024,782	8,408,463	8,616,319
Local property taxes, non-capital	19,845,474	18,798,132	1,047,342
State taxes and other revenues, non-capital	11,824,023	11,259,336	564,687
Interest and investment income/(loss)	1,912,955	3,552,021	(1,639,066)
Interest expense	(1,142,809)	(1,036,835)	(105,974)
Other non-operating income	2,570,719	2,367,614	203,105
Transfer from/(to) Foundation	6,918	11,150	(4,232)
Total Non-Operating Revenues/(Expenses)	111,091,235	104,993,813	6,097,422
OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)			
Local property taxes and revenues, capital	4,977,593	4,187,412	790,181
Local revenues, grants and gifts, capital	250,282	245,458	4,824
Gain/(loss) on disposal of capital asset	(45,456)	(451,872)	406,416
Change in Net Position	22,249,211	20,999,026	1,250,185
NET POSITION - BEGINNING OF YEAR	53,030,592	32,031,566	20,999,026
PRIOR PERIOD ADJUSTMENTS (Note 13)	(4,432,536)	-	(4,432,536)
NET POSITION - END OF YEAR	\$ 70,847,267	\$ 53,030,592	\$ 17,816,675

Operating Revenues

Total operating revenues increased by \$3.3 million, a percentage increase of 4.3%. The net increase is mostly due to increases in federal revenues as the funds largely relates to the Student Financial Aid Cluster and Economic Development Administration (EDA) funds, off-set by a decrease in the Higher Education Emergency Relief Fund (HEERF) programs.

Operating Expenses

Total operating expenses increased by \$9.3 million, or 5.6%, primarily due to increased financial aid.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

CAPITAL ASSETS, RIGHT-TO-USE ASSETS AND DEBT ADMINISTRATION

Capital Assets and Right-to-use Assets

As of June 30, 2025, the District had approximately \$149.4 million invested in net capital assets and net right-to-use assets. Total capital assets of \$234.9 million consist of land, construction in progress, buildings and improvements, vehicles, information technology equipment, and other office equipment. Total right-to-use assets of \$5.5 million consist of leased equipment and subscription-based IT assets. These assets have accumulated depreciation and amortization of approximately \$88.4 million and \$2.6 million, respectively. Depreciation and amortization expense of \$4.9 million and \$1.9 million, respectively, was recorded in 2025.

Note 5 to financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	2025	2024	Change
Capital Assets not being depreciated	\$ 13,230,401	\$ 22,603,625	\$ (9,373,224)
Capital Assets being depreciated	221,648,039	202,254,589	19,393,450
Accumulated depreciation	(88,358,232)	(83,432,444)	(4,925,788)
Right-to-use assets	5,466,790	5,246,497	220,293
Accumulated amortization	(2,596,091)	(2,591,169)	(4,922)
Total Capital Assets and Right-to-use Assets, Net	\$ 149,390,907	\$ 144,081,098	\$ 5,309,809

Debt Administration

At June 30, 2025, the District had approximately \$162.2 million in outstanding debt, a decrease of 2.9% from prior year. Notes 6, 8 and 9 to financial statements provide additional information on long-term liabilities.

	2025	2024	Change
General obligation bonds	\$ 29,725,000	\$ 33,640,000	\$ (3,915,000)
Bond premium	1,495,352	1,744,654	(249,302)
Compensated absences	7,695,611	2,393,822	5,301,789
Finance purchases	345,277	533,016	(187,739)
Lease liability	28,495	114,763	(86,268)
Subscription-based IT arrangements	2,900,524	2,589,027	311,497
Solar energy project	1,360,743	1,445,623	(84,880)
Energy service contract	3,671,824	3,747,008	(75,184)
Net OPEB liability	47,172,322	48,559,732	(1,387,410)
Net pension liability	67,803,310	72,336,066	(4,532,756)
Total Long-term Liabilities	\$ 162,198,458	\$ 167,103,711	\$ (4,905,253)

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Through the first quarter of the 2025-26 fiscal year, overall state revenues have been higher than originally estimated when the 2025 Budget Act was adopted in June, approximately \$4 billion above projections, or just over a 9% increase. The California Department of Finance (DOF) attributes much of the revenue increase to higher estimated tax payments and withholdings which have exceeded forecasted numbers.

However, in spite of the improved state revenue picture for fiscal year 2025-26, the Legislative Analyst's Office (LAO) still suggests the state may face double-digit operating deficits through their forecast period of 2026-27 to 2029-30.

The LAO advises that the current revenue improvement is offset by spending increases across the state budget. Overall, the LAO is predicting that revenue growth over the forecast window will not grow fast enough to catch up to the increased level of ongoing spending, causing structural deficits to persist.

Merced College is confident in its ability to maintain prudent fiscal management practices and strong reserves that will mitigate potential future fluctuations in the economy and absorb increases in fixed costs.

For fiscal years 2025-26 through 2028-29, Merced College projects to maintain balanced budgets as well as sustain a fund balance that remains above the board-required 16.67% level. These projections reinforce Merced College's commitment to maintain fiscal stability to support ongoing operations and contribute to the success of its students.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the Merced Community College District, Director of Business & Fiscal Services, 3600 M St., Merced, CA 95348-2806.

FINANCIAL SECTION

MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 46,593,608
Accounts receivable, net	34,131,598
Due from foundation	221,389
Prepaid expenses	2,575,182
Total Current Assets	<u>83,521,777</u>

Non-current Assets:

Restricted cash and cash equivalents	5,532,181
Right-to-use assets, net	2,870,699
Capital assets, net	146,520,208
Total Non-current Assets	<u>154,923,088</u>

TOTAL ASSETS

238,444,865

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	597,745
Deferred outflows related to OPEB	5,873,825
Deferred outflows related to pensions	27,056,895

TOTAL DEFERRED OUTFLOWS OF RESOURCES

33,528,465

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 271,973,330

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 8,762,770
Unearned revenue	15,886,875
Long-term liabilities, current portion	8,617,485
Total Current Liabilities	<u>33,267,130</u>

Non-current Liabilities:

Net OPEB liability	47,172,322
Net pension liability	67,803,310
Long-term liabilities, non-current portion	38,605,341
Total Non-current Liabilities	<u>153,580,973</u>

TOTAL LIABILITIES

186,848,103

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	7,781,602
Deferred inflows related to pensions	6,496,358

TOTAL DEFERRED INFLOWS OF RESOURCES

14,277,960

NET POSITION

Net investment in capital assets	115,897,601
Restricted for:	
Debt service	4,782,329
Capital projects	26,444,060
Other special purpose	9,928,259
Unrestricted (deficit)	<u>(86,204,982)</u>

TOTAL NET POSITION

70,847,267

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 271,973,330

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

OPERATING REVENUES	
Tuition and fees, gross	\$ 13,306,355
Less: Scholarship discounts and allowances	(8,525,744)
Tuition and fees, net	<u>4,780,611</u>
Grants and contracts, non-capital:	
Federal	39,495,379
State	34,630,968
Local	10,570
Auxiliary enterprise sales, net	<u>337,735</u>
TOTAL OPERATING REVENUES	<u>79,255,263</u>
OPERATING EXPENSES	
Salaries	65,584,220
Employee benefits	33,279,959
Supplies, materials, and other operating expenses	21,838,713
Financial aid	45,705,190
Depreciation and amortization	<u>6,871,624</u>
TOTAL OPERATING EXPENSES	<u>173,279,706</u>
OPERATING LOSS	<u>(94,024,443)</u>
NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	59,049,173
Education protection account	17,024,782
Local property taxes, non-capital	19,845,474
State taxes and other revenues, non-capital	11,824,023
Interest and investment income/(loss)	1,912,955
Interest expense	(1,142,809)
Other non-operating income	2,570,719
Transfer from/(to) Foundation	<u>6,918</u>
TOTAL NON-OPERATING REVENUES/(EXPENSES)	<u>111,091,235</u>
GAIN/(LOSS) BEFORE OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)	<u>17,066,792</u>
OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)	
Local property taxes and revenues, capital	4,977,593
Local revenues, grants and gifts, capital	250,282
Gain/(loss) on disposal of capital assets	<u>(45,456)</u>
TOTAL OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)	<u>5,182,419</u>
CHANGE IN NET POSITION	22,249,211
NET POSITION - BEGINNING OF YEAR	53,030,592
PRIOR PERIOD ADJUSTMENTS (Note 13)	<u>(4,432,536)</u>
NET POSITION - END OF YEAR	<u>\$ 70,847,267</u>

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees, net	\$ 4,780,611
Grants and contracts, non-capital	64,274,282
Payments to or on behalf of employees	(105,781,796)
Payments to vendors for supplies and services	(34,364,216)
Payment to students	(45,705,190)
Internal sales and charges	337,735
Net Cash Provided by/(Used in) Operating Activities	<u>(116,458,574)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	59,049,173
Education protection account	17,024,782
Local property taxes	19,845,474
State taxes and other revenues	11,824,023
Transfer from/(to) Foundation	160,718
Other non-operating income	2,570,719
Net Cash Provided by/(Used in) Non-capital Financing Activities	<u>110,474,889</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and sale of capital assets, net	(10,107,176)
Local property taxes, local revenues, grants and gifts, capital	5,227,875
Principal paid on capital debt	(6,157,287)
Interest paid on capital debt	(1,306,720)
Net Cash Provided by/(Used in) Capital and Related Financing Activities	<u>(12,343,308)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and investment income/(loss)	1,912,955
Net Cash Provided by/(Used in) Investing Activities	<u>1,912,955</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(16,414,038)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>68,539,827</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 52,125,789</u>

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY/(USED IN) OPERATING ACTIVITIES**

Operating Loss	\$ (94,024,443)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by/(Used in) Operating Activities:	
Depreciation and amortization	6,871,624
Changes in Assets and Liabilities:	
Accounts receivable, net	(6,893,490)
Prepaid expenses	(1,233,430)
Deferred outflows related to pensions	691,211
Deferred outflows related to OPEB	(3,050,235)
Accounts payable and accrued expenses	(11,292,073)
Unearned revenue	(2,969,145)
Compensated absences	869,253
Net OPEB liability	(1,387,410)
Net pension liability	(4,532,756)
Deferred inflows related to pensions	1,434,953
Deferred inflows related to OPEB	(942,633)
Total Adjustments	<u>(22,434,131)</u>
Net Cash Flows From Operating Activities	<u>\$ (116,458,574)</u>

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 46,593,608
Restricted cash and cash equivalents	5,532,181
Total Cash and Cash Equivalents	<u>\$ 52,125,789</u>

**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,427,804
Pledged receivable, current	289,855
Total Current Assets	<u>1,717,659</u>

Non-current Assets:

Investments	9,063,365
Pledged receivable, net	1,000,000
Accounts receivable	1,142
Total Non-current Assets	<u>10,064,507</u>

TOTAL ASSETS	<u>\$ 11,782,166</u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 23,468
Due to District	221,389

TOTAL LIABILITIES	<u>244,857</u>
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NET ASSETS

Non-expendable: scholarships	5,236,150
Scholarships and loans	5,759,513
Unrestricted	541,646

TOTAL NET ASSETS	<u>11,537,309</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,782,166</u>
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**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
OPERATING REVENUES			
Contributions	\$ -	\$ 1,596,018	\$ 1,596,018
Investment income/(loss)	-	919,587	919,587
Other non-operating revenues	3,721	-	3,721
In-kind donations	646,087	-	-
Net assets released from restrictions	1,607,563	(1,607,563)	-
TOTAL OPERATING REVENUES	2,257,371	908,042	2,519,326
EXPENSES			
Supplies, materials, and other operating expenses and services	83,812	-	83,812
Scholarships and student programs	1,434,461	-	1,434,461
In-kind expense	646,087	-	646,087
TOTAL EXPENSES	2,164,360	-	2,164,360
Changes in Net Assets	93,011	908,042	354,966
Net Assets - Beginning of Year	448,635	10,087,621	10,536,256
Net Assets - End of Year	\$ 541,646	\$ 10,995,663	\$ 10,891,222

**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 1,001,053
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:	
(Increase)/decrease in operating assets:	
Accounts receivable	9,400
Pledged receivable	168,138
Increase/(decrease) in operating liabilities:	
Accounts payable	10,484
Due to District	(153,801)
Net cash provided by/(used in) operating activities	<u>1,035,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale/(purchase) of investments	<u>(1,562,843)</u>
Net cash provided by/(used in) investing activities	<u>(1,562,843)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(527,569)</u>
Cash and Cash Equivalents, Beginning	<u>1,955,373</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,427,804</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – ORGANIZATION

Definition of the Reporting Entity – The Merced Community College District (the “District”) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) and Governmental Accounting Standards Board (GASB). The District, based on its evaluation of these criteria, identified the Merced College Foundation (the “Foundation”) as a component unit.

Discretely Presented Component Unit – The Foundation was established as a legally separate non-profit entity to support the District and its students through fundraising activities. In addition, the Foundation develops and maintains student scholarships and trust accounts for the District students. Furthermore, the funds contributed by the Foundation to the District and its students are significant to the District’s financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District’s annual financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by the GASB and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants (AICPA).

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor’s Office of the *California Community Colleges’ Budget and Accounting Manual*, which is consistent with GAAP.

Budgets and Budgetary Accounting

By state law, the District’s governing board must approve a tentative budget no later than July 1st and adopt a final budget no later than September 15th of each year. A hearing must be conducted for public comments prior to adoption.

The budget is revised during the year to incorporate categorical funds which are awarded during the year and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District’s governing board.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates Used in Financial Reporting

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, deposits with financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash in county treasury balances. Fair values of cash in county treasury are determined by the program sponsor.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those cash and cash equivalents externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

Accounts Receivable

Accounts receivable consist of amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. Additionally, accounts receivable consist of tuition and fee charges to students. Accounts receivable as of June 30, 2025 are presented net of estimated uncollectable student accounts of \$1,776,865.

Prepaid Expenses

Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 10 years; furniture and equipment, 10 years; vehicles, 8 years; library books, 5 years, and technology, 5 years.

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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Leases

The District recognizes leases with an initial, individual value of \$50,000 or more and when the lease terms include a noncancellable period of more than one year.

Lessee: The District recognizes a lease liability and a right-to-use lease asset (leased asset) at the commencement of a lease and initially measures them at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made and the leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District estimates its incremental borrowing rate as the discount rate for expected lease payments and the noncancelable period for its leases. Additionally, the District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect their lease liability.

Leased assets are reported as right-to-use assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Leases

The District records the value of intangible right-to-use subscription-based IT assets (subscription-based IT asset) based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The subscription-based IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription-based IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset.

Subscription-based IT assets are reported as right-to-use assets and subscription-based IT arrangement liabilities are reported with long-term liabilities on the statement of net position.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are amounts owed to vendors or suppliers for services incurred for which payment is made in a timely manner and in full, from current financial resources.

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 balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year, that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Long-term Liabilities

Long-term liabilities consists of general obligation bonds, bond premium, compensated absences, finance purchases, lease liability, subscription-based IT arrangements, solar energy project and energy service contract. The portion of the long-term liabilities that is due within a year is reported as current liabilities, while portion of long-term liabilities that is scheduled to mature or is payable beyond one year is reported as non-current liabilities.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for [1] leave that has not been used and [2] leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if [a] the leave is attributable to services already rendered, [b] the leave accumulates, and [c] the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.)

Flow Assumption: When determining the amounts due within one year for sick leave, accumulated sick leave as of June 30, 2025 is assumed to be used before future sick leave accruals (i.e. First In, First Out). The amount due within one year for vacation leave is based on the expected accumulated vacation leave to be cashed out upon the end of employment in the following year.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred loss on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension plans and OPEB plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability and net OPEB liability in the next fiscal year.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 8 for further details related to these pension deferred outflows and inflows. See Note 9 for details related to the OPEB deferred outflows and inflows.

Pensions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the "CalSTRS Plan"), and classified employees are members of the Schools Pool (the "CalPERS Plan"), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

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

Net Position

The District's net position is classified as follows:

- Net investment in capital assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted – Restricted expendable net position includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted – Unrestricted net position (deficit) represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose. Unrestricted net position includes amounts internally designated for District obligations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operation are classified as non-operating as defined by GASB. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Non-operating revenues - Non-operating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB Statements.

Classification of Expenses

Nearly all of the District's expenses are from exchange transactions and are classified as either operating or non-operating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and financial aid.

Non-operating expenses - Non-operating expenses include interest expense and other expenses not directly related to the services of the District.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers California Community Colleges Promise grants to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State, or non-governmental programs, are recorded as operating or non-operating revenues in the District's financial statements.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Interfund Activity

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 activity within the primary government has been eliminated in the consolidation process of the basic financial statements.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government have been eliminated in the consolidation process of the basic financial statements.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Accounting Standards

The following GASB Pronouncements were adopted by the District during the year ended June 30, 2025:

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The financial impact of this statement is reflected in Notes 6 and 13.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government’s vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. A government should disclose in notes to financial statements the information if the following criteria have been met; (a) a concentration or constraint is known to the government prior to the issuance of the financial statements and makes the reporting unit vulnerable to the risk of a substantial impact, (b) an event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management has determined that the adoption of this statement did not have any material impact on District’s financial statements.

Upcoming GASB Pronouncements

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 103 – In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for periods beginning after June 15, 2025.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. This statement also requires additional disclosures for capital assets held for sale. This statement is effective for periods beginning after June 15, 2025.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – CASH AND EQUIVALENTS

Cash and cash equivalents as of June 30, 2025, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 46,593,608
Restricted cash and cash equivalents	5,532,181
Total cash and cash equivalents	<u>\$ 52,125,789</u>

Cash and cash equivalents as of June 30, 2025, consist of the following:

Cash in County Treasury	\$ 49,191,931
Deposits with financial institutions	2,122,064
Cash on hand	811,794
Total cash and cash equivalents	<u>\$ 52,125,789</u>

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the Merced County Treasury (the "County Treasury"). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the County Treasury investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The County Treasury is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et. seq., and is restricted by *Government Code* Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

California Asset Management Program

California Asset Management Program (CAMP) is a California Joint Powers Authority established to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under *California Government Code* Section 53601(p). The District's cash and equivalents in CAMP represent unspent bond proceeds restricted for specific purposes under terms of the bond offering.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 – CASH AND EQUIVALENTS, continued

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule 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 or less	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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the *California Government Code*.

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury and CAMP was not available.

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 values to changes in market interest rates. As of June 30, 2025, the weighted average maturity of the investments contained in the County Treasury is approximately 663 or less days, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 – CASH AND EQUIVALENTS, continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The *California Education Code* and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision for deposits: The *California Government Code* requires that a financial institution secure deposits that are made by a 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 amounts deposited by the public agencies. As of June 30, 2025, the District’s bank balances were exposed to custodial credit risk in the amount of \$1,340,326.

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2025:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury	\$ 49,191,931	\$ -	\$ -	\$ -	\$ 49,191,931
	\$ 49,191,931	\$ -	\$ -	\$ -	\$ 49,191,931

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025 consisted of the following:

Federal grants and contracts	\$ 8,408,489
State grants, contracts and apportionment	17,536,954
Local grants, contracts and students	8,186,155
Total accounts receivable, net	<u>\$ 34,131,598</u>

NOTE 5 – CAPITAL ASSETS AND RIGHT-TO-USE ASSETS

Capital assets and right-to-use assets activity for the District for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	\$ 1,803,366	\$ -	\$ -	\$ 1,803,366
Construction in progress	20,800,259	9,411,440	18,784,664	11,427,035
Total Capital Assets Not Being Depreciated	<u>22,603,625</u>	<u>9,411,440</u>	<u>18,784,664</u>	<u>13,230,401</u>
Capital Assets Being Depreciated				
Improvements of sites	16,786,664	7,796,112	-	24,582,776
Buildings	165,199,481	11,017,385	-	176,216,866
Furniture and equipment	20,268,444	682,398	102,445	20,848,397
Total Capital Assets Being Depreciated	<u>202,254,589</u>	<u>19,495,895</u>	<u>102,445</u>	<u>221,648,039</u>
Total Capital Assets	<u>224,858,214</u>	<u>28,907,335</u>	<u>18,887,109</u>	<u>234,878,440</u>
Less: Accumulated Depreciation				
Improvements of sites	12,644,750	280,834	-	12,925,584
Buildings	61,610,232	3,203,495	-	64,813,727
Furniture and equipment	9,177,462	1,482,953	41,494	10,618,921
Total Accumulated Depreciation	<u>83,432,444</u>	<u>4,967,282</u>	<u>41,494</u>	<u>88,358,232</u>
Capital Assets, Net	<u>141,425,770</u>	<u>23,940,053</u>	<u>18,845,615</u>	<u>146,520,208</u>
Right-to-use Assets				
Leased asset - equipment	387,621	-	-	387,621
Subscription-based IT asset	4,858,876	2,119,713	1,899,420	5,079,169
Total Right-to-use Assets	<u>5,246,497</u>	<u>2,119,713</u>	<u>1,899,420</u>	<u>5,466,790</u>
Less: Accumulated Amortization				
Leased asset - equipment	273,182	86,053	-	359,235
Subscription-based IT asset	2,317,987	1,818,289	1,899,420	2,236,856
Total Accumulated Amortization	<u>2,591,169</u>	<u>1,904,342</u>	<u>1,899,420</u>	<u>2,596,091</u>
Right-to-use Assets, Net	<u>2,655,328</u>	<u>215,371</u>	<u>-</u>	<u>2,870,699</u>
Total Capital and Right-to-use Assets, Net	<u>\$ 144,081,098</u>	<u>\$ 24,155,424</u>	<u>\$ 18,845,615</u>	<u>\$ 149,390,907</u>

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2025 consisted of the following:

	Balance July 1, 2024	Adjustment (Note 13)	Additions	Reductions	Balance June 30, 2025	Amounts Due in One Year
General obligation bonds	\$ 33,640,000	\$ -	\$ -	\$ 3,915,000	\$ 29,725,000	\$ 4,140,000
Bond premium	1,744,654	-	-	249,302	1,495,352	249,302
Compensated absences	2,393,822	4,432,536	869,253	-	7,695,611	2,586,892
Finance purchases	533,016	-	-	187,739	345,277	194,349
Lease liability	114,763	-	-	86,268	28,495	28,495
Subscription-based IT arrangements	2,589,027	-	2,119,713	1,808,216	2,900,524	1,211,631
Solar energy project	1,445,623	-	-	84,880	1,360,743	84,880
Energy service contract	3,747,008	-	-	75,184	3,671,824	121,936
Total	\$ 46,207,913	\$ 4,432,536	\$ 2,988,966	\$ 6,406,589	\$ 47,222,826	\$ 8,617,485

General Obligation Bonds

On November 16, 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$10,740,000, with interest rates ranging from 3.5% to 5.0%. As of June 30, 2025, the principal balance outstanding was \$1,390,000.

On February 28, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$13,070,000, with interest rates ranging from 2.0% to 4.0%, to advance refund a portion of the 2003 Series of the 2002 Schools Facilities Improvement General Obligation Bonds. As of June 30, 2025, the principal balance outstanding was \$3,905,000.

On August 1, 2014, the District issued 2014 General Obligation Refunding Bonds (2014 Issue) in the amount of \$21,965,000, with interest rates ranging from 2% to 5%, to partially advance refund the 2006 Series of the 2002 School Facilities Improvement District 1 General Obligation Bonds (Defeased Bonds). As of June 30, 2025, the 2014 Issue principal balance outstanding was \$15,380,000.

On July 21, 2021, the District issued the Election of 2002 General Obligation Bonds, Series 2021 in the amount of \$9,500,000 maturing through August 2032 and bearing interest rates ranging from 2% to 5%. The bonds were issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds. As of June 30, 2025, the principal balance outstanding was \$9,050,000.

General Obligation Bonds, continued

The annual requirements to amortize the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 4,140,000	\$ 917,013	\$ 5,057,013
2027	2,905,000	762,847	3,667,847
2028	3,180,000	646,969	3,826,969
2029	3,280,000	536,244	3,816,244
2030	3,510,000	406,287	3,916,287
2031-2033	12,710,000	471,770	13,181,770
Total	\$ 29,725,000	\$ 3,741,130	\$ 33,466,130

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

Compensated Absences

The liability for compensated absences consists of unused vacation and sick leave that is expected to be used in future periods or paid upon termination, in accordance with employee collective bargaining agreements and District policy.

At June 30, 2025, the liability recorded for compensated absences was \$6,901,058.

Finance Purchases

The District finances the purchase of equipment under agreements which provide for title to pass upon expiration of the finance period. The assets acquired under these agreements are included in capital assets, see Note 5. The interest cost incurred during the year ended June 30, 2025 was charged to expenses. The District entered into a finance purchase agreement during the 2011-2012 fiscal year with a gross amount of \$2,388,404 for the asset financed. The District entered into a finance purchase agreement during the 2018-2019 fiscal year with a gross amount of \$2,168,446 for the asset financed.

Future minimum payments are as follows:

Year Ending June 30,	Payments
2026	\$ 204,718
2027	154,455
Total	<u>359,173</u>
Less amount representing interest	<u>(13,896)</u>
Present value of net minimum payments	<u>\$ 345,277</u>

Lease Liability

During previous fiscal years, the District entered into lease agreements for the right-to-use equipment. This agreement met the definition of GASB Statement No. 87, *Leases*. An initial lease liability was recorded in the amount of \$387,621 at the beginning of the fiscal year ended June 30, 2022. The District is a lessee under these two agreements. One has a lease term of 5 years with a \$2,593 monthly payment and the other has a lease term of 4 years with a monthly payment of \$5,027. For purposes of discounting future payments on the lease, the District used a discount rate of 0.20%. As of June 30, 2025, the value of the lease liability was \$28,495 and is being amortized over the remaining term of the lease.

Year Ending June 30,	Principal	Interest	Total
2026	\$ 28,495	\$ 29	\$ 28,524
Total	<u>\$ 28,495</u>	<u>\$ 29</u>	<u>\$ 28,524</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

Subscription-based IT Arrangements

During the fiscal year ended June 30, 2023, the District adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This GASB required the District to recognize information technology arrangements greater than one year. The District had 23 agreements that met the definition of GASB Statement No. 96. The initial amount of \$4,858,876 was recorded based on a discount rate ranging from 2.36% to 3.16%. The balance as of June 30, 2025 was \$2,900,524 and is being amortized over the remaining terms of the leases.

The future minimum principal and interest lease payments as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,211,631	\$ 48,985	\$ 1,260,616
2027	856,956	24,650	881,606
2028	538,372	4,399	542,771
2029	259,340	886	260,226
2030	34,225	-	34,225
Total	<u>\$ 2,900,524</u>	<u>\$ 78,920</u>	<u>\$ 2,979,444</u>

California Energy Commission – Solar Energy Project

During the year ended June 30, 2018, the District signed a contract with the California Energy Commission for a \$1,627,600 draw-down loan to finance a solar energy project at the District. The loan is noninterest-bearing, with scheduled payments beginning December 2022. The loan payments, and therefore payment term, is based on the estimated energy cost savings to be achieved by the project. As of June 30, 2025, the District had expenditures for the project and therefore had drawdowns totaling \$1,360,743 of the loan. Future minimum lease payments are as follows:

Year Ending June 30,	Payments
2026	\$ 84,880
2027	84,880
2028	84,880
2029	84,880
2030	84,880
2031-2035	424,400
2036-2040	424,400
2041-2042	87,543
Total	<u>\$ 1,360,743</u>

Energy Service Contract

During the year ended June 30, 2021, the District signed a contract with Johnson Controls Inc. (JCI), whereby JCI will complete several energy-saving capital improvement projects in District buildings, and the District will pay for those improvements over a 20-year period beginning December 1, 2021. As of June 30, 2025, all of the 6 projects listed in the contract were complete and in-use by the District.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

Energy Service Contract, continued

The costs associated with these projects, totaling \$3,706,354, are included in capital assets as of June 30, 2025. Future minimum lease payments are as follows:

Year Ending June 30,	Payments
2026	\$ 271,334
2027	260,863
2028	260,770
2029	271,069
2030	281,776
2031-2035	1,531,741
2036-2040	1,822,560
2041-2042	479,899
Total	<u>5,180,012</u>
Less amount representing interest	<u>(1,508,188)</u>
Present value of net minimum payments	<u>\$ 3,671,824</u>

NOTE 7 – LEASE REVENUE BONDS

The District and the State of California have entered into a financing arrangement under which the State provided funds for the construction of the Interdisciplinary Academic Center (IAC). The funds are proceeds of lease revenue bonds issued by the State of California, Public Works Board (the "Board"). The bonds are a special obligation of the Board payable from State General Fund revenues appropriated to the California Community Colleges Board of Governors who therein make adequate provision in the annual budget of the State for the servicing of such bonds. However, in the unlikely event that the State could not pay the semi-annual installment payment, the District would be responsible for the payments attributable to the District's facilities. Approximately \$9,028,000 of the project costs were appropriated in the 2001-02 year. Annual installments on the lease range from \$195,890 to \$617,100 beginning March 15, 2006, through September 15, 2031. No amounts had been accrued for any contingent payments at June 30, 2025.

The IAC is included in the District's capital assets on the Statement of Net Position. The Board leases the facility constructed with these bonds to the District. Upon full repayment of the associated bonds, title to the facility conveys to the District.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS

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	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 26,921,530	\$ 11,891,192	\$ 4,843,828	\$ 3,031,696
CalPERS	40,881,780	15,165,703	1,652,530	7,724,381
Total	\$ 67,803,310	\$ 27,056,895	\$ 6,496,358	\$ 10,756,077

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, 2024, 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: <http://www.calstrs.com/member-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 percent 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 non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

Benefits Provided, continued

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

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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

The parameters for employer and state contribution rates for the Defined Benefit Program are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were \$6,420,678.

Pension Liabilities, Pension Expense, and 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:

District's proportionate share of the net pension liability	\$ 26,921,530
State's proportionate share of the net pension liability associated with the District	12,351,881
Total	<u>\$ 39,273,411</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 school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.040 percent and 0.043 percent, resulting in a decrease of 0.003 percent in the proportionate share.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

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

For the year ended June 30, 2025, the District recognized pension expense of \$3,031,696. In addition, the District recognized revenue and corresponding expense of \$1,127,279 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
Difference between projected and actual earnings on plan investments	\$ -	\$ 109,991
Differences between expected and actual experience	3,045,515	1,178,007
Changes in assumptions	117,846	1,838,478
Net changes in proportionate share of net pension liability	2,307,153	1,717,352
District contributions subsequent to the measurement date	6,420,678	-
Total	<u>\$ 11,891,192</u>	<u>\$ 4,843,828</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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (1,355,447)
2027	2,172,961
2028	93,315
2029	(419,912)
2030	267,817
Thereafter	(132,048)
Total	<u>\$ 626,686</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

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
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Payroll growth	3.25%
Postretirement benefit increases	2.00%

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, issued by the Society of Actuaries.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of our 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs 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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

Actuarial Methods and Assumptions, continued

The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Rate of Return*	Long-term Expected Real Rate of Return**
Public Equity	38%	8.00%	5.25%
Real Estate	15%	6.80%	4.05%
Private Equity	14%	9.50%	6.75%
Fixed Income	14%	5.20%	2.45%
Risk Mitigating Strategies	10%	5.00%	2.25%
Inflation Sensitive	7%	6.40%	3.65%
Cash/Liquidity	2%	2.80%	0.05%
Total	100%		

*20 to 30 year geometric average.

**Real rates of return are net of assumed 2.75% inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 (7.10 percent) and assuming 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.

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

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 47,884,593	\$ 26,921,530	\$ 9,416,503

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

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, 2024 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 55 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 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 below:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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%	7.00%
Required employer contribution rate	27.05%	27.05%

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 the 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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

Contributions, continued

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 \$6,741,991.

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 \$40,881,780. 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 0.114 percent and 0.109 percent, resulting in a net decrease in the proportionate share of 0.005 percent. For the year ended June 30, 2025, the District recognized pension expense of \$7,724,381. 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
Difference between projected and actual earnings on plan investments	\$ 1,588,021	\$ -
Differences between expected and actual experience	3,427,339	292,589
Changes in assumptions	903,625	-
Net changes in proportionate share of net pension liability	2,504,727	1,359,941
District contributions subsequent to the measurement date	6,741,991	-
Total	<u>\$ 15,165,703</u>	<u>\$ 1,652,530</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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 2,633,924
2027	3,690,509
2028	500,246
2029	(53,497)
Total	<u>\$ 6,771,182</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

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
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table 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	Real Return Years 1 - 10**
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%
Total	100%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

**MERCED COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. 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. Based on these assumptions, the School Employer Pool 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.

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

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:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 60,730,227	\$ 40,881,780	\$ 24,485,385

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$2,494,066 to CalSTRS. 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 GAAP, this amount is to be reported as revenues and expenditure. Accordingly, this amount has been recorded in these financial statements.

Plan Fiduciary Net Position

Detailed information about CalSTRS and CalPERS’ fiduciary net position is available in a separate comprehensive annual financial report. Copies of the annual financial report may be obtained from CalSTRS and CalPERS.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

OPEB Plan	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Benefit)
District Plan	\$ 47,172,322	\$ 5,873,825	\$ 7,781,602	\$ (1,295,673)

**MERCED COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2025**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Plan Description

In addition to the pension benefits described in Note 8, the District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The Merced College Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, vision and dental insurance benefits to eligible retirees and, under certain conditions, their spouses and dependents

The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits in an irrevocable trust (the “Investment Trust”). The Investment Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB). The Retiree Health Benefit Program issues a separate financial report that may be obtained by contacting the District.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the District.

	Faculty	Classified	Management
Benefit types provided	Medical, Dental and Vision	Medical, Dental and Vision	Medical, Dental and Vision
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	18 years	15 years	15 years
Minimum Age	55	58	58
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	None	None	None

Employees Covered

As of the June 30, 2023 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

	Number of Participants
Inactive Employees Receiving Benefits	213
Active Employees	469
	682

Contributions

The District provides benefits on a pay-as-you-go basis, and also makes contributions to the OPEB Trust. The contribution requirements of plan members and the District are established and may be amended by the Board and by contractual agreement with employee groups. The District’s plan members are not required to contribute to the plan.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

OPEB Plan Investment

The plan discount rate of 5.75% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	29%	7.25%
US Small Cap	13%	7.25%
All Foreign Stock	9%	7.25%
Other Fixed Income	49%	3.00%

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determine using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.50%
Discount rate	5.75%
Investment rate of return	5.75%
Healthcare cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2021 CalPERS active mortality for miscellaneous and school employees were used.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 16 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members over a period not to exceed 16 years. Therefore, the long-term assumed investment rate of return was applied to a period not to exceed 16 years of projected benefit payments to determine the total OPEB liability.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(Asset) for the OPEB Plan are as follows:

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2023	\$ 53,491,748	\$ 4,932,016	\$ 48,559,732
Changes for the year:			
Service cost	833,081	-	833,081
Interest on TOL	2,979,342	-	2,979,342
Employer contributions	-	4,587,295	(4,587,295)
Expected investment income	-	294,888	(294,888)
Investment gains/(losses)	-	324,703	(324,703)
Administrative expense	-	(7,053)	7,053
Actual benefit payments	(4,187,295)	(4,187,295)	-
Net change	(374,872)	1,012,538	(1,387,410)
Balance June 30, 2024	\$ 53,116,876	\$ 5,944,554	\$ 47,172,322

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) calculated using the discount rate of 5.75 percent. The schedule also shows what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percent lower (4.75 percent) and 1 percent higher (6.75 percent):

	Discount		
	1% Decrease (4.75%)	Rate (5.75%)	1% Increase (6.75%)
	Net OPEB liability/(asset)	\$ 51,323,255	\$ 47,172,322

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rates

The following table presents the net OPEB liability/(asset) calculated using the health care cost trend rate of 4.00 percent. The schedule also shows what the net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.00 percent) and 1 percent higher (5.00 percent):

	Healthcare Cost		
	1% Decrease (3.00%)	Trend Rate (4.00%)	1% Increase (5.00%)
	Net OPEB liability/(asset)	\$ 42,441,496	\$ 47,172,322

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

OPEB Plan Fiduciary Net Position

The Investment Trust issues a separate financial report that may be obtained by contacting the District at 3600 M Street, Merced, CA, 95348.

OPEB Expense/(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense/(benefit) of \$(1,295,673). The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 72,879
Differences between expected and actual experience	756,702	7,427,610
Change in assumptions	1,032,518	281,113
District contributions subsequent to the measurement date	4,084,605	-
	<u>\$ 5,873,825</u>	<u>\$ 7,781,602</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense/(benefit) as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (644,701)
2027	(529,829)
2028	(713,264)
2029	(752,915)
2030	(826,010)
Thereafter	(2,525,663)
Total	<u>\$ (5,992,382)</u>

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense/(benefit) systematically over time. Amounts are first recognized in OPEB expense/(benefit) for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense/(benefit).

The recognition period differs depending on the source of the gain or loss; net differences between projected and actual earnings on OPEB Trust investments, 5 years, and all other amounts, expected average remaining service lives (EARSL) of plan participants.

NOTE 10 – DEFERRED COMPENSATION PLANS

The District also offers its employees deferred compensation plans in accordance with *Internal Revenue Code*, Section 457 (the "457 Plans"). The Plans, available to eligible District employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying event. The assets of the 457 Plans are held in trust as described in the *Internal Revenue Code*, Section 457, for the exclusive benefit of the employees and their beneficiaries. The Plan administrators are agents of the employer for purposes of providing directions for the investment of funds held in the employer's account. In accordance with GASB, plan balances and activities are not reflected in the District's financial statements.

NOTE 11 – JOINT POWERS AUTHORITIES AGREEMENTS

The District is a participant in the Schools Excess Liability Fund (SELF). SELF is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to SELF by all participants, the District may be required to provide additional funding.

The District is a participant in the Alliance of Schools for Cooperative Insurance Program (ASCIP). ASCIP is a JPA established for the purpose of providing the services, facilities, and items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance system for property, liability, and workers' compensation claims and losses against public educational agencies who are members thereof. Should claims exceed amounts funded to ASCIP by all participants, the District may be required to provide additional funding. ASCIP also provides for additional insurance and risk management programs and services as well as a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding self-insurance for losses and other insurance and risk management programs and services.

The District is a participant in the Valley Insurance Program (VIP). VIP is a JPA that was established on October 1, 1986, for the operation of common risk management and loss prevention programs related to public liability, auto liability, property loss, and employment practices liability for member community college districts. Effective July 1, 1987, the Agency established a separate self-funded workers' compensation program.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 – JOINT POWERS AUTHORITIES AGREEMENTS, continued

Nature of Participation

Property		
	District Deductible:	\$5,000
	JPA's Coverage:	\$5,001 to \$5,000,000 with ASCIP
	Excess Insurance:	\$1,000,001 to \$600,000,000 with ASCIP
Liability		
	District Deductible:	\$0
	JPA's Coverage:	\$0 to \$5,000,000 with ASCIP
	Excess Insurance:	\$5,000,001 to \$50,000,000 with SELF
Workers' Compensation		
	District Deductible:	\$0
	JPA's Coverage:	Statuary

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year end assets, liabilities, or fund equity is not calculated by the JPA's. Separately issued financial statements can be requested from each JPA.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The District is a party to various legal proceedings and claims that arise in the ordinary course of operations. In the opinion of management, based upon consultation with legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

At June 30, 2025, management and legal counsel evaluated all known pending and threatened litigation involving the District. While certain cases remain in progress, management believes that any potential liabilities arising from these matters, individually or in the aggregate, are either covered by insurance or are not expected to be material to the financial statements. Accordingly, no provisions have been made in the accompanying financial statements.

Should future settlements or judgments result in losses materially in excess of the amounts accrued or covered by insurance, such losses will be recognized in the period in which the obligation is determined.

Construction Commitments

The District has construction commitments of approximately \$18,592,722 at June 30, 2025.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made as a result of change in accounting principle related to GASB Statement No. 101 in the June 30, 2024 audited financial statements. The impacts on the beginning net position in the financial statements are as follows:

Beginning Net Position - previously reported at June 30, 2024	\$ 53,030,592
Change in accounting principle (GASB 101)	<u>(4,432,536)</u>
Beginning Net Position - as restated at June 30, 2024	<u>\$ 48,598,056</u>

NOTE 14 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2025 through January 8, 2026, the date the financial statements were issued. The following was noted:

In July 2025, the District issued \$12,000,000 of General Obligation Bonds of School Facilities Improvement District No. 2024-1 of the Merced Community College District, 2024 Election, Series 2025. The bonds bear a true interest cost of 4.82%, are subject to optional redemption beginning August 1, 2035, and mature through August 1, 2054. Proceeds from the bond issuance will be used to finance authorized school facilities improvements and related issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022
Total OPEB liability				
Service cost	\$ 833,081	\$ 919,953	\$ 895,331	\$ 1,085,294
Interest on TOL	2,979,342	3,411,607	3,436,469	3,610,816
Change in assumptions	-	(348,045)	-	1,770,034
Experience (gains)/losses	-	(6,957,022)	-	(2,028,864)
Expected minus actual benefit payments	-	-	(676,693)	(136,302)
Benefit payments	(4,187,295)	(4,814,120)	(4,062,170)	(4,640,611)
Net change in total OPEB liability	(374,872)	(7,787,627)	(407,063)	(339,633)
Total OPEB liability, beginning of year	53,491,748	61,279,375	61,686,438	62,026,071
Total OPEB liability, end of year (a)	\$ 53,116,876	\$ 53,491,748	\$ 61,279,375	\$ 61,686,438
Plan fiduciary net position				
Employer contributions	\$ 4,587,295	\$ 4,814,120	\$ 4,462,170	\$ 4,640,611
Net investment income/(loss)	619,591	370,977	(629,664)	813,939
Administrative expense	(7,053)	(6,697)	(6,154)	(6,061)
Benefit payments	(4,187,295)	(4,814,120)	(4,062,170)	(4,640,611)
Change in plan fiduciary net position	1,012,538	364,280	(235,818)	807,878
Fiduciary trust net position, beginning of year	4,932,016	4,567,736	4,803,554	3,995,676
Fiduciary trust net position, end of year (b)	\$ 5,944,554	\$ 4,932,016	\$ 4,567,736	\$ 4,803,554
Net OPEB liability/(asset), ending (a) - (b)	\$ 47,172,322	\$ 48,559,732	\$ 56,711,639	\$ 56,882,884
Covered payroll	\$ 47,986,998	\$ 44,443,996	\$ 37,607,874	\$ 35,527,106
Plan fiduciary net position as a percentage of the total OPEB liability	11.2%	9.2%	7.5%	7.8%
Net OPEB liability/(asset) as a percentage of covered payroll	98.3%	109.3%	150.8%	160.1%
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

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

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 1,056,247	\$ 786,853	\$ 765,794	\$ 745,298
Interest on TOL	3,614,178	3,502,094	3,504,490	3,502,044
Change in assumptions	-	-	-	-
Experience gains/(losses)	(165,607)	1,962,712	-	-
Expected minus actual benefit payments	-	21,080	-	-
Benefit payments	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
Net change in total OPEB liability	(34,632)	1,920,134	(39,680)	103,146
Total OPEB liability, beginning of year	62,060,703	60,140,569	60,180,249	60,077,103
Total OPEB liability, end of year (a)	\$ 62,026,071	\$ 62,060,703	\$ 60,140,569	\$ 60,180,249
Plan fiduciary net position				
Employer contributions	\$ 4,539,450	\$ 4,352,605	\$ 4,309,964	\$ 4,563,789
Net investment income/(loss)	170,986	219,766	238,146	265,219
Administrative expense	(6,393)	(5,276)	(500)	(5,265)
Benefit payments	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
Change in plan fiduciary net position	164,593	214,490	237,646	679,547
Fiduciary trust net position, beginning of year	3,831,083	3,616,593	3,378,947	2,699,400
Fiduciary trust net position, end of year (b)	\$ 3,995,676	\$ 3,831,083	\$ 3,616,593	\$ 3,378,947
Net OPEB liability/(asset), ending (a) - (b)	\$ 58,030,395	\$ 58,229,620	\$ 56,523,976	\$ 56,801,302
Covered payroll	\$ 35,369,847	\$ 32,791,744	\$ 30,840,458	\$ 30,548,193
Plan fiduciary net position as a percentage of the total OPEB liability	6.4%	6.2%	6.0%	5.6%
Net OPEB liability/(asset) as a percentage of covered payroll	164.1%	177.6%	183.3%	185.9%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalSTRS					
District's proportion of the net pension liability	0.040%	0.043%	0.040%	0.043%	0.043%
District's proportionate share of the net pension liability	\$ 26,921,530	\$ 33,010,134	\$ 27,780,935	\$ 19,568,440	\$ 41,670,870
State's proportionate share of the net pension liability associated with the District	12,351,881	15,816,369	13,912,773	9,815,299	22,249,504
Total	\$ 39,273,411	\$ 48,826,503	\$ 41,693,708	\$ 29,383,739	\$ 63,920,374
District's covered-employee payroll	\$ 31,235,005	\$ 28,210,623	\$ 23,769,341	\$ 24,646,996	\$ 24,775,773
District's proportionate share of the net pension liability as percentage of covered-employee payroll	86%	117%	117%	79%	168%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalPERS					
District's proportion of the net pension liability	0.114%	0.109%	0.115%	0.119%	0.113%
District's proportionate share of the net pension liability	\$ 40,881,780	\$ 39,325,932	\$ 39,485,266	\$ 24,117,653	\$ 34,790,619
District's covered-employee payroll	\$ 24,530,146	\$ 20,824,168	\$ 17,591,702	\$ 17,082,394	\$ 16,397,178
District's proportionate share of the net pension liability as percentage of covered-employee payroll	167%	189%	224%	141%	212%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%

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

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalSTRS					
District's proportion of the net pension liability	0.042%	0.039%	0.040%	0.041%	0.042%
District's proportionate share of the net pension liability	\$ 37,932,720	\$ 35,843,730	\$ 36,992,000	\$ 33,161,210	\$ 28,276,080
State's proportionate share of the net pension liability associated with the District	20,796,658	20,753,098	21,778,811	19,018,100	14,923,484
Total	\$ 58,729,378	\$ 56,596,828	\$ 58,770,811	\$ 52,179,310	\$ 43,199,564
District's covered-employee payroll	\$ 23,934,884	\$ 22,179,621	\$ 21,690,641	\$ 21,110,849	\$ 19,627,455
District's proportionate share of the net pension liability as percentage of covered-employee payroll	158%	162%	171%	157%	144%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalPERS					
District's proportion of the net pension liability	0.108%	0.104%	0.106%	0.105%	0.105%
District's proportionate share of the net pension liability	\$ 31,397,102	\$ 27,798,998	\$ 25,410,037	\$ 20,678,315	\$ 15,521,324
District's covered-employee payroll	\$ 14,920,807	\$ 13,747,179	\$ 13,790,329	\$ 12,795,195	\$ 11,614,639
District's proportionate share of the net pension liability as percentage of covered-employee payroll	210%	202%	184%	162%	134%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

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

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025**

CaSTRS	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 6,420,678	\$ 5,965,886	\$ 5,388,229	\$ 4,019,483	\$ 3,980,570
District's contributions in relation to the statutorily required contribution	6,420,678	5,965,886	5,388,229	4,019,483	3,980,570
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 33,616,115	\$ 31,235,005	\$ 28,210,623	\$ 23,769,341	\$ 24,646,996
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.91%	16.15%

CaLPERS	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 6,741,991	\$ 6,544,643	\$ 4,770,817	\$ 4,027,225	\$ 3,512,726
District's contributions in relation to the statutorily required contribution	6,741,991	6,544,643	4,770,817	4,027,225	3,512,726
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 24,924,181	\$ 24,530,146	\$ 20,824,168	\$ 17,591,702	\$ 17,082,394
District's contributions as a percentage of covered-employee payroll	27.05%	26.68%	22.91%	22.89%	20.56%

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025**

CalSTRS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 4,236,229	\$ 3,896,304	\$ 3,200,236	\$ 2,718,478	\$ 2,268,381
District's contributions in relation to the statutorily required contribution	4,236,229	3,896,304	3,200,236	2,718,478	2,268,381
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 24,775,773	\$ 23,934,884	\$ 22,179,621	\$ 21,690,641	\$ 21,110,849
District's contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.53%	10.75%

CalPERS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 3,224,613	\$ 2,694,577	\$ 2,135,151	\$ 1,911,785	\$ 1,464,028
District's contributions in relation to the statutorily required contribution	3,224,613	2,694,577	2,135,151	1,911,785	1,464,028
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,397,178	\$ 14,920,807	\$ 13,747,179	\$ 13,790,329	\$ 12,795,195
District's contributions as a percentage of covered-employee payroll	19.67%	18.06%	15.53%	13.86%	11.44%

**MERCED COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios

The Schedule of Changes in Net OPEB liability/(asset) is presented to illustrate the elements of the District's net OPEB liability/(asset). There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - The discount rate has increased since the prior measurement date from 3.65% to 3.93%.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years.

Changes of Benefit Terms - For CalPERS there is a change in required employer contribution rate from 26.68% to 27.05% from the previous valuation. There were no changes in benefit terms since the previous valuations for CalSTRS.

Changes of Assumptions - Additional factors were considered in the actuarial valuation for CalSTRS namely the payroll growth rate and long-term expected rate of return based on 20- to 30-year geometric average. There were no changes in economic assumptions since previous valuation for CalPERS.

Schedule of District Contributions – Pensions

The Schedule of District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years.

SUPPLEMENTARY INFORMATION

**MERCED COMMUNITY COLLEGE DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2025**

The Merced Community College District (the "District"), a political subdivision of the State of California, was established on July 1, 1963. Its territories encompass portions of Merced, Madera, and Fresno counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocational training at Merced Community College.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Carmen Ramirez	President	December 2028
Sue Chappell	Vice President	December 2026
Kory Benson	Clerk	December 2028
Ernie Ochoa	Trustee	December 2028
Mario Mendoza	Trustee	December 2026
Joe G. Gutierrez	Trustee	December 2026
John Pedrozo	Trustee	December 2026

ADMINISTRATION

Chris Vitelli, Ed.D.
Superintendent/President, Merced College

Joe Allison, CPA
Vice President, Administrative Services

Dee Sigismund, Ph.D.
Vice President, Instruction

Michael McCandless, Ed.D.
Vice President, Student Services

Kelly Avila
Vice President, Human Resources

Arlis Bortner
Vice President, Information Technology Services

Jill Cunningham
Vice President, External Relations

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
Merced College Foundation	Jill Cunningham	Organized as an auxiliary organization on November 9, 1973 and has a signed master agreement revised on January 5, 2010.

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	\$ 524,943
Federal Work Study Program (FWS)	84.033	n/a	523,439
Federal Direct Student Loan Program	84.268	n/a	836,754
Federal Pell Grant Program	84.063	n/a	<u>31,544,817</u>
Subtotal Student Financial Assistance Cluster			<u>33,429,953</u>
Developing Hispanic Serving Institution	84.031S	n/a	707,048
Childcare Access Means Parents In School (CCAMPIS)	84.335A	n/a	359,452
<i>Passed through California Community Colleges Chancellor's Office</i>			
Perkins Title I, Part C	84.048A	23-C01-530	<u>622,130</u>
Total U.S. Department of Education			<u>35,118,583</u>
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Program</i>			
Investments For Public Works And Economic Development Facilities	11.300	n/a	1,679,294
Connecting Minority Communities	11.028	n/a	768,156
Economic Development Administration (EDA)			
Agrifood Technology and Engineering Collaborative (AgTEC) Workforce	11.307	n/a	3,548,542
AgTEC Innovation Center Facility Construction Project	11.307	n/a	<u>498,018</u>
Subtotal Economic Development Administration (EDA)			<u>4,046,560</u>
Total U.S. Department of Commerce			<u>6,494,010</u>
U.S. DEPARTMENT OF VETERAN AFFAIRS			
<i>Direct Program</i>			
Veterans Affair ARF	64.000	n/a	<u>3,774</u>
Total U.S. Department of Veteran Affairs			<u>3,774</u>
U.S. DEPARTMENT OF THE TREASURY			
<i>Direct Program</i>			
Emergency Financial Assistance	21.027	n/a	17,855
State Fiscal Recovery Funds Emergency Financial Assistance	21.027	n/a	<u>(4,437)</u>
Total U.S. Department of the Treasury			<u>13,418</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
Office on Violence Against Women	16.588	n/a	11,039
Office on Violence Against Women	16.525	n/a	<u>79,522</u>
Total U.S. Department of Justice			<u>90,561</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through California Department of Education</i>			
Child Care Federal Food Program	10.558	n/a	<u>91,800</u>
Total U.S. Department of Agriculture			<u>91,800</u>
NATIONAL SCIENCE FOUNDATION			
<i>Direct Program</i>			
NSF CSU Stanislaus S-STEM	47.076	n/a	5,200
NSF STEM	47.076	n/a	<u>119,624</u>
Total National Science Foundation			<u>124,824</u>
<i>Balance forwarded</i>			<u>\$ 41,936,970</u>

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
<i>Balance brought forward</i>			\$ 41,936,970
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through California Department of Education:</i>			
477 Cluster			
CDC General Child Care & Dev Programs (CCTR)	93.575	CCTR-1152	592,414
CDC General Child Care & Dev Programs (CCTR)	93.596	CCTR-1152	18,322
<i>Passed through the Yosemite Community College District</i>			
Child Development Training Consortium	93.575	22-23-3970	24,150
<i>Passed through California Community Colleges Chancellor's Office</i>			
Temporary Assistance for Needy Families (TANF)	93.558	n/a	75,934
Subtotal 477 Cluster			<u>710,820</u>
<i>Passed through Merced County Mental Health</i>			
Mental Health	93.958	2020154	44,234
<i>Passed through Merced County Office of Education</i>			
Head Start Cluster	93.600	n/a	352,330
Total U.S. Department of Health and Human Services			<u>1,107,384</u>
U.S. DEPARTMENT OF LABOR			
<i>Direct Program</i>			
Strengthening Community Colleges Training Grants	17.261	n/a	3,411
Total U.S. Department of Labor			<u>3,411</u>
Total Federal Programs			<u>\$ 43,047,765</u>

n/a - Pass-through entity identifying number not applicable.

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Program Title	Entitlements		Program Expenditures			Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable/ (Payable)	Deferred Revenue	Total	
CATEGORICAL APPORTIONMENTS						
EOPS/CARE	\$ 839,157	\$ 925,610	\$ -	\$ 84,798	\$ 840,812	\$ 840,812
EOPS (E)	2,320,996	2,511,172	-	143,758	2,367,414	2,367,414
Student Success Completion	5,373,991	6,925,310	-	9,508	6,915,802	6,915,802
Disabled Student Programs and Services (D.S.P.S.)	1,149,451	1,360,757	-	103,517	1,257,240	1,257,240
Basic Needs Center	391,468	391,468	-	186,315	205,153	205,153
Basic Needs and Housing	-	128,094	-	68,574	59,520	59,520
Basic Needs	-	190,124	-	-	190,124	190,124
BFAP	533,696	678,518	-	90,504	588,014	588,014
BFAP 1x Funding	199,557	199,557	-	101,449	98,108	98,108
California College Promise	639,482	803,236	-	275,054	528,182	528,182
Classified Professional Development	-	21,634	-	9,468	12,166	12,166
LGBTQ+	85,750	85,750	-	85,750	-	-
LGBTQ+	-	36,352	-	-	36,352	36,352
LGBTQ+ One Time	-	81,681	-	50,621	31,060	31,060
Mental Health Support	275,873	528,040	-	207,107	320,933	320,933
RN Enrollment Growth	186,480	186,979	-	99,822	87,157	87,157
EEO Best Practices	-	4,201	-	-	4,201	4,201
Equal Employment Opportunity	136,986	350,210	-	93,323	256,887	256,887
Financial Aid Technology	50,392	50,690	-	-	50,690	50,690
Guided Pathways	-	69,832	-	23,233	46,599	46,599
NextUp	487,166	531,141	-	67,866	463,275	463,275
CAEP (California Adult Education Program)	666,768	680,842	-	85,061	595,781	595,781
ELL Healthcare Pathways Administrative Allocation	101,573	171,752	-	98,486	73,266	73,266
Student Equity and Achievement	4,358,234	5,315,244	-	656,658	4,658,586	4,658,586
Physical Plant & Inst'l Support	-	2,617,740	-	1,652,431	965,309	965,309
Veterans Resource Center	65,402	174,679	-	69,433	105,246	105,246
Strong Workforce Program District Grant (SW6)	-	250,172	-	51,218	198,954	198,954
Strong Workforce Program District Grant (SW8)	-	1,503,241	-	-	1,503,241	1,503,241
Strong Workforce Program District Grant (SW7)	-	3,550	-	-	3,550	3,550
Strong Workforce Program Regional One-Time (1x) Funding	25,000	25,000	-	-	25,000	25,000
Strong Workforce Program Regional Grant (SW6)	-	89,385	-	-	89,385	89,385
Strong Workforce Program Regional Grant	672,800	-	-	-	-	-
Strong Workforce Program Regional Grant (SW8)	835,969	344,831	491,138	-	835,969	835,969
Strong Workforce Local (SW9)	1,237,888	1,237,888	-	1,158,846	79,042	79,042
Student Retention & Outreach	-	228,184	-	58,548	169,636	169,636
Systemwide Technology	-	46,860	-	7,828	39,032	39,032
Local & Systemwide Technology	175,000	668,931	-	522,749	146,182	146,182
Calworks	537,993	581,138	-	105,818	475,320	475,320
Undocumented Resources Liaison	94,227	162,688	-	4,222	158,466	158,466
Zero Textbook Cost 2025 Allocation	320,000	320,000	-	320,000	-	-
Zero Textbook	-	7,210	-	2,321	4,889	4,889
Zero Textbook One-Time	-	180,000	-	163,558	16,442	16,442
Zero Textbook Acceleration	-	150,000	-	147,200	2,800	2,800
COVID-19 Recovery Block Grant	-	4,434,835	-	2,833,888	1,600,947	1,600,947
Student Transfer Achievement Reform	-	565,217	-	463,891	101,326	101,326
Equitable Placement Support and Completion Grant	-	750,371	-	533,818	216,553	216,553
Classified Community College Employee Summer Assistant Program	15,520	-	15,520	-	15,520	15,520
Common Course Numbering	913,043	913,043	-	531,655	381,388	381,388
Student Housing (Planning)	-	22,481	-	22,481	-	-
<i>Balance forwarded</i>	\$ 22,689,862	\$ 37,505,638	\$ 506,658	\$ 11,190,777	\$ 26,821,519	\$ 26,821,519

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Program Title	Entitlements	Program Expenditures				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable/ Payable	Deferred Revenue	Total	
<i>Balance brought forward</i>	\$ 22,689,862	\$ 37,505,638	\$ 506,658	\$ 11,190,777	\$ 26,821,519	\$ 26,821,519
CATEGORICAL PROGRAM ALLOWANCES						
Puente Project	181,000	106,069	-	75,000	31,069	31,069
Cal Grant	5,036,042	4,941,298	94,744	-	5,036,042	5,036,042
CDC Block Grant	694,142	694,142	-	249	693,893	693,893
CDC California State Preschool Program (CSPP)	-	3,000	-	3,000	-	-
CDC Preschool Program	958,523	949,680	8,141	-	957,821	957,821
CDC CSPP - TRIA	-	34,608	-	34,608	-	-
CDC CSPP - Cost of Care Plus	48,720	100,380	-	100,380	-	-
CDC CCTR - Cost Plus Rates	80,000	112,590	-	112,590	-	-
CDC CCTR - TRIA	-	71,181	-	71,181	-	-
CDC CCTR - CCB Transitional	-	3,000	-	3,000	-	-
CDC MCOE RTT-ELC QRIS	-	73,768	-	64,000	9,768	9,768
Child Care Food Program	4,271	4,271	-	626	3,645	3,645
Child Care Food Program	1,060	1,341	-	-	1,341	1,341
Early Childhood Mentors	31,765	73	-	73	-	-
Competency Based Education	710,715	201,138	-	25,958	175,180	175,180
CVHEC	-	1,831	-	1,831	-	-
Song-Brown RN Special Program	1,380,000	337,500	228,696	-	566,196	566,196
Song-Brown RN Special Program	224,708	112,208	112,500	-	224,708	224,708
Agriculture, Water & Environmental Tech (AWET)	-	1,397	-	121	1,276	1,276
A2MEND	16,525	16,645	-	4,797	11,848	11,848
Regional Equity and Recovery Program	42,980	75,268	-	21,290	53,978	53,978
Rising Scholars	148,000	172,970	14,881	-	187,851	187,851
AgTEC Collaborative	6,579,956	861,636	-	-	861,636	861,636
CA Jobs First Planning Phase - Admin	70,400	70,400	-	-	70,400	70,400
CA Jobs First Planning Phase - Program	1,994,556	1,994,556	-	-	1,994,556	1,994,556
CA Jobs First Catalyst - Admin	810,970	156,395	66,475	-	222,870	222,870
CA Jobs First Catalyst - Program	13,189,030	123,111	457,384	-	580,495	580,495
Mathematics, Engineering, Science Achievement (MESA)	447,393	909,491	-	566,457	343,034	343,034
Ethnic Studies	3,335	12,280	-	-	12,280	12,280
Rising Scholars Juvenile Justice	881,374	881,374	-	615,665	265,709	265,709
16 Week IEPI Seed	-	197,245	-	85,493	111,752	111,752
UMOJA	56,649	-	-	-	-	-
UMOJA	5,000	52,131	-	20,099	32,032	32,032
John Burton Critical Needs	5,000	5,000	-	-	5,000	5,000
Workforce Investment Initiative-High Road Construction Career (HRCC) Partnerships	735,000	293,971	-	161,070	132,901	132,901
Homegrown Heroes	30,000	30,000	-	15,763	14,237	14,237
PPM Sustainability	60,000	-	-	-	-	-
Zero Emission Vehicle	275,000	-	28,319	-	28,319	28,319
Program Pathways Mapper	86,500	20,789	26,756	-	47,545	47,545
Data Science	59,629	-	23,305	-	23,305	23,305
We Will Project #47 Empowering Emergency Responders: EMT Training Education	400,000	200,000	43,052	-	243,052	243,052
We Will Project #50 Smiles for a Brighter Future: Dental Assisting Training and Education	400,000	200,000	-	200,000	-	-
We Will Project #49 Merced College Education and Allied Health Career Support	270,000	135,000	-	55,647	79,353	79,353
We Will Project #97 ReSubmission Pathway Counseling Program	400,000	200,000	-	155,781	44,219	44,219
BEAM Circular Bioindustrial Careers Grant	17,140	17,140	-	-	17,140	17,140
California Apprenticeship Initiative: New & Innovative Grant	120,000	96,000	-	30,741	65,259	65,259
CHAFEE	252,500	252,500	-	-	252,500	252,500
Total State Programs	\$ 59,397,745	\$ 52,229,015	\$ 1,610,911	\$ 13,616,197	\$ 40,223,729	\$ 40,223,729

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2025**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit	79.62	-	79.62
2. Credit	1,101.08	-	1,101.08
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit	0.78	-	0.78
2. Credit	128.04	-	128.04
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,212.52	-	3,212.52
(b) Daily Census Contact Hours	472.68	-	472.68
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	605.41	-	605.41
(b) Credit	87.84	-	87.84
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	3,394.09	-	3,394.09
(b) Daily Census Contact Hours	1,653.15	-	1,653.15
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,735.21	-	10,735.21
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	59.29	-	59.29
2. Noncredit	478.70	-	478.70
Total Basic Skills FTES	537.99	-	537.99
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	411.50	-	411.50
Centers FTES			
1. Credit	1,288.63	-	1,288.63
2. Noncredit	147.49	-	147.49
Total Centers FTES	1,436.12	-	1,436.12

**MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2025**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 16,069,461	\$ -	\$ 16,069,461	\$ 16,069,461	\$ -	\$ 16,069,461
Other	1300	10,260,911	-	10,260,911	10,260,911	-	10,260,911
Total Instructional Salaries		26,330,372	-	26,330,372	26,330,372	-	26,330,372
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	5,724,293	-	5,724,293
Other	1400	-	-	-	310,831	-	310,831
Total Non-Instructional Salaries		-	-	-	6,035,124	-	6,035,124
Total Academic Salaries		26,330,372	-	26,330,372	32,365,496	-	32,365,496
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	13,525,225	-	13,525,225
Other	2300	-	-	-	929,856	-	929,856
Total Non-Instructional Salaries		-	-	-	14,455,081	-	14,455,081
Instructional Aides							
Regular Status	2200	1,432,867	-	1,432,867	1,432,867	-	1,432,867
Other	2400	327,128	-	327,128	327,128	-	327,128
Total Instructional Aides		1,759,995	-	1,759,995	1,759,995	-	1,759,995
Total Classified Salaries		1,759,995	-	1,759,995	16,215,076	-	16,215,076
Employee Benefits	3000	12,952,697	-	12,952,697	27,965,899	-	27,965,899
Supplies and Materials	4000	-	-	-	756,138	-	756,138
Other Operating Expenses	5000	295,143	-	295,143	7,585,387	-	7,585,387
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		41,338,207	-	41,338,207	84,887,996	-	84,887,996
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	1,868,487	-	1,868,487	1,868,487	-	1,868,487
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	2,216,118	-	2,216,118
Object to Exclude							
Rents and Leases	5060	-	-	-	85,835	-	85,835
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	51,336	-	51,336
Non-inst. Supplies & Materials	4400	-	-	-	115,944	-	115,944
Total Supplies and Materials		-	-	-	167,280	-	167,280
Other Operating Expenses and Services	5000	-	-	-	1,754,220	-	1,754,220
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	130,627	-	130,627
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	130,627	-	130,627
Total Capital Outlay		-	-	-	130,627	-	130,627
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,868,487	\$ -	\$ 1,868,487	\$ 6,222,567	\$ -	\$ 6,222,567
Total for ECS 84362, 50% Law		\$ 39,469,720	\$ -	\$ 39,469,720	\$ 78,665,429	\$ -	\$ 78,665,429
Percent of CEE (Instructional Salary Cost/Total CEE)		50.17%	0.00%	50.17%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 39,332,715	\$ -	\$ 39,332,715

**MERCED COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURES REPORT
 FOR THE YEAR ENDED JUNE 30, 2025**

EPA Revenue	\$ 17,024,782
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 17,024,782	\$ -	\$ -	\$ 17,024,782
Total		\$ 17,024,782	\$ -	\$ -	\$ 17,024,782

**MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

Total Governmental Fund Equity - District Funds Included in the Reporting Entity

General Funds	\$	29,720,553	
Bond Interest and Redemption Fund		4,782,329	
Child Development Fund		98,909	
Farm Operation Fund		101,068	
Capital Outlay Projects Fund		26,440,559	
Bookstore Fund		(24,090)	
Self-Insurance Fund		4,269,054	
Associated Students Trust Fund		470,229	
Student Representation Fee Fund		106,376	
Total governmental fund balances as reported in the CCFS-311			\$ 65,964,987
Assets recorded within the statement of net position not included in the District fund financial statements:			
Capital assets, gross	\$	234,851,500	
Right-to-use assets, gross		5,466,790	
Accumulated depreciation and amortization		(90,942,048)	149,376,242
Unmatured Interest			(420,448)
FMV Cash in County Treasury			(1,125,561)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred loss on refunding			597,745
Deferred outflows related to OPEB			5,873,825
Deferred outflows related to pensions			27,056,895
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:			
General obligation bonds	\$	(29,725,000)	
Bond premium		(1,495,352)	
Compensated absences		(7,695,611)	
Finance purchases		(345,277)	
Lease liability		(28,495)	
Subscription-based IT arrangements		(2,900,524)	
Solar energy project		(1,360,743)	
Energy service contract		(3,671,824)	
Net OPEB liability		(47,172,322)	
Net pension liability		(67,803,310)	(162,198,458)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred inflows related to OPEB			(7,781,602)
Deferred inflows related to pensions			(6,496,358)
Net Assets Reported Within the Statement of Net Position			\$ 70,847,267

**MERCED COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

NOTE 1 – PURPOSE OF SCHEDULES

Organizational Structure

This schedule provides information about the District's governing board members, administration members and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2025, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.
- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2025.

Schedule of Expenditures of State Awards

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of Expenditures of State Awards is presented.

Schedule of Workload Measures for State General Apportionment Annual/Actual Attendance

Full-time equivalent students (FTES) is a measurement of the number of students 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 community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of the *Education Code* Section 84362 (50 Percent Law) Calculation

The Reconciliation of the *Education Code* Section 84362 (50 Percent Law) Calculation form shows the annual reported data from the CCFS-311 and any audit adjustments.

Details of the EPA Expenditures Report

This Details of Education Protection Account Expenditures shows the annual general apportionment and the expenditures the District applied toward the apportionment.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business type activities reporting model.

OTHER INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Merced Community College 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, the financial statements of the business-type activities, and the discretely presented component unit of Merced Community College District (the "District") as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2026.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 or significant deficiencies. 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.

CWDL, Certified Public Accountants

San Diego, California

January 8, 2026



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Merced Community College District
Merced, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Merced Community College District's (the "District") compliance with the types of compliance requirements described 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 Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of 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; 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 Auditors' 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.

Auditors' 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 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 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 Auditors' 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 or significant deficiencies, 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.

Purpose of This Report

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.

CWDL, Certified Public Accountants

San Diego, California

January 8, 2026



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Board of Trustees
Merced Community College District
Merced, California

Report on State Compliance

Opinion on State Compliance

We have audited Merced Community College District's (the "District") compliance with the types of compliance requirements as identified in the 2024-25 California Community College's Chancellor's Office *Contracted District Audit Manual*, for the year ended June 30, 2025. The applicable state compliance requirements are identified below.

In our opinion, the District complied, in all material respects, with the laws and regulations of the State programs noted below that were audited 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; and the compliance requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Our responsibilities under those standards and the compliance requirements are further described in the Auditors' 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 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 compliance with the requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has 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 California 2024-25 Community Colleges Chancellor's Office *Contracted District Audit Manual* 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 listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, 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, 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 material noncompliance with the requirements listed below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

- Section 411 – SCFF Data Management Control Environment
- Section 412 – SCFF Supplemental Allocation Metrics
- Section 413 – SCFF Success Allocation Metrics
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – Student Centered Funding Formula Base Allocation: FTES
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 490 – Propositions 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds
- Section 492 – Student Representation Fee
- Section 494 – State Fiscal Recovery Fund
- Section 498 – COVID-19 Response Block Grant Expenditures

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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 or significant deficiencies, 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
January 8, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MERCED COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
JUNE 30, 2025**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	<u>No</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.033 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,291,433</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**MERCED COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or recommendations identified during 2024-25.

**MERCED COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2024-25.

**MERCED COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2024-25.

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025**

This section identifies the audit findings and questioned related to the basic financial statements, federal awards or state awards for prior year.

There were no findings or questioned costs identified during 2023-24.